2023 · WHAT ISSUES SHOULD I CONSIDER WHEN PLANNING FOR THE SALE, DISPOSITION, OR SUCCESSION OF MY BUSINESS?

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SUCCESSION & CONTINUATION ISSUES	YES	NO
Is the future success and continuation of your business highly dependent on your (or another key person's) individual skills, knowledge, and expertise? If so, consider planning well in advance for the training of an appropriate successor. Be mindful of any key person risks (e.g., death, disability, quitting, etc.) that could jeopardize your business, and consider strategies for mitigating these risks (e.g., key person life/disability insurance, generous retirement benefits, deferred compensation, etc.).	☐	☐
Do you wish to have your children (or any other family members) take over the business? If so, consider how this might impact your legacy goals (and the equitableness of your estate), especially if certain family members are not interested in continuing the business.	☐	☐
Do you plan to remain involved in the business after you sell/retire? If so, consider the extent to which you wish to maintain involvement, and determine whether it is appropriate for the continuation of the business.	☐	☐

VALUATION & APPRAISAL ISSUES	YES	NO
Do you need to review whether you should hire outside experts to help with the valuation/appraisal of your business? If so, consider which experts may be necessary (e.g., valuation expert, business appraiser, attorney, accountant, etc.).	☐	☐
Do you need to review ways you can potentially improve the valuation/appraisal of your business? If so, consider ways you could "tidy up" the business (e.g., clean up the balance sheet, pay off debts, have the appropriate equipment in place, etc.) prior to having a valuation/appraisal completed.	☐	☐
Are there any business assets that you wish to keep and not include in the sale of your business? If so, consider the extent to which your business valuation will change (including the impact to prospective buyers) due to the removal of any business assets. (continue on next column)	☐	☐

VALUATION & APPRAISAL ISSUES (CONTINUED)	YES	NO
Does your business have any pending and/or potential liability issues (e.g., lawsuits, disputes, IRS audits, property damages, etc.)? If so, consider resolving these issues prior to performing a valuation/appraisal on your business.	☐	☐
Do you need to review whether there are any particular business expenses (e.g., compensation packages, retirement plan contributions, etc.) that are significantly above or below market rates? If so, consider how to accurately represent the true cost/profitability of your business.	☐	☐
Does your business have income that greatly fluctuates or is inconsistent from year to year? If so, consider the extent to which this may affect the appearance of your business financials, and have a plan to address this during the valuation process.	☐	☐
Does a large portion of your business revenue come from a small base of clients/customers? If so, consider preparing your clients/customers in advance, as the inherent risk of them leaving may negatively impact the valuation/appraisal of your business. Be aware that you may need to offer a contingency in the sale (to prospective buyers) that assumes certain clients/customers stay with the business for an extended period.	☐	☐

SALE & DISPOSITION ISSUES	YES	NO
Are you considering selling your business in some form of an installment sale to provide income? If so, consider how your installment sale payments could be positively (e.g., contingency payments) or negatively (e.g., cessation of payments) impacted by the future success/failure of the business.	☐	☐
Are you feeling pressure (e.g., emotional/personal reasons, outside factors, stress, etc.) to sell your business? If so, consider delaying making any rushed decisions to sell, which could negatively impact the sale price of your business (e.g., unwilling seller/buyer, less time to prepare, etc.). Develop a contingency plan for having your business "sale-ready" in the event you feel the need to walk away. (continue on next page)	☐	☐

SALE & DISPOSITION ISSUES (CONTINUED)	YES	NO
Are you concerned about potential disputes occurring between business partners/shareholders (and their heirs) at the time of sale/disposition? If so, consider reviewing your buy-sell agreement and/or operating agreement to ensure a fair valuation method and standard of value have been agreed upon. Have a plan to address the sale/liquidation of business interests for a variety of triggering events (e.g., death, disability, retirement, divorce, etc.), and ensure you have an adequate funding strategy (e.g. life insurance, liquid savings/investments, etc.) to cover such events. Be mindful to factor in the future growth of your business when addressing this.	☐	☐
Do you need to review which buy-sell approach (e.g., entity-owned approach, cross-purchase approach, hybrid approach, etc.) is best suited for your situation? If so, consider relevant factors (e.g., simplicity vs. complexity of setup, number of life insurance policies required, step-up vs. no step-up in cost basis, differing ages and health underwriting classes of owners/partners, etc.) when making your decision.	☐	☐

TAX ISSUES	YES	NO
Do you need to review whether the sale of your business may affect other tax planning goals you have? If so, consider the extent to which the sale of your business may affect your income for any AGI/MAGI-sensitive tax planning strategies relevant to your situation (e.g., IRMAA, Social Security taxation, credits/deductions, etc.), and be mindful of any additional taxes (e.g., 3.8% NIIT) that may apply. If appropriate for your situation, consider ways you might reduce the tax impact (e.g., spreading out taxes in lower brackets using an installment sale, harvesting losses, charitable deductions, etc.). (continue on next column)	☐	☐

TAX ISSUES (CONTINUED)	YES	NO
If operating as a C-Corporation, do you need to review ways to minimize the taxation on the sale of your business? If so, consider selling stock to employees through an employee stock ownership plan (ESOP) to defer capital gains while diversifying the proceeds into your portfolio. Furthermore, determine whether the sale of shares in your business might qualify for the tax treatment of qualified small business stock, but be mindful of the rules and limits that apply.	☐	☐

OTHER ISSUES	YES	NO
Are you concerned that the value of your business may cause an estate tax issue for your heirs? If so, consider whether gifting non-controlling shares/interests in your business to your children (e.g., family limited partnership [FLP]) using valuation discounts (e.g., minority discount, lack of marketability discount, etc.) while you are alive makes sense for your situation.	☐	☐
Are you concerned that the value of your business will cause estate illiquidity issues for your heirs? If so, consider setting aside additional funds (e.g., life insurance) to address this concern. If the appropriate funds cannot be set aside in a timely manner, your heirs may be able to elect Section 6166 installment payments for any estate taxes owed, so long as certain qualifying factors are met.	☐	☐
Do you need to review any additional benefits of cash value in life insurance policies used for buy-sell agreements and/or key person insurance? If so, consider whether the build-up of cash value may further complement other planning goals (e.g., funding non–death triggering events in a buy-sell agreement, deferred compensation for key employees, strengthening the balance sheet of your business, collateral for better financing rates on loans, avoiding the accumulated earnings tax on C-corporations, etc.).	☐	☐
Are there any state-specific issues you need to be aware of when selling/disposing of your business?	☐	☐

Want to know how this would apply to your situation?

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