TENACITY
WEALTH MANAGEMENT

3 Key Financial Mistakes Business Owners Often Make When Exiting

You've spent years—maybe decades—building your business with tenacity. It has been your primary source of income, your community, and perhaps even your identity. But for many founders, the eventual exit will be the single largest financial transaction of their lives. It's the "final exam" of business ownership.

As a Certified Exit Planning Advisor (CEPA®), I've seen that many owners focus so much on running the business that they overlook the crucial steps needed to successfully transition out of it. Left to chance, an exit can lead to unnecessary taxes, a lower valuation, or a "what's next" that feels unfulfilled.

Here are the top three financial mistakes I see business owners make when preparing for their exit—and how you can avoid them.

1. The "Wait-and-See" Planning Approach

The most common mistakes I see is starting the planning process too late. Many owners wait until they are burnt out, facing a health issue, or have received an unsolicited offer. By then, you've lost your greatest leverage: **time.**

The Fix:

Ideally, exit planning should start 3 to 5 years before you actually want to step away. This gives you time to "clean up" the balance sheet, optimize your tax structure, and help ensure the business can thrive without your daily involvement.. Remember, exit planning is just *good business planning*—it can help make your company more valuable today, even if you don't sell for a decade.

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2. Confusing "Income" with "Transferable Value"

Many owners believe their business is worth a high multiple because it generates great cash flow. However, if that cash flow is dependent on you—your personal relationships, your specific technical skills, or your "secret sauce"—a buyer may see it as a high-risk investment. If you are the business, the business may have little transferrable value.

The Fix:

Focus on building "transferable value" by empowering a leadership team and documenting your processes. A buyer isn't just buying your past success; they are buying the *anticipation* of future profits.Your goal should be to make yourself "replaceable" so the business remains a valuable, independent asset.

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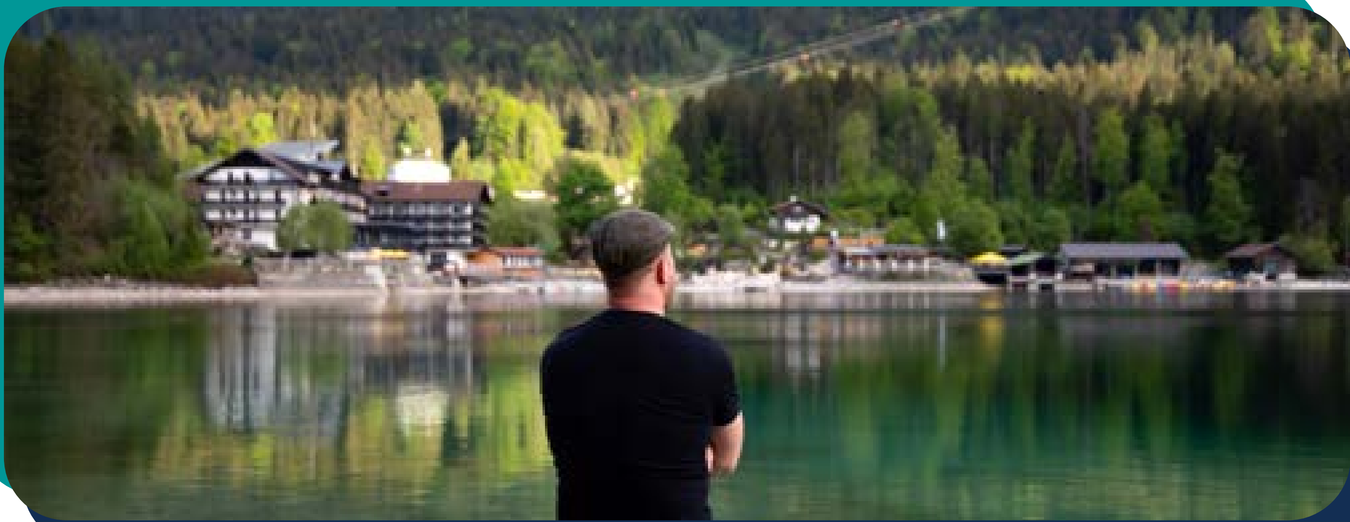
3. Neglecting the "Personal Financial Gap"



I often meet owners who have a target number in their head for the sale of their business, but they haven't done the math on what their life after the exit actually costs. They haven't accounted for the loss of business-covered perks, the impact of capital gains taxes, or the lifestyle they want to lead in retirement.

The Fix: : You need a personal financial plan that is decoupled from your business. This plan should account for your values—whether that's supporting your **family**, giving back to your **community**, or practicing **generosity** in new ways. Knowing exactly what you need from the sale to maintain your lifestyle gives you the confidence to say "no" to a bad deal and "yes" to the right one.

What's Your "What's Next"?

Exiting your business isn't just a transaction; it's a transition into a new chapter of your life. It requires the same driven, detail-oriented approach that you used to build the company in the first place.

If you're starting to think about what's next for you and your business, let's have a proactive conversation before the "urgency" sets in. It's never too early to start planning for the freedom you've earned.