



CAPITAL
GROUP®

Selling or exiting a business

Preparing your business for sale and yourself for what comes next





Thorough planning and thoughtful teaming

You didn't build your business overnight so when it comes time to step away or sell, there's no place for haste. And whereas success likely required some improvisation and experimentation, exiting a business should be all about intention, planning and forethought.

That means a plan for the financial and emotional factors that come with moving on from what you have worked so hard to build. A plan that enables you to transition into your next chapter with your legacy secure, your financial picture sound and your family moving forward in harmony.

Even more than most financial milestones, selling a business is a team sport. Your advisor is a vital player. And larger scale or more complex business transitions may call for specialists to help you optimize the benefits to you, your employees and your family.

The following seven steps can help you progress from early-stage strategizing through leaving or selling your business.

SEVEN STEPS TOWARD THE EXIT

- 1 Assess your financial needs**
- 2 Prepare yourself emotionally**
- 3 Assemble and brief your team**
- 4 Start sale preparations early**
- 5 Identify your sale priorities**
- 6 Factor in family**
- 7 Think strategically about taxes**

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1 | Assess your personal financial needs

When it comes to your finances, it's likely that your business and personal interests are closely aligned. Which means the decision to sell or exit should trigger a comprehensive assessment of your financial plan. No sale plan should proceed without answering some crucial questions including:

- Are you exiting the workforce for good?
- How will you replace your income once you've "cut the cord"?
- What type of lifestyle do you envision post-sale and how much does it depend on proceeds from the sale?
- Do you plan to make major purchases or incur significant expenses, such as extensive travel?
- How large does your retirement nest egg need to be to safely support your retirement objectives?

Clarifying your post-sale path and objectives, and sharing them with your financial advisor can help you build a long-term plan aligned to your goals. And importantly, the process of answering those questions can help shape the terms of the deal and, ultimately, determine the success of the exit.



Questions to consider

- What are you most looking forward to in the next chapter of your life?
- How do you want the proceeds from the sale to support your future plans?
- Have you addressed the sale of the business in your estate plan documents?

2 | Prepare yourself emotionally

For many, owning and operating a business is a big part of their identity. But it can also mean excitement and opportunity for those embarking on new ventures like starting another business or ramping up their charitable commitments.

Whatever the case, transition planning should be about more than running the numbers. It should also prepare you to face some big emotional questions.

There is no foolproof strategy for managing the transition but the following can help:

- **Recognize the significance of the transition:** The rhythms and routines of our jobs help define and structure our lives. Leaving that behind whether because you're retiring or moving on to a new role can be challenging. Acknowledging that these transitions can be unsettling is key to managing them.
- **Script the first few months:** You'll have a post-retirement plan for your money so why not have one for your time. Mapping out the first six months – complete with the beginnings of a daily regimen, social engagements and travel plans – reduces uncertainty and helps answer the question "What am I going to do today?"
- **Seek a balance of the pleasurable and the meaningful:** If you are ready for a new business or line of work, this may be a great time to factor into your decision process what's most meaningful to you. This may include anything from better work-life balance to structuring your new business in a completely different way than you did before. Have fun with the idea of starting over by asking yourself "What if...?"
- **Consider your wildest dreams:** This transition calls for celebration. And perhaps a splurge or two. If you've put off taking that lengthy, lavish vacation or had an eye on a car or boat, now may be the time. Your advisor can make sure it's accounted for in your financial plan.



Questions to consider

- What do you think you'll miss most about work?
- What do you consider your professional legacy?
- Who is someone you admire for how they transitioned from one phase of life to a distinctly different one?



What's next?

Your next phase can unfold in many ways. These books can help you plot a second act as rewarding as the first.

From Strength to Strength Arthur Brooks

The Atlantic's Happiness columnist provides a roadmap for helping make one's next act a time of happiness, purpose and success.

Start. Scale. Exit. Repeat: Serial Entrepreneurs' Secrets Revealed Colin C. Campbell

For those ready to start something new, this book features critical insights on the factors that help drive startup success.

3 | Assemble and brief your team

Founders and owners face numerous complex issues when exiting a business. From valuing the business to structuring the deal to adjusting estate plans in response to a re-shaped financial picture, you'll need a team of specialists. And in keeping with the "starting early" theme, getting a jump on assembling that team will serve you well.

Whom it includes will depend on your situation, but common roles include:

- **Mergers and acquisitions (M&A) advisor or business broker:** Helps manage the sales process, serving as the deal team's "quarterback." Responsibilities include finding potential buyers and helping structure and negotiate the deal.
- **Valuation specialist:** Business valuation firms do deep dives into business finances, comparing the company to industry peers and geographic competitors. In some cases, experienced accounting firms can provide these services.
- **CPA:** Helps prepare financials for due diligence and advises on the financial and tax implications of the sale.
- **Mergers & acquisitions attorney:** Helps draft and review legal documents related to the sale, including things like confidentiality agreements, ongoing employment agreements and purchase agreements. Also helps protect sellers against future liabilities.
- **Trust & estate-planning attorney:** Assesses sale implications on personal trust and estate plans and collaborates with other specialists to optimize financial benefits and mitigate tax consequences.

When assembling your team, start with your financial advisor. They can play a pivotal role in connecting you to specialists and maintaining a big picture perspective on the process. And to ensure you're covering all the bases, consider creating a "briefing book" with key details about the business, your objectives for the sale and your vision for how it will benefit your family.



Questions to consider

- Are the financial professionals you currently work with experienced in structuring the sale of a business?
- What are the specialist gaps you need to fill on your team?
- Any potential impacts to your tax and estate plans?
- Have you considered creating a briefing book to share important information about your business?



KEY TEAM MEMBERS

- Financial advisor
- M&A advisor or business broker
- Valuation specialist
- CPA
- M&A planning attorney
- Trust and estate-planning attorney

4 | Start sale preparations early

Just as a runner implements a training plan months ahead of race day, your preparation for a sale begins well before one is imminent.

Waiting until you've put the business up for sale can have significant consequences in the form of a reduced valuation, a shorter list of potential buyers or less financial and job security for family members and dedicated longtime staff.

An M&A advisor or business broker can advise you on the timing and approach of some key steps you may wish to take, including:

- **Assess your role in the business:** When assessing the business's value, it's important to take stock of your contribution to its health. If success is too reliant on your capabilities, its valuation could suffer. Bolstering your management team or ceding more control can reinforce the company's intrinsic worth.
- **Separate your finances:** If you are channeling personal expenses through the business, it can harm your credibility with banks, investors and vendors. Separating your finances creates a clearer financial picture for potential buyers and can positively affect the business's valuation.
- **Understand ownership:** It sounds obvious, but the balance of ownership can shift over time as owners may have traded equity for liquidity or services. A clear understanding of who the owners are and how much each owns are essential considerations when structuring a transaction. Understanding this early on allows for any desired restructuring that can benefit the sale.

These are just some of the actions that will support the sale process and potentially position you for a rewarding outcome aligned with your objectives. Your advisor and team of specialists can support you in this effort.



Questions to consider

- How long have you been thinking about exiting?
- What is the ownership structure of the business? Who else has a stake? Do you have any buy-sell agreements in place?
- Who do you consult with on day-to-day business decisions?
- How widely do you wish to share your intentions to exit?

Beginning the valuation process

One potentially important step to consider is a formal, professional, third-party valuation of the company. Ideally, that would take place 18 months to a year prior to the projected exit date. It's akin to an ostensibly healthy person going to a doctor for a complete physical, where blood, hormones and physical fitness are measured, evaluated and contextualized.

For example, your company could have attractive cash flow. But how does that compare to averages in the industry or area? Is there an undetected underlying operational issue or customer trend that could depress profitability? An evaluation by an expert can identify trouble spots and propose strategies to shore up weaknesses before the business goes on the market.

These reviews can be helpful in getting the most value out of a sale and understanding your options when negotiating deal terms. For example, buyers often want to pay a portion of the sale price through future business proceeds instead of at the time of sale. But if the business is worth more than what you need for retirement (or surpasses the industry average), you may be able to command more money up front.

Look to your team to help you find specialists with skills matched to your needs. Consider those with the Accredited in Business Valuation (ABV) credential or similar accreditation indicating particular skill in this area.



Gifting shares of the business

If your goal is for family or staff to take over the business by gifting shares of the company, consider whether it's advisable to do so as far from the sale date as possible. While you want a high valuation for a sale, it may be beneficial to give shares when the valuation is lower. That's because gifted shares in a business count against your lifetime gift tax exemption, which is \$15 million for individuals (\$30 million for married couples) in 2026 and indexed for inflation. Giving shares at a lower valuation will eat up less of that exemption.

5 | Define your sale priorities

Selling a business is not like an auction. The highest bidder doesn't always win. That's because sellers often have priorities that the priciest offers don't address. Things like the timing and form of payments, expectations for ongoing involvement with the business and taking care of valued employees.

By defining your priorities and objectives – financial and non-financial alike – you're getting clear on what's important to you and creating a useful framework when it comes time to assess offers.

Factors to consider

Timing of payments: When will you be paid? Will it be lump sum or on a multi-year schedule? Would you prefer less money up front or more money over a longer time frame? The terms and source of financing, health of the business and tax implications are among the factors that should be considered when structuring a payment schedule.

Expectations for ongoing involvement with the business: Do you want to be retained post-sale? If so, under what terms and for how long? And will your payout be conditioned on you remaining involved?

Including an "earn out": In some sales, in addition to the upfront payment, the seller earns additional payments if the business meets certain agreed-upon performance milestones or financial targets. Financial targets may include revenue or profit goals while milestones can be things like regulatory approvals or customer growth. Earn outs typically last between one to three years with payments occurring on a pre-determined schedule.

Care for valued employees: Sellers may wish to incorporate clauses that reward and safeguard loyal staff. If you want certain employees to have a special place in the post-purchase business, begin planning for that now. For example, giving them larger salaries and weightier titles before the sale can make them harder to reverse by the new owners.

Family involvement: In the case of a family business, questions like the continued employment of family members and whether they'll play a role in leading the company often factor into the deal terms. Indeed managing the sale's impact on family is one of the foremost considerations in any sale, as covered in the following section.



Questions to consider

- If you had to sell today, what would be of greatest concern to you?
- How do you want employees to experience the transition?
- In a perfect world, what would be your level of involvement with the business after the sale?

6 | Factor in family

Beyond valuation and tax mitigation is a consideration that may trump them all: Taking care of family and ensuring that yours emerges from the experience on speaking terms. That's no easy feat given that family businesses often sit at the emotionally fraught intersection of money and family history.

Successfully navigating the process calls for a mix of diplomacy, candor, wisdom, fairness and, most of all, planning. And the biggest part of planning is clear communication among those who, directly or indirectly, will be affected by the sale. Seeking input from family members and understanding their objectives and concerns is important as you address the following considerations:

- **What are options for buying out family members?**
Family members with an ownership stake may wish to exit when the business is sold. Often their stakes will be part of the sale so providing them with ongoing visibility into the valuation process and deal terms is crucial.
- **Will the family retain a leadership role in the business?**
Will family members continue to hold the reins or will outside leaders be the ultimate decision-makers? What will the new entity's executive structure be? Will family members accustomed to having a direct line to leadership retain access and influence? Gaining clarity on these issues is crucial for family members who will remain on board once ownership has transitioned.
- **What protections and incentives will exist for family members remaining with the business?**
Clear job descriptions and employment agreements are a must, but things like retention or milestone-based bonuses can also help provide near-to-medium term financial and job security. Business brokers can share the different mechanisms available and those remaining employed should consider seeking separate legal counsel to review agreements that affect them.
- **What about family members not involved in the business?**
As the sale process unfolds, it's important to keep everyone who stands to benefit financially – including family members not involved in the business – updated on progress. Setting clear expectations, as well as being transparent about the sale process and what everyone can expect from it will help you navigate the intricate web of relationships and emotions related to a sale.



Questions to consider

- What is the history/origin story of your family business?
- What role does the business play in keeping your family connected?
- Do you have a formalized governance process in place when it comes to big decisions?

7 | Think strategically about taxes

As with any large asset, multiple tax considerations come into play when selling a business. Luckily, there are many ways to help manage the impact of taxes. Here, collaboration among your team of specialists is essential. Together, they can assess the tax consequences of different sale scenarios and devise a plan that supports your objectives and accounts for tax implications. Key considerations include:

Income tax. A business exit can mean significantly higher income taxes for the seller. Some potential tax-mitigation strategies include:

- **Installment sales:** By selling the business in installments rather than as a lump sum payment, you can spread tax gains over longer time periods. This is beneficial if you expect to be in a lower tax bracket when receiving future payments. Your tax advisor can help structure the installment sale to minimize ordinary income treatment for what would be capital gains treatment.
- **Qualified opportunity zones (QOZ):** You can reinvest proceeds in a QOZ fund and potentially defer taxes for many years.

Capital gains tax. Business sales generally fall into one of two categories: asset sales or stock sales. In stock sales, companies are sold as a single entity. In assets sales, assets like equipment and inventory are sold individually. Sellers generally prefer stock sales whose proceeds are taxed at the capital gains rate vs. asset sales which are taxed at higher ordinary income rates.

Estate and gift tax. There are multiple options for business owners seeking to tax-efficiently transfer their interests to family and associates.

In 2026, individuals can transfer up to \$15 million in assets during life or at death without incurring federal gift or estate tax. Married couples can effectively transfer \$30 million by combining their exemptions. This is known as the lifetime gift and estate tax exemption.

There is no single “best” way to make a gift. The right structure depends on how much flexibility, protection and tax efficiency you want.

Outright gift: The simplest option, it transfers assets directly to the recipient, simplifying implementation. However, you give up control upon making the gift which may also be subject to the recipient’s creditors or divorce. Outright gifts may be less suitable for large or complex assets such as a closely held business.



Questions to consider

- When it comes to taxes, how strategic have you been about how the business is structured and operated?
- Has the business’s profitability remained somewhat consistent or has it fluctuated meaningfully from year to year?

Irrevocable trust: Assets transferred into this type of trust are generally removed from your taxable estate and cannot be canceled or meaningfully modified. Such trusts can help shield assets from estate taxes, provide some protection from creditors and move future growth of the business outside your estate.

Some trusts are intentionally structured so the grantor continues paying income taxes on the trust's earnings. This can be a powerful benefit as paying those taxes reduces the size of the grantor's taxable estate while allowing trust assets to grow without being reduced by income taxes. Importantly, these payments are not considered a taxable gift.

Spousal lifetime access trust (SLAT): An irrevocable trust created by one spouse for the benefit of the other. Often used to reduce

a combined estate for tax purposes while maintaining access to assets through the beneficiary spouse.

Charitable remainder trust (CRT): Transfers assets designated for charity while retaining an income stream. You or another beneficiary receives annual income for a set period, and remaining assets pass to charities at the end of the trust term. For charitably inclined donors, this can soften the blow of income taxes related to a business sale.

Additional strategies: More complex transactions including a sale to an intentionally defective grantor trust (IDGT) or transfer to a grantor retained annuity trust (GRAT) may benefit business owners expecting significant future growth in business value. Your estate planning and tax specialists can help you determine which, if any, is right for you.

DO YOU QUALIFY FOR THESE SPECIAL TAX BREAKS?

- **Capital gains exclusions:** Some owners whose firms are structured as C corporations own their stake through Qualified Small Business Stock (QSBS). For stock acquired after July 4, 2025, the capital gains exclusion is \$15 million. And a tiered system allows for partial tax-free exits: 50% exclusion after three years and 75% after four years.
- **Valuation and depreciation:** Some small businesses can immediately deduct the full costs of certain assets in the year they're put into service. This can accelerate tax benefits and reduce the business's taxable income. Property acquired after January 19, 2025 qualifies. Yet sellers must beware of "depreciation recapture," in which sellers must pay taxes on gains from the sale of previously depreciated assets.
- **Pass-through deductions:** Eligible self-employed individuals and owners of pass-through businesses like LLCs and S-Corps can deduct up to 20% of their qualified business income from their federal taxable income. This may support company valuations by showing higher after-tax cash flows leading up to a sale. Ask your team if you can benefit.



Resources to guide you

Selling a business is not something that happens every day. Learning some basic ins and outs can help you lead the process more effectively and position you for an outcome that fulfills your objectives. The following resources can help:

The Art of Selling Your Business: Winning Strategies & Secret Hacks for Exiting on Top

by John Warrillow

A “sleeves-rolled-up” action plan for selling your business, this guide features insights from hundreds of founders who have successfully sold their firms.

A Beginner’s Guide to Business Valuation: 20 Lessons Learned from 20 Years in the Trenches

by Jacob Orosz

This practical guide identifies and explains the most common valuation concepts and offers sound advice for anyone looking to sell a small to mid-sized company.

Harvard Business Review Family Business Handbook: How to Build and Sustain a Successful, Enduring Enterprise

by Josh Baron & Rob Lachenauer

This family-focused book features sophisticated guidance, practical advice and time-tested approaches for communicating effectively, managing conflict, building the right governance structures and more.

WHEN PLANNING YOUR EXIT ...

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