SEK CPAs & ADVISORS

When Should Business Owners Begin Exit Planning?

A Practical Guide to Preparing for a Successful Transition

Whether through a sale, a transition to family, a transfer to key employees, or a planned wind-down, every business owner will eventually exit their company. Yet many owners delay planning until they feel “ready,” often limiting their ability to maximize value or ensure a smooth and orderly transition.

When planning for your exit as a business owner, your focus should be on more than just selling your business. It should be on designing the future you want, protecting what you’ve built, and leaving your company, employees, and legacy in the right hands.

In this guide, we’ll review key steps to consider when planning your exit, share how to prepare strategically, and answer some commonly asked questions to help you approach your transition with clarity and confidence.

WHEN SHOULD I BEGIN PLANNING FOR MY EXIT?

We recommend that business owners begin formal exit planning at least 3–5 years before their desired transition date. This timeline provides sufficient time to complete key succession steps, from obtaining a professional valuation and identifying value gaps to strengthening operations and enhancing financial reporting.

If selling is your goal, this timeframe allows you to demonstrate multiple years of strong performance to potential buyers and structure the transaction as favorably as possible. If you plan to transfer ownership, a 3-5 year timeline gives successors or key employees time to prepare for their future roles. It also allows tax strategies to mature and positions the business more favorably at transition.

In our experience, a 3–5 year planning window often leads to stronger outcomes. Early planning reduces last-minute pressure and emotional strain from making hurried decisions about the future of your business. Exits that are rushed due to a lack of planning often result in lower sale prices, less favorable deal structures, or limited buyer options.

WHAT SHOULD I PREPARE AS AN OWNER?

A strong exit plan is built on accurate information, thoughtful strategy, and well-organized documentation. As you plan for your transition, focus on the following five key areas:

1. A professional business valuation

A valuation establishes a clear baseline of value and identifies the key drivers and detractors that influence it. This insight enables owners to make informed, strategic decisions before pursuing any ownership transition.

Valuation professionals commonly support:

- Succession and exit planning,
- Partner buy-ins or buyouts,
- Quality of earnings analysis,
- Reasonable compensation analysis,
- Personal goodwill assessments,
- Employee Stock Ownership Plan (ESOP) transitions, and
- Estate and gift planning.

SEK's business valuation team regularly helps business owners navigate these complex transitions with clarity and strategic insight.

2. Clean, defensible financial records

Potential buyers of your business will expect well-organized records, such as:

- Accurate financial statements,
- Clear revenue streams,
- Documented add-backs,
- Normalized owner compensation, and
- Organized tax returns.

When appropriate, a quality of earnings analysis, can strengthen credibility and increase buyer confidence.

3. Legal and structural readiness

Legal preparation as you plan for your exit should include:

- Creating and periodically reviewing buy-sell agreements,
- Confirming entity structure and tax implications,
- Updating corporate documents, and
- Understanding shareholder or partner rights.

Buy-sell agreements play a key role in determining valuation and guiding transition processes. They also provide protection in the event of an untimely death, disability, or other unforeseen circumstances, helping ensure business continuity and financial security for owners, families, and partners.

4. Operational strength

Buyers seek companies that can operate successfully without heavy owner involvement. Owners should work to:

- Delegate key responsibilities,
- Document processes,
- Strengthen management teams, and
- Reduce owner dependency.

5. Personal financial and retirement planning

Your exit strategy should align with both your business goals and personal wealth goals. With this in mind, you should plan to coordinate:

- Retirement income projections,
- Tax-efficient wealth transfer strategies,
- Long-term investment planning, and
- Risk management and insurance coverage.

Exit planning also involves preparing for the personal transition from business owner to your next chapter. Clarifying your goals outside the business—including how you'll spend your time, maintain purpose, and define financial independence—is an important part of a successful and fulfilling transition.

COMMON QUESTIONS FROM BUSINESS OWNERS

Business owners are often dedicated individuals, who have spent years, if not decades, building and growing their operations. It's only natural that when it comes time to transition out of their role, they have important questions. Below are some of the most common questions we hear during the exit planning process.

"Who will buy my business?"

The right buyer depends on several factors, including your industry, cash flow, growth potential, and overall transition goals. The timing of your exit and whether you prefer a clean break or a multi-year transition will also influence the ideal buyer.

Potential buyers generally fall into one of two categories:

- Internal buyers, including key employees or management teams, family members, or Employee Stock Ownership Plans (ESOPs), which are supported by regular valuations and often serve as effective successions tools.
- External buyers, including competitors, strategic buyers, private equity groups, or financial buyers seeking cash flow opportunities.

"How can I increase the value of my business?"

Buyers will often pay more for a business that can sustain and grow without the owner. High-value companies typically demonstrate:

- Strong, predictable cash flow,
- Diverse customer base,
- Strong management team,
- Documented systems and processes,
- Clean financials and reliable reporting,
- Scalable operations,
- Reduced owner dependency, and
- Clear growth opportunities.

A professional valuation can help identify areas for improvement and serve as the foundation for value-building strategies within a broader succession or exit plan.

"Will the sale provide enough for a comfortable retirement?"

This is one of the most important—and most personal—questions owners face. A business valuation, combined with a retirement projection, can help answer:

- What your business is worth today,
- Whether you need to increase value before selling,
- Whether your desired lifestyle is sustainable,
- How deal structure may impact net proceeds, and
- What tax strategies can maximize what you retain.

Coordinating retirement planning with valuation analysis ensures the transaction aligns with your long-term personal and financial goals.

"Will my employees be taken care of?"

For many owners, protecting their employees is a top priority. They want reassurance that the team who helped build the business will be supported after the transition. Employee continuity often depends on factors such as:

- The type of buyer,
- The transaction structure,
- Whether employees are part of the succession plan,
- How integral key employees are to business stability, and
- Whether retention bonuses or agreements are included.

Certain transition strategies, including ESOPs or internal management buyouts, often prioritize employee continuity and can be structured thoughtfully to help protect your team's future.

FINAL THOUGHTS: MAKE YOUR EXIT INTENTIONAL, NOT REACTIVE

Nobody can see into the future, but preparing for your exit today gives you greater control over the outcomes for your business and people. Remember, a well-planned exit should be a strategic process that protects your life's work, maximizes business value, and ensures your financial security and legacy—not just a single, reactive event. It should also prepare you personally for life beyond ownership.

Even if you're more than 3-5-years out from exiting your business, it's never too early to begin considering what you want for the future. Doing this has many benefits, including strengthening your business, increasing valuation, reducing risk, and improving marketability.

Clarity for what comes next

If you are beginning to plan for your exit, our business valuation team is here to help empower your business decisions at every stage.

Contact Daryl Staley, CPA, CVA, MBA, Director of Business Valuation & Advisory, to get started today.

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