

# ASSET STRATEGY

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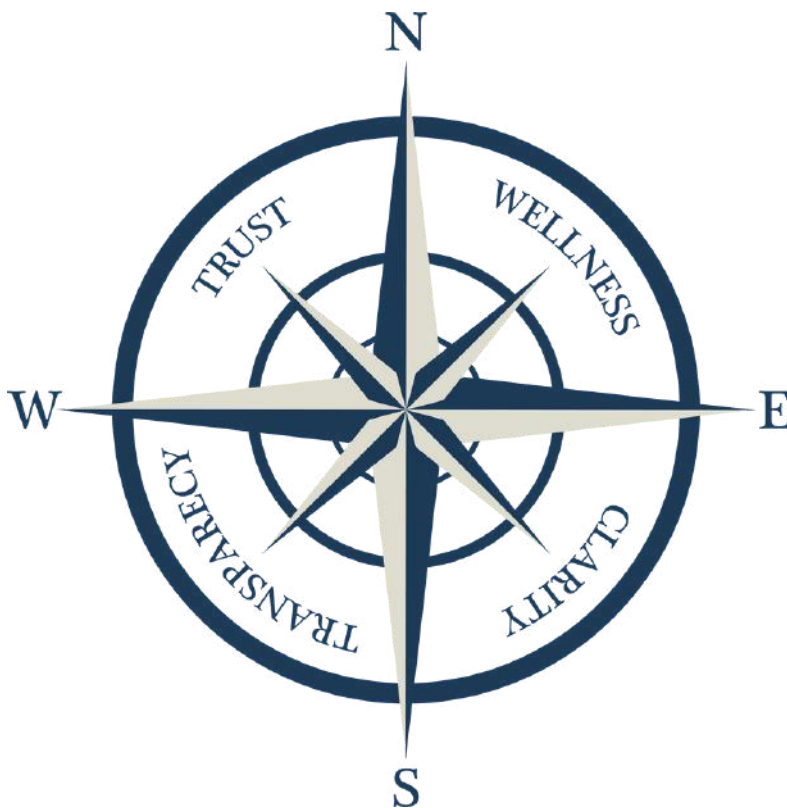
2026

## **BUSINESS VALUATION & EXIT PLANNING GUIDE**

CREATING VALUE BEFORE THE SALE

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## Introduction

*Planning for the exit is one of the most important decisions you will make as an entrepreneur.*

For many business owners, it's hard to imagine life without their business.

While many understand that one day they will have to stop operating their business, they may find it more comforting to put those thoughts aside and deal with them later.

But that's exactly the wrong approach.

When you are preparing for Exit Planning, what you are really doing is making your business more **stable** and **valuable**, both now and in the future. This means that even if you have no plans to exit or sell your business in the near term, you should still be preparing your business for a transfer of ownership. **Remember, a business that can be sold for top dollar is also one worth keeping.**



### **What is a Business Exit Plan?**

A business exit plan is an entrepreneur's strategic plan to **sell his or her ownership in a company to investors or another company**. An exit plan gives a business owner a way to reduce or liquidate his stake in a business and, if the business is successful, make a substantial **profit**. If the business is not successful, an exit strategy (*or "exit plan"*) enables the entrepreneur to limit losses. An exit plan may also be used by an investor such as a venture capitalist in order to plan for a cash-out of an investment.

Source: <https://www.investopedia.com/terms/b/business-exit-strategy.asp>

## Who Needs an Exit Plan?

Every **business owner**, regardless of the size or type of business, needs an exit plan.

An exit plan is **not** only for those who are nearing retirement or planning to sell in the short term; it's an essential element of strategic business planning. Whether you run a small family-owned business, a tech startup, or a large corporation, an exit strategy helps ensure a smooth transition, protect business value, and secure your financial future.

A **well-structured** exit plan serves as a roadmap for what will happen to the business when you, as the owner, decide to step away.

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### The Earlier, The Better

For business owners who are years away from their departure, planning early offers several benefits. It allows you to **increase the value** of your business by addressing potential weaknesses, investing in key areas, and implementing operational improvements.

An exit plan also ensures **continuity** by identifying and developing future leaders, setting up training programs, and establishing a succession timeline. Moreover, if unexpected circumstances arise, such as health issues, economic downturns, or shifts in the market, having a plan in place helps you **maintain control** over the situation and protect your investment.



## You Have Options! You Could...

### **Sell to a Third Party**

Selling your business to a third party involves finding an external buyer, such as an individual investor, private equity firm, or competitor.

### **Do a Management Buyout (MBO)**

In a management buyout (MBO), the existing management team purchases the business from the current owner.

### **Set up an Employee Stock Ownership Plan (ESOP)**

An Employee Stock Ownership Plan (ESOP) enables employees to acquire ownership of the company over time, offering a gradual exit for the owner.

### **Establish a Family Succession**

Family succession involves passing the business on to the next generation or another family member.

### **Combine Your Business in a M&A**

Mergers and acquisitions involve combining your business with another company or being acquired by a larger one.

### **Set up an Initial Public Offering (IPO)**

An Initial Public Offering (IPO) involves offering shares of your business to the public, allowing you to raise capital and gradually exit while retaining some ownership.

### **Recapitalize**

Recapitalization is a financial strategy where a company restructures its capital, often by replacing equity with debt or vice versa. This allows the owner to take cash out of the business while retaining some level of control or ownership.

## You Could Also...

### Liquidate Your Business

Liquidation involves selling off the business's assets and ceasing operations. It can still be a positive exit if it allows the owner to pay off creditors and salvage remaining value.

### Establish a Strategic Alliance or Joint Venture

A strategic alliance or joint venture involves partnering with another business to combine strengths, share resources, or pursue new market opportunities. This is different than a M&A because the two companies are simply working with each other.

### Sell to Business Partners

Selling to business partners, often through a buy-sell agreement, provides an exit strategy where ownership is transferred to existing partners.

### Gradually Phase-Out

A gradual phase-out allows the business owner to slowly reduce their involvement while still retaining some ownership and income from the business.

### Transfer to Key Employees

Transferring the business to key employees is a common exit strategy for owners who want to reward loyal team members and ensure the company remains in good hands.

### Establish a CRT

A CRT allows a business owner to donate their business interests to a trust while receiving an income stream for a set period. This exit strategy provides significant tax benefits by reducing capital gains taxes and creating a charitable deduction.

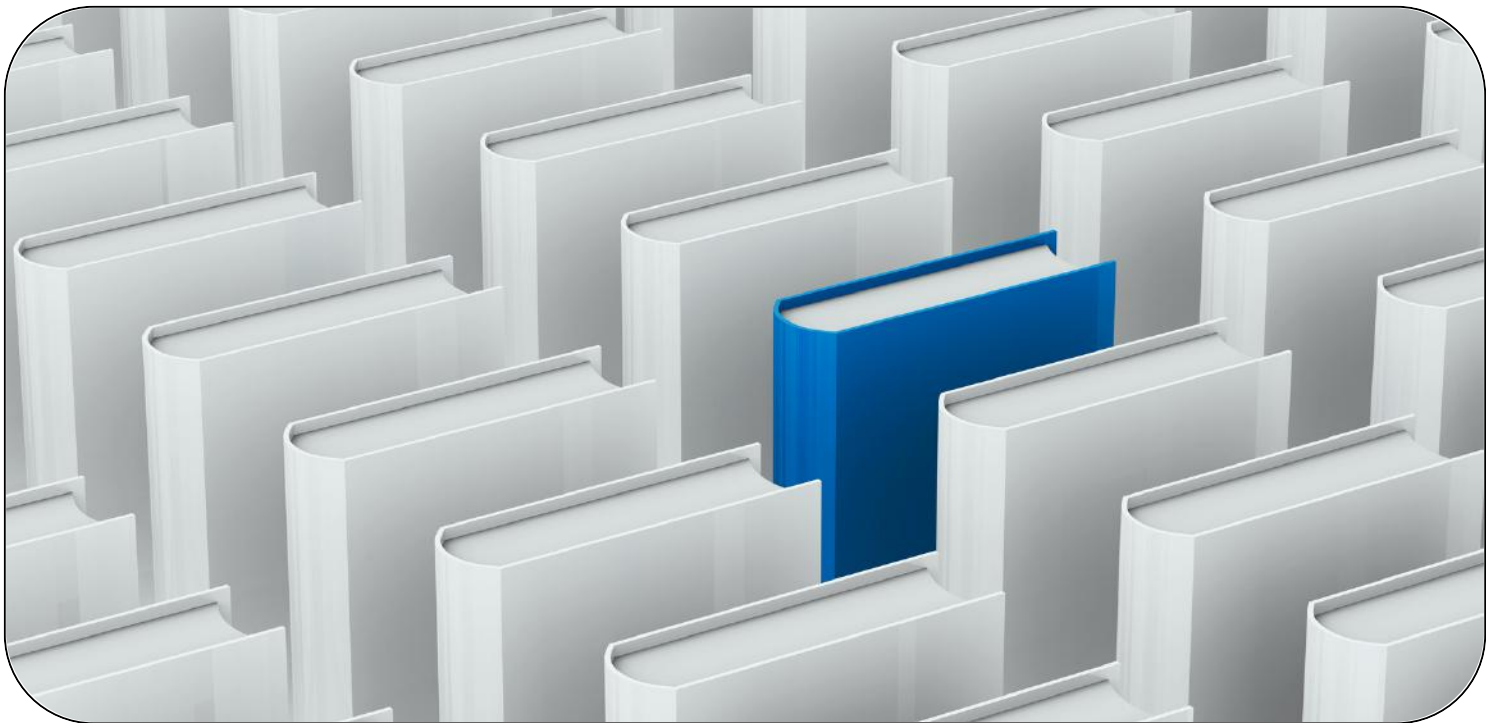
### Sell to a Competitor

Selling to a competitor can be a strategic exit if the competitor sees value in acquiring your business to expand their market share, customer base, or operational capabilities.

*Just to name a few!*

Exiting a business isn't a  
one-size-fits-all process,  
because every business is

UNIQUE



## The 7 Steps of Exit Planning

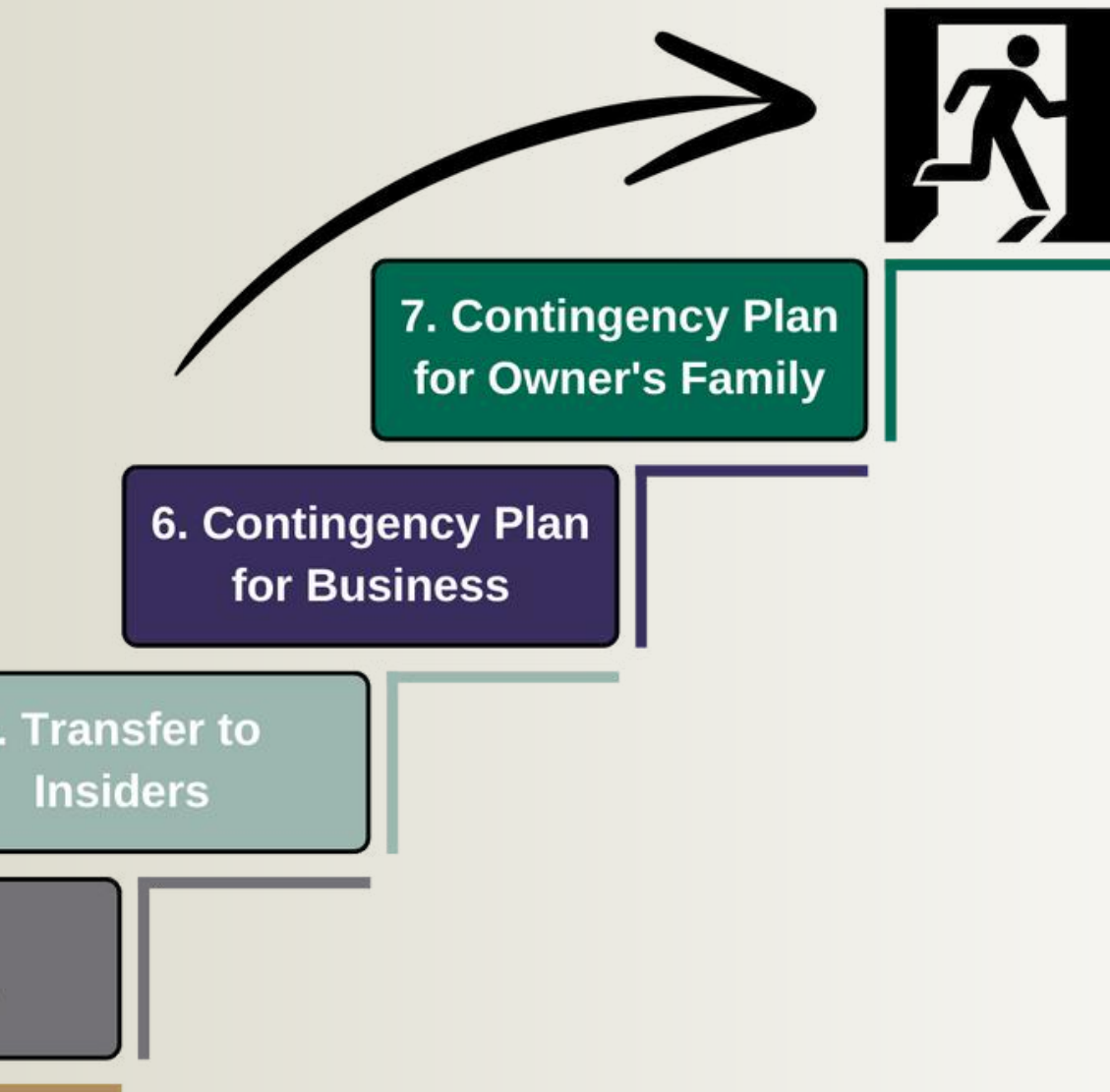
**1: Set Exit Objectives  
& Goals**

**2: Quantify Available  
Resources**

**3. Focus on  
Business Value**

**4. Sale to  
Third Party**

**5**





# The Top Things to Consider



## Business Valuation

Comprehensively assessing your business's **current** value is a good place to start in business exit planning.

**Engage financial professionals** to conduct a thorough **valuation**, factoring in tangible assets, intellectual property, cash flows, and market comps.



## Exit Strategy

A comprehensive exit strategy is essential to align your business transition with your personal and financial goals.

A well-defined exit strategy also considers your **post-exit plans**, such as retirement or starting a new venture, ensuring you are prepared for the next chapter of your life.



## Tax Implications

Consider the **tax implications** when selling your business.

**Collaborate with an advisor** to enhance tax strategies and reduce liabilities.



## Legal Considerations

**Legal issues** are a key aspect of any business exit.

Before exiting, it is vital to **review** and update **all** legal documents, including contracts, leases, shareholder agreements, and regulatory compliance.

## The Top Things to Consider (continued)



### Successor Training

If your exit plan involves transferring the business to insiders, such as family members or key employees, their **training** is crucial to the company's continued success.



### Customer Retention

Customer relationships are the backbone of your business, and **retaining** key customers during and after the transition is essential.



### Employee Communication

Your **employees** play a pivotal role in the success of your business and the transition process.

**Open and transparent communication** is vital to maintaining morale and avoiding uncertainty.



### Exit Plan Timeline

Establishing a **clear timeline** is a fundamental component of a structured exit plan.

A well-defined timeline includes key **milestones** and **deadlines** to ensure all aspects of the transition are completed **on time**.

## Myths and Misconceptions

1)

*The first exit planning misconception is that it is only necessary when an owner is ready to leave the business within a short period.* However, this approach can be risky. Without a proper plan, business owners may find themselves scrambling to make decisions under pressure, which can lead to rushed sales, reduced business value, or a lack of clear succession planning.



2)

*Some business owners mistakenly believe that they do not need an exit plan if they intend to run the business indefinitely or pass it down to family members.* The absence of a clear plan can create conflicts among family members, employees, or partners, potentially leading to disputes over leadership, ownership, or strategic direction.

3)

*Another misconception is that exit planning is only about selling the business.* While selling is one exit option, an exit plan encompasses much more than just the sale. It includes planning for internal transitions, such as passing the business to a child or key employee, managing mergers and acquisitions, or preparing for unexpected events. A comprehensive exit strategy also addresses tax implications, legal documentation, and financial planning to maximize value and minimize risk.

4)

*Lastly, some business owners think that an exit plan is a one-time activity.* In reality, exit planning is an ongoing process that should be reviewed and updated regularly to reflect changes in personal goals, business performance, and market conditions. As your business grows and evolves, so should your exit plan.



## Conclusion

Business exit planning is a crucial process that every business owner should undertake, regardless of the size or nature of their enterprise.

An effective exit plan not only ensures a **smooth transition** but also **safeguards** the owner's financial future, protects the company's value, and maintains stability for employees, customers, and stakeholders.

By planning ahead, you can align your personal and financial goals with your business strategy, allowing for a well-thought-out and controlled departure from the company.



There are many different options when it comes to exiting your business, so be sure to speak with a financial advisor at Asset Strategy to navigate the intricacies of the selling process.

From legal advisors and financial experts to business brokers and investment bankers, assembling a proficient team helps enhance the likelihood of a successful transaction.

In conclusion, selling your business is a **complicated** venture that involves thorough planning, strategic forethought, and emotional fortitude. By thoroughly addressing these essential concerns, you can help reduce the complexity of the sale process and potentially maximize the value of your company while seeking a bright future after its sale.



If you have any questions about Business Exit Planning, feel free to reach out to our team.

Set up a 15-Minute Discovery Call at:

[www.assetstrategy.com/contact](http://www.assetstrategy.com/contact)

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