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Pre- and Post-Transaction Planning Checklist

Proactive pre-and post-transaction wealth planning can affect your strategy as you consider the sale of your business.

When selling a business, owners often focus on closing the deal. An additional focus on personal wealth planning opportunities could result in significant savings on income, gifts, and estate taxes.

Factors to consider include:

- ○ Liquidity and cash flow planning
- ○ Wealth transfer objectives
- ○ Risk management
- ○ Investment planning
- ○ Cybersecurity

Pre-Transaction Considerations

Liquidity and Cash Flow

- ○ Review structure and timing of the transaction
- ○ Review consideration received: cash, equity, earn-outs, or a combination
- ○ Review income implications: ordinary income versus capital gains
- ○ Consider deferred compensation options
- ○ Anticipate and plan for significant tax exposure and/or unique tax situations (net investment income tax, gift tax, foreign tax, multi-state income tax, etc.)

Wealth/Liquidity Transfer

- ○ Valuation - Is there an opportunity to maximize wealth transfer pre-transaction?
- ○ Review current estate plan and asset flows to heirs
- ○ Establish timeline, amounts, and other considerations in transferring wealth to heirs
- ○ Determine optimal timing of asset transfers relative to the transaction
- ○ Balance executives' lifetime needs with wealth transfer goals

Risk Management

- ○ Outline current risk exposures and identify if they are covered by insurance or self-insured
- ○ Title assets to protect from creditors
- ○ Conduct review of concentrated wealth hedging and monetization strategies: stock, cash, equity compensation, or business exposure

Investment Planning

- ○ Review current overall asset allocation and future allocation considerations post-liquidity
- ○ Test and review concentrated asset class exposures
- ○ Review income considerations and asset location for tax efficiency
- ○ Identify capital loss opportunities versus gains received in liquidity event
- ○ Review current and anticipated portfolio income and taxation characteristics

Personal & Cyber Security Preparation
- ○ Personal security audit
- ○ Cybersecurity audit and preliminary precautions
- ○ Social media and internet monitoring (pre and post transaction)
- ○ Review steps you can take to minimize philanthropic and monetary attention

Post-Transaction Considerations

Liquidity and Cash Flow
- ○ Escrow estimated tax payments after factoring in tax strategy
- ○ Re-create a paycheck with portfolio income vs. income from the business
- ○ Cash flow planning: income versus expenses
- ○ Large purchase considerations (new real estate, homes, boats, planes, etc.)
- ○ Determine current/future role in the company: equity rollover modeling, future income, earn-outs, etc.

Wealth/Liquidity Transfer
- ○ Protect the legacy you leave your family
- ○ Review estate planning considerations given new financial picture or future plans
- ○ Quantify surplus wealth versus lifetime capital needs
- ○ Charitable considerations post-liquidity event (using lower basis and more efficient assets)
- ○ Synchronize charitable income tax benefits with the increased tax exposure created by the transaction

Risk Management
- ○ Fiduciary review
- ○ Insurance review; retire obsolete or unnecessary policies, cover new exposed risks
- ○ Personal security review (personal information, cybersecurity, physical security, etc.)
- ○ Identify the largest risk exposures and how to efficiently transfer that risk

Investment Planning
- ○ Transaction proceeds deployment, allocation, income generation, and related tax exposure
- ○ Ongoing management and reporting of investments and private investment opportunities
- ○ Establish aggregated total balance sheet reporting