

## The Business Owner's Exit: What to Know Before You Sell

By: HB Wealth, featuring insights from Abbey Flaum, J.D., LL.M., Wealth Strategist at HB Wealth, Don Bravaldo III, CPA, President of Bravaldo Capital Advisors, and Chet Hosch, Partner at Burr & Foreman LLP

Selling a closely held business is rarely just a transaction. For many owners, it represents decades of work, family legacy, and personal identity wrapped into a single moment of transition. Yet despite the stakes, exit planning is often delayed until an event forces the decision, a market shift, a buyer inquiry, or personal burnout.

The reality is that the most successful exits tend to follow a deliberate, multi-year planning process. When business owners take the time to understand their options, assemble the right advisory team, and prepare well before a letter of intent is signed, they preserve more value, reduce risk, and maintain greater control over the outcome.

What follows is a practical exit planning playbook for established business owners, grounded in real-world experience from investment banking, wealth strategy, and M&A legal professionals who work with owner-led businesses every day.

### Understanding Your Exit Options

The first step in exit planning is understanding the full range of available paths. Not every business needs to be sold to a third party, and not every owner's goals are purely financial.

Don Bravaldo, President of Bravaldo Capital Advisors, frames exit strategies in two broad categories: internal and external.

Internal exits may include transferring ownership to the next generation, executing a management buyout, or implementing an employee stock ownership plan (ESOP). Each option comes with its own financial, tax, and operational complexities. "My objective isn't to sell every private family-run business,"

Bravaldo explains. “I’d love to see it go to the next generation, but it’s hard for a private family business to live in perpetuity without intentional planning.”

External exits typically involve selling to a third-party buyer. These transactions often provide the greatest financial certainty for the owner when structured properly. Buyers may include strategic acquirers within the industry or financial sponsors such as private equity firms, family offices, or independent sponsors.

“There’s a huge universe of buyers right now,” Bravaldo notes. “That gives business owners more optionality than they’ve ever had, if they’re prepared.”

## **Why Early Planning Changes the Outcome**

Many owners assume exit planning begins once a decision to sell has been made. In reality, that is often when the most impactful opportunities have already passed.

Abbey Flaum, Wealth Strategist at HB Wealth, emphasizes that estate and wealth planning should begin well before an exit is imminent. “Estate planning isn’t about documents,” she says. “It’s about planning for the management and disposition of your assets during life, in the event of incapacity, and following death. and for business owners, your business is often the largest asset you own.”

Early involvement allows advisors to help shape the ownership, governance, and transfer framework of the business itself, often before buyers are even contemplated. This includes structuring operating and shareholder agreements, aligning succession intent among family members, and planning for incapacity or death in ways that protect enterprise value and continuity.

“If a business owner loses capacity or passes away without proper planning,” Flaum explains, “the value of the business may decrease substantially because the value of the business centered around the now-deceased owner.”

From a tax perspective, early planning creates flexibility. Once a sale process is underway, particularly after a letter of intent is signed, many strategies are no longer available.

## The Critical Role of the Letter of Intent

One of the most consequential, yet often overlooked, moments in an exit is the letter of intent (LOI). While it may feel preliminary, the LOI frequently sets the framework for economics, tax treatment, and risk allocation.

Chet Hosch, an M&A attorney with Burr & Forman, stresses that timing matters. “If you can get involved at the LOI stage,” he explains, “you may include important terms that might not otherwise come to light until the definitive agreement, and by then, your leverage is often gone.”

A common example is whether a deal is structured as an equity sale or an asset sale. From the seller’s perspective, equity sales are generally preferable because they are taxed uniformly at capital gains rates rather than at ordinary income rates. “That difference can be significant,” Hosch notes, pointing out that the spread between capital gains and ordinary income rates can materially affect net proceeds.

However, buyers often prefer asset purchases to avoid inheriting historical liabilities. Navigating this tension requires advance planning, negotiation, and sometimes creative structuring, all of which are far more effective when addressed in negotiating the LOI and before terms are finalized.

## Avoiding Missed Tax and Planning Opportunities

Several valuable planning strategies disappear once an LOI is in place. Charitable planning is a clear example. “If you are charitably inclined,” Flaum explains, “it generally does not make sense to sell the business and then make a large charitable contribution.” Instead, transferring a portion of ownership to a charitable entity before a sale can help avoid capital gains while fulfilling philanthropic goals. “These opportunities are completely legitimate,” she adds, “but they’re lost once a transaction is already in motion.”

“Similarly, other tax strategies, including entity structuring decisions like qualifying for IRC Section §1202, where up to 100% of federal capital gains can be excluded on the sale of Qualified Small Business Stock (QSBS), not to exceed certain cap limitations, require meaningful lead time planning. These are

opportunities that exist well before you ever think about going to market,” Bravaldo says. “Once you’re reacting instead of planning, the runway gets very short for meaningful tax saving opportunities.”

## **When Planning Starts Late**

Not every business owner has the luxury of a long planning runway. Many exit decisions are event-driven. “About 80% of our clients are reacting to something,” Bravaldo observes. “A strong market, an unsolicited offer, or a personal decision to step away are all situations we routinely encounter,.” he adds. While late-stage planning can still add value, it is often more complex and less comfortable. “I use the analogy of a short runway,” he says. “We can get the plane off the ground, but it’s bumpier and the landing is a lot harder.”

Even so, assembling the right advisory team, including wealth, tax, legal, and transaction specialists, can still meaningfully improve outcomes, even under time pressure.

## **Preparing the Business for Transferability**

Bravaldo shared, “Beyond tax and legal considerations, buyers focus heavily on whether a business is transferable. Financial transparency, sustainability of earnings, and reduced dependence on the owner all influence buyer perceptions and ultimately the valuation offered”.

A quality of earnings analysis, when initiated proactively by the seller, can reduce surprises, strengthen credibility, and help control the diligence narrative. Addressing operational dependencies in advance further supports valuation and deal terms.

## **The Value of a Coordinated Advisory Team**

A successful exit rarely results from a single advisor working in isolation. Legal, tax, estate planning, and post-transaction wealth management considerations are deeply interconnected.

“This really does take a village,” Bravaldo says.

When advisors collaborate early, and wealth planning serves as a coordinating discipline, business owners are better positioned to protect value, reduce unintended consequences, and transition confidently into what comes next.

Selling a business is among the most consequential financial decisions an owner will ever make. Thoughtful, coordinated planning well before a transaction is on the table can expand options, preserve value, and create clarity around the future.

At HB Wealth, we work alongside business owners and their professional advisors to help design exits with intention, so when opportunities arise, owners are prepared to move forward with confidence.

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To request a consultation with a wealth advisor who specializes in business owners and entrepreneurs, please visit <https://hbwealth.com/meet-the-team/wealth-advisors/?specialization=business-owners-and-entrepreneurs>.

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