Orange County Community Foundation

# STRATEGIC BUSINESS EXIT Planning Tips

1 **Start Planning Early**

The best exits are planned years in advance. Begin strategizing at least 3–5 years before you intend to transition or sell.

2 **Build a Strong Advisory Team**

Assemble a team of experts, including a business attorney, M&A specialist, CPA, financial advisor, estate attorney, and philanthropic advisor to guide you through legal, tax, and financial complexities.

3 **Understand Your Business Valuation**

Regularly assess your business's value and identify areas to enhance profitability, growth potential, and attractiveness to buyers. This valuation sets the foundation for financial and legacy planning.

4 **Optimize Business Structure for Tax Efficiency**

Explore whether a C-Corp, S-Corp, or LLC conversion could reduce tax liabilities and improve your exit's financial outcome. This takes time to implement.

## 5 Define Your Post-Exit Goals & Lifestyle

Think about what comes next. Will you retire, start another venture, invest, or focus on philanthropy? Clarify your vision to ensure a fulfilling transition to the next chapter.

## 6 Prepare for Succession or Sale

Whether you're selling, transitioning to family, or merging, create a clear succession plan and groom leadership to maintain business continuity.

## 7 Consider Philanthropic & Legacy Planning

If charitable giving is part of your values, explore donor-advised funds and charitable trusts to integrate philanthropy into your exit strategy and preferably before exit for tax advantage.

## 8 Evaluate Buyer & Deal Structures

Understand different exit options—outright sale, ESOP (Employee Stock Ownership Plan), merger, or private equity recapitalization—and choose the best fit.

## 9 Ensure a Strong Personal Financial Plan

Work with your advisors to create a strategy for your assets, estate planning, and tax-efficient wealth transfer to second and third generation family members. Don't assume a large payout equals long-term security.

## 10 Address Emotional & Psychological Adjustments

Many entrepreneurs struggle with identity loss after exiting. Develop a plan to stay engaged through mentoring, philanthropy, investing, or new ventures to maintain purpose and fulfillment.

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