

AUGUST 2025 | BUSINESS EXIT PLANNING

Navigating the Inevitable: Why Every Business Owner Needs an Exit Plan

No matter how successful or well-run a business is, every owner will eventually leave it—voluntarily or not. The timing and terms of that exit are often dictated by unpredictable or unavoidable events: Death, Divorce, Disability, Distress, Departure, and Disagreement, among owners. Without a formal business exit plan, these events can erode value, create personal and financial turmoil, and leave legacies at risk.

That's why exit planning isn't just for business owners nearing retirement—it's a vital, strategic process for every stage of ownership.

Common Questions Business Owners Have

You may not have taken the time to fully explore what you want from your eventual exit. Key questions to consider include:

- Have you set a timeframe for when you want to stop working in the business?
- What is your desired after-tax income at that time?
- Who will take over—a family member, employee, or third-party buyer?

These are essential questions in crafting a successful exit plan. Without clear answers, business continuity and your financial future can remain uncertain.

Over 50% of owners want to transition out of their businesses within the next 10 years, regardless of their day-to-day involvement¹.

All owners will exit. The question becomes, what path will they take?

¹Business Enterprise Institute, 2025.

Understanding and Leveraging Financial Resources

Accurate financial data is the cornerstone of any sound exit plan. However, many business owners lack up-to-date insight into their own enterprise's worth or cash flow sustainability.

Key Questions to Ask Yourself:

- When was the last time your business was professionally valued?
- Do you have a cash flow projection—and if so, how far into the future does it extend?
- What financial resources exist outside the business to support your lifestyle, now and post-exit?

The answers to these questions may influence the viability of your exit strategy, the timing, and the financial security of your next chapter.

The Core Components of a Successful Exit Plan

How to build a comprehensive Business Exit Plan by including the following components:

1. Building and Preserving Business Value

Consider the health, transferability, and attractiveness of your business. Increase the value of your ownership interest, protect the business value you've created, and minimize income taxes when you transfer ownership.

2. Selling to a Third Party

Prepare for a potential sale that maximizes your cash and minimizes your risk and tax liability. Some sellers have an investment banking firm hold an auction, inviting multiple qualified buyers. This maximizes your leverage, allowing you to set the sale price and deal structure.

- OR -

3. Transferring Ownership to Insiders

Alternatively, compare transferring the business to co-owners, family members, or other employees. Often owners choosing this option are looking to maintain the culture they have built and to reward those who have helped grow the business into what it is today.

4. Business Continuity

Plan for unexpected disruptions to ownership or leadership, such as death, permanent, or temporary incapacity. Consider who will have responsibility for supervising business operations, financial decisions, and internal administrative functions. Additionally, take into account how the people you choose will be compensated and their receptiveness to work until the company is transferred or potentially liquidated.

5. Personal Wealth and Estate Planning

As you are preparing your exit plan, consider how you can protect and grow personal assets to support your life beyond the business. Provide for your family's financial well-being after the transfer and if you pass or become incapacitated before the business is sold or transferred. Ensure you and your business partners have the liquidity necessary to meet your financial objectives, especially if business interests are to be sold to business partners in the event of death or permanent disability.

Value of Exit Planning for the Business Owner

So, what's in it for you? What's the value in making a plan? There are three main value propositions for a business owner to create an Exit Plan:

1. Minimize Risk

You deal with risk every day, but how often do you unintentionally take on unnecessary risk? Sometimes there are unexpected changes that take their toll, or deals fall through at the last minute. An Exit Plan identifies these and other issues and addresses them in advance. In coordination with your other professional advisors, the plan reduces the possibility of taking on unnecessary risk as you plan for your most important business event: your eventual exit.

2. Maximize Value

When you sell your business, you want to get the maximum value. This may not always be the highest sale price – it's more about getting the most of what you value, whatever that may be: time with family, reduced stress, maintaining a business culture, continuing your legacy. Perhaps it's a successful continuation of the business with family at the helm, continued employment for your loyal employees, or recognition in the industry. Whatever you value, that's what we help you achieve.

3. Stay in Control

Finally, but most important, keep yourself – the business owner – in control until you are ready to make the move. A departure from your business should always be on your timeline and terms, not someone else's. Most business owners would rather control their own destiny than let it happen to them.

Prepare Today for Tomorrow's Inevitability

Exit planning isn't about leaving your business tomorrow. It's about preparing today, so when the time comes, you're ready to exit on your terms. Let's talk about where you are in the process and how to start building a plan that's right for you.

Webster's Role: Coordinating the Process and the Professionals

We encourage you to contact your dedicated Webster Private Banker or Timothy Throckmorton, Senior Managing Director, Financial Planning, to discuss how a Business Exit Plan may help you meet your long-term personal and business goals and objectives.

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from our team of experts.

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