

Selling Your Mid-Market Business [\$2M – \$200M]

**A Comprehensive Guide
To Success**



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Navigating Your Estate: Preparing for the Sale of Your Mid-Market Business

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Selling a Mid-Market business marks not just a pivotal moment in an entrepreneur's professional journey, but also a significant milestone in their personal life and financial landscape. This critical juncture underscores the importance of comprehensive Business Exit Planning, an often-overlooked aspect that is crucial for securing an entrepreneur's legacy and ensuring a family's financial well-being.

For many, the realization comes too late that the wealth expected from years of dedication and sacrifice is substantially less than anticipated, primarily due to a lack of preparation. Astonishingly, up to 80% of an entrepreneur's wealth can be entwined within their business, highlighting the necessity for strategic planning to address the challenges and seize the opportunities the sale presents before the sale occurs.

By aligning personal and financial affairs before, during and after the transaction, entrepreneurs can navigate the pitfalls of market conditions, tax implications and poor timing.

Let's delve into essential preparations that business owners should undertake to ensure a smooth transition, safeguarding the value built over the years and preserving their legacy for generations to come.

Pre-Sale Preparation: Laying the Groundwork for Success

The journey toward a successful business exit begins well before the business is actually listed for sale, with the pre-sale phase being arguably the most crucial period to ensure a seamless transition and to maximize the value of your exit.

This preparatory time demands strategic foresight to avoid common pitfalls and align your personal and financial affairs with your long-term legacy goals.

As an estate planning attorney, I provide tools and strategies for business owners to navigate this complex landscape effectively. This approach not only anticipates potential challenges but also offers detailed solutions and strategies for a smoother transition, ensuring the foundation for your future is solid and aligned with your vision.

Common pitfalls

- 1. Failure to update estate planning documents:** Overlooking necessary updates can lead to misalignment with current goals.
- 2. Inadequate tax planning:** Neglecting tax implications of a business sale on your personal wealth can result in unexpected liabilities.
- 3. Lack of succession planning:** Without clear plans, business continuity may be jeopardized.

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Solutions and Strategies

Comprehensive estate review and update:

- Evaluate and update Wills, Trusts and estate documents to reflect current wishes and the upcoming business transition.
- Utilize advanced estate planning tools like Irrevocable Trusts to minimize potential estate tax burdens.

Strategic tax planning:

- Assess the business structure and its implications for your tax situation. Converting from a C to an S corporation, for example, may offer significant tax benefits.
- Implement income and gift tax strategies, such as gifting portions of the business to family members or into Trusts, utilizing valuation discounts.

Succession planning:

- For family-owned businesses, develop a clear succession plan that considers both business continuity and estate planning objectives.

During the Sale Process: Maximizing Benefits and Minimizing Taxes

The actual sale process is a critical period where strategic decisions can significantly impact your financial future and estate planning outcomes.

Common pitfalls

1. **Misalignment with financial goals:** Failing to structure the sale to meet personal and estate objectives.
2. **Inadequate due diligence:** Overlooking potential legal or financial liabilities that could adversely impact the sale.
3. **Poor liquidity planning:** Not strategizing for the management of proceeds for future flexibility.

Solutions and Strategies

Collaborate with financial advisors:

- Work closely with your team of advisors to structure the sale in a way that optimizes tax implications and aligns with your estate planning goals.
- Consider utilizing Trusts or Charitable Giving strategies to manage capital gains and support philanthropic interests effectively.

Comprehensive due diligence:

- Perform thorough legal and financial reviews to identify and address issues that could affect the sale value or timeline.

Liquidity planning:

- Plan for the proceeds with a focus on maintaining liquidity and aligning with investment goals, utilizing financial planning tools to model various scenarios.

Post-Sale Estate Planning: Reinforcing and Enhancing Your Legacy

After the sale, the focus shifts to adjusting your estate plan to reflect the new financial landscape, ensuring your legacy is protected and positioned for growth.

Common pitfalls

1. **Failure to reevaluate estate plan:** Overlooking the need to adjust your estate plan to reflect the new financial landscape.
2. **Ineffective wealth management:** Poor management of sale proceeds can jeopardize long-term financial health.
3. **Neglecting tax implications:** New wealth can bring about significant tax considerations that, if ignored, could diminish wealth over time.

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Solutions and Strategies

Estate plan re-evaluation:

- Conduct a comprehensive review of your estate plan post-sale to account for the influx of liquidity and changes in your financial situation.
- Adjust trusts, wills and other estate planning instruments to reflect your current wishes and the new asset composition.

Investment and wealth management:

- Develop a strategy for the prudent management of sale proceeds, focusing on diversification, tax efficiency and alignment with estate planning goals.
- Consider establishing or contributing to philanthropic vehicles, such as donor-advised funds or private foundations as part of a holistic estate planning approach.

Continued tax planning:

- Engage in ongoing tax planning to address the complexities of your enhanced financial status, including investment tax implications and potential estate tax considerations.
- Explore opportunities for gifting and wealth transfer strategies that take advantage of your current tax situation.

Navigating Your Business Exit with Expertise

Navigating the complexities of a business exit requires nuanced understanding, meticulous planning and strategic foresight. By identifying potential pitfalls and employing targeted solutions, business owners can successfully meet their financial and estate planning objectives. A comprehensive approach, encompassing pre-sale preparation, diligent navigation during the sale and strategic post-sale estate planning, enables a seamless transition, optimal asset valuation and a secure legacy for future generations.

At Sky Unlimited Legal Advisory, we excel in creating strategies tailored to your unique goals, facilitated by our expertise as Certified Exit Planning Associates (CEPA). Our dedication to guiding clients through their business sale ensures not just a successful exit but a lasting legacy. For personalized support and strategic planning that aligns with your aspirations, reach out to info@skyunlimited.law.

Discover how we can assist in your successful business exit and explore further resources at:

www.skyunlimited.law