

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.

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

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.

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

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