



WHITE PAPER

**A STRATEGIC GUIDE
TO PRE-TRANSACTION
PLANNING**

FOR BUSINESS OWNERS

Executive Summary

Pre-transaction planning is a strategic imperative for privately held business owners preparing for a liquidity event. When executed early and in coordination with legal, tax, estate, and financial advisors, this process enables owners to maximize after-tax proceeds, preserve family cohesion, and reduce risk across generations.

This whitepaper is intended for founders, family business owners, majority shareholders, and C-suite executives considering a sale or recapitalization within the next one to five years. It provides a comprehensive planning framework across five core domains: legal structuring, tax efficiency, estate and philanthropic planning, family governance, and transaction execution.

Business owners are encouraged to begin early, work with an integrated team, and treat the liquidity event not as a conclusion, but as the foundation of a durable wealth platform.

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Key Takeaways

- Initiating planning 12–36 months in advance yields superior outcomes
- Structuring decisions made before a Letter of Intent (LOI) can significantly affect tax efficiency and wealth transfer
- Family governance is as vital as financial engineering
- Multidisciplinary coordination is essential to preserving optionality and legacy

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Introduction: The Hidden Risk in Liquidity Events

Over the next decade, privately held businesses in North America will experience unprecedented ownership transitions, representing trillions in potential value transfer. Yet studies consistently show that the majority of privately held business owners are underprepared for exit.

The disconnect lies in how most owners view the transaction—as a closing event rather than a strategic transformation. Inadequate planning can lead to suboptimal tax outcomes, missed estate planning windows, poorly timed philanthropy, and unprepared successors. Beyond financial cost, these oversights often generate post-sale regret and family discord.

This whitepaper seeks to reframe pre-transaction planning not as a tactical concern, but as a core leadership responsibility. It dispels the notion that planning is solely about tax avoidance or legal compliance. Instead, it positions liquidity as the beginning of a new phase—where capital replaces enterprise as the asset to be stewarded.

Framework Overview

The following sections offer a practical roadmap:

- **Part 1** explores foundational strategy and planning timelines.
- **Part 2** covers legal structuring, tax efficiency, and estate design.
- **Part 3** addresses family governance and institutional readiness.
- **Part 4** guides transaction execution and post-liquidity capital strategy.

Each section draws from case studies, advisory best practices, and implementation frameworks to support actionable insight.

Part 1: Strategic Foundations of Pre-Transaction Planning

Recognizing the pivotal role of proactive preparation in the value realization process

1.1 Introduction to Pre-Transaction Planning

Pre-transaction planning is a multidisciplinary, forward-looking process designed to optimize outcomes for privately held business owners anticipating a significant liquidity event. At its core, it integrates personal financial objectives, family legacy aspirations, and enterprise value considerations into a unified strategic framework.

This planning is not limited to financial engineering. It addresses governance continuity, succession, tax mitigation, wealth transfer, philanthropic intent, and post-exit lifestyle design. Its principal objectives are threefold: to maximize after-tax value, reduce unintended disruptions—such as misaligned family expectations or governance breakdowns—and ensure all stakeholders are aligned before the transaction unfolds.

1.2 The Strategic Importance of Timing

The window for effective pre-transaction planning typically spans 12 to 36 months prior to a contemplated exit. This lead time is not arbitrary. Structuring considerations, trust planning, valuation discounts, and gifting strategies all rely on early implementation to be fully effective.

According to the Business Exit Institute, owners who initiate planning too close to a transaction risk falling short of exit expectations and incurring unnecessary tax liabilities. Moreover, business owners who began planning at least one year in advance were better positioned to coordinate estate strategies, optimize legal structures, and align management teams with buyer expectations. The benefits of early engagement are compounding. For instance, implementing a Grantor Retained Annuity Trust (GRAT) or transferring shares at lower valuations to descendants can only occur pre-LOI to be effective. Similarly, QSBS eligibility under Section 1202 requires careful entity structuring well in advance of a transaction.

1.3 Common Failure Points in Exit Preparation

Despite widespread agreement on the importance of planning, execution often falls short. Studies report that:

- 83% of business owners do not have a written pre-transaction plan
- 75% regret selling their business within a year if planning was insufficient
- 70–80% of privately held businesses that go to market fail to sell.

Several key drivers contribute to this outcome:

- **Delayed Planning:** Many owners mistakenly prioritize business readiness over personal and family wealth readiness, leaving no time for structural or estate optimization.
- **Misunderstanding the Scope:** Some assume exit planning is synonymous with tax minimization. In reality, tax strategy is only one component of a much broader framework.
- **Event vs. Process Mentality:** Viewing the sale as a singular event rather than a multi-year transition leads to tactical decisions instead of strategic outcomes.

The result is often lost enterprise value, higher tax burdens, and unprepared heirs.

1.4 Holistic Alignment of Objectives

Effective exit planning is not solely a business endeavor. It requires alignment across three capital domains:

- **Personal Capital:** Defines the owner's post-exit financial needs, lifestyle objectives, and philanthropic aspirations. It includes cash flow planning, risk tolerance assessment, and portfolio construction.
- **Family Capital:** Encompasses wealth transfer goals, governance structures, succession plans, and educational strategies to prepare heirs for stewardship. Without clarity here, family cohesion can deteriorate after liquidity.

- **Enterprise Capital:** Involves preparing the business for due diligence, optimizing valuation drivers, ensuring management continuity, and addressing buyer concerns such as customer concentration and founder dependency.

Failure to integrate these three domains creates gaps between intent and outcome. A coherent strategy recognizes that each domain is interdependent—and planning in silos often results in diminished outcomes.

1.5 Planning as Design, Not Reaction

A liquidity event should be deliberately designed—not reactively managed. Approaching exit readiness with the same strategic discipline used to build the enterprise yields measurably better results.

As one case study demonstrates, a founder who planned early was able to allocate 50% of her private company shares into a GRAT before a capital raise. The result was significant transfer tax savings and successful seeding of a family trust. Conversely, another entrepreneur who waited until after accepting a stock-heavy offer faced liquidity constraints and substantial capital loss due to regulatory restrictions and post-deal market volatility. Planning is a mechanism for maximizing strategic upside. When structured with intentionality, pre-transaction planning becomes the bridge between business achievement and enduring wealth creation.

Part 2: Legal and Structural Readiness

Optimizing entity structure, tax exposure, and estate planning to preserve long-term wealth

2.1 The Foundational Role of Entity Structuring

The legal structure of a business plays a defining role in shaping the financial, legal, and tax implications of a transaction. It directly influences a buyer's perception of risk, the range of deal structures available, and the owner's ability to leverage tax-advantaged outcomes.

Among the most common structures:

- **C-Corporations** may offer access to the Section 1202 Qualified Small Business Stock (QSBS) exclusion, potentially exempting up to \$10 million—or 10x basis—of capital gains from federal tax, provided certain conditions are met.
- **S-Corporations** and **LLCs** are pass-through entities, meaning gains are taxed at the shareholder level. While more flexible for estate planning and internal transitions, these structures generally lack access to QSBS and may require specific adjustments (such as conversions) to unlock tax-efficient exits.

Entity restructuring—particularly transitioning to a C-Corp or reorganizing equity classes for voting control retention—must occur well in advance of a letter of intent (LOI) to be effective. Early-stage structural alignment enhances efficiency and the business's appeal to institutional acquirers and private equity investors.

2.2 Tax Positioning and Transactional Optimization

Tax outcomes in a business sale are engineered. Structuring the transaction with foresight can materially affect net proceeds. Several strategies are particularly relevant during the pre-transaction window:

- **State Sourcing Optimization:**
Business owners in high-tax states may benefit from pre-transaction restructuring using Incomplete Non-Grantor Trusts (e.g., Nevada or Delaware ING Trusts) to reduce or eliminate state income taxes.
- **Deal Structuring:**
 - **Installment Sales** can defer tax liabilities but require stable cash flow and careful note structuring.
 - **Earnouts** provide contingent payouts based on post-sale performance but shift risk and tax complexity to the seller.
 - **Equity Rollovers** allow sellers to retain upside in a second exit while deferring taxation on the reinvested portion.
- **Timing Considerations:** The fiscal year in which a deal closes can shift tax obligations by a full calendar year.

For example, a sale completed on December 31 may require payment of taxes within four months, whereas a January 1 close allows an additional year of liquidity management. Strategic integration of these tactics can significantly enhance post-sale financial flexibility.

2.3 Estate Planning: Leveraging the Valuation Window

Estate planning is most effective when implemented before valuations rise in anticipation of a sale. When executed in the pre-transaction window, gifting strategies capture current business value while shifting future appreciation out of the estate.

Key planning vehicles include:

- **Grantor Retained Annuity Trusts (GRATs):** Allow founders to gift appreciating equity with minimal gift tax exposure, retaining annuity payments over a set term. Remaining assets pass to heirs outside the estate.
- **Intentionally Defective Grantor Trusts (IDGTs):** Enable the sale of equity to a trust in exchange for a promissory note, avoiding immediate income tax recognition and removing future appreciation from the estate.
- **Spousal Lifetime Access Trusts (SLATs):** Permit wealth transfer to a spouse's trust while retaining indirect access to income and capital—a useful hedge against over-gifting.

Critically, these structures must be executed before signing a LOI to ensure that valuations used for transfers are defensible and discounts are respected. Post-LOI implementation is often too late to realize intended tax benefits.

2.4 Integrating Philanthropic Objectives

Philanthropy is often an afterthought in transaction planning—but when implemented early, it can unlock meaningful tax advantages and legacy outcomes.

- **Donor-Advised Funds (DAFs):**
Allow owners to contribute business interests before the sale, receiving an immediate deduction at fair market value while postponing grantmaking decisions. Assets grow tax-free and can support multi-generational philanthropic strategies.
- **Charitable Remainder Trusts (CRTs):** Offer the dual benefit of an income stream for the donor and capital gains deferral. Upon trust termination, remaining assets transfer to charity. The owner receives an upfront deduction based on the present value of the charitable remainder.

Both structures must be funded prior to the sale for tax deferral and charitable deductions to apply. Late-stage contributions—post-signing—risk IRS scrutiny and disallowance.

2.5 Coordinating an Integrated Planning Team

The effectiveness of any pre-transaction strategy is contingent on collaboration. Legal, tax, estate, and investment considerations intersect continuously in structuring a deal.

Fragmented advice leads to inefficiencies, redundant structures, and missed opportunities.

Best practice includes:

- Appointing a lead coordinator—often the wealth advisor or estate attorney—to manage sequencing and ensure cohesion.
- Conducting joint planning sessions to evaluate the interaction of gifting, entity structure, and deal mechanics.
- Creating a shared timeline and decision matrix to align execution against transaction milestone.

This integrated approach improves after-tax outcomes and accelerates readiness, supports credibility during due diligence, while minimizing execution risk.

Scenario	Without Planning	With Integrated Structuring
Capital Gains Tax (Federal + State)	\$7.5M on \$30M gain	\$0–3M (QSBS + ING Trust)
Estate Tax Exposure (Post-Exit)	\$12M taxable estate	<\$1M (GRAT and IDGT deployment)
Charitable Impact	\$0 deduction	\$5M DAF-funded pre-sale
Net Proceeds to Family	\$18.5M	\$27M+

Part 3: Governance, Legacy, and Family Readiness

Preparing the rising generation and institutionalizing family wealth in the context of a liquidity event

3.1 The Transformational Impact of Liquidity

A liquidity event is not only a financial transition—it is a sociological one. When operating wealth is converted into liquid capital, family dynamics often shift in unforeseen ways. Roles evolve, expectations emerge, and the nature of decision-making becomes more complex. Unchecked, this transition can produce structural and relational risks:

- **Communication breakdowns** between generations or branches of a family
- **Loss of stewardship** among heirs who lack context or purpose
- **Erosion of shared values**, especially when wealth outpaces governance

The experience of many multi-generational families underscores a critical truth: liquidity does not create alignment—it amplifies what is already present. Without proactive planning, wealth can become a source of conflict rather than continuity.

3.2 Designing a Governance Framework for Continuity

Family governance provides the infrastructure for sustained alignment. It formalizes how decisions are made, who participates in them, and how values are embedded into capital structures.

Key governance components include:

- **Family Charters or Constitutions:** Articulate the family's shared mission, guiding principles, and commitments to education, philanthropy, or enterprise. These are not legal documents, but social contracts that reinforce identity and vision.
- **Decision Rights Allocation:** Clearly define how authority is distributed—across trustees, directors, family councils, or outside advisors. Establishing protocols for major financial decisions reduces ambiguity and promotes accountability.
- **Education Programs:** Ensure that heirs are equipped with the skills and context to manage inherited wealth. Topics may include financial literacy, investment fundamentals, legal structures, and impact frameworks.

Importantly, governance is not meant to constrain individual ambition. Rather, it creates a structure within which purpose and autonomy can coexist—preserving family capital while allowing it to evolve.

3.3 Managing Legal and Interpersonal Complexity

Sudden wealth introduces legal exposure and interpersonal sensitivity. Effective governance must be paired with legal architecture that balances protection with flexibility.

Common strategies include:

- **Marital Planning:** Prenuptial and postnuptial agreements can insulate family assets from unanticipated claims while fostering transparency in intergenerational planning.
- **Creditor Protection:** Trust structures such as Domestic Asset Protection Trusts (DAPTs) and Limited Liability Entities can shield family assets from personal or business-related liabilities.
- **Control Mechanisms:** Use of voting and non-voting shares, directed trusts, and special-purpose entities allows families to separate economic benefit from governance rights, preserving founder intent while enabling next-generation participation.

Facilitation by legal counsel and independent advisors is often essential. Planning becomes a unifying process rather than a reactive defense when family members are given a forum to address these topics constructively.

3.4 Institutionalizing Family Capital

A liquidity event can catalyze the formation of family financial institutions—vehicles that support long-term coordination, impact, and cohesion.

Options include:

- **Private Trust Companies (PTCs):**
These entities serve as trustees for family trusts and can institutionalize fiduciary oversight with family involvement. They allow for customized governance models that reflect shared values and desired continuity.
- **Family Banks:** Internal capital pools provide structured loans or grants to family members for education, entrepreneurial ventures, or home purchases—subject to underwriting standards that reinforce accountability.
- **Direct Investment Platforms:**
Families increasingly use these structures to co-invest in private equity, real estate, or venture capital, often under a common thesis. This allows for both diversification and shared learning.

These platforms require operational discipline. Issues such as manager selection, reporting standards, conflict resolution, and succession planning must be addressed with the same rigor applied in professional investment firms.

Exhibit: Case Vignette – The Jameson Family

Peter and Sofia Jameson, founders of a \$150 million tech services firm, began pre-transaction planning 30 months ahead of an anticipated sale. With two children in the business and one outside it, they prioritized both tax efficiency and family cohesion.

Their advisors implemented a coordinated strategy:

- **Tax Optimization:** Converted the entity to a C-Corporation to qualify for Section 1202 (QSBS) and transferred equity to a Nevada ING trust for state tax mitigation.
- **Family Governance:** Established a family constitution and council to clarify succession principles and ensure all children had a voice—regardless of operational involvement.
- **Legacy and Philanthropy:** Pre-LOI, funded a GRAT and SLAT for estate planning and contributed \$4 million in equity to a Donor-Advised Fund focused on STEM education in Latin America.

Following the transaction, the Jamesons formed a family office to manage capital, governance, and long-term objectives—transforming a liquidity event into a multigenerational platform.

Part 4: The Strategic Seller

Executing the transaction from a position of strength through disciplined preparation and informed decision-making

4.1 Assembling a Purpose-Built Advisory Team

A well-executed business transition is a multidisciplinary undertaking. Business owners who surround themselves with a coordinated advisory team—early in the planning cycle—significantly improve the probability of a successful exit.

Key advisory roles include:

- **M&A Investment Banker:** Leads valuation strategy, prepares the company for market, manages buyer outreach, and negotiates transaction terms. An experienced banker ensures the business is positioned to command strategic premiums and avoids avoidable negotiation pitfalls.
- **Transaction Counsel:** Specializes in legal structuring, compliance, and documentation. This includes representations and warranties, indemnification terms, and alignment of corporate records with buyer diligence standards.
- **Tax Advisor:** Models after-tax deal outcomes and provides guidance on federal, state, and international implications. They evaluate installment sales, capital gains mitigation strategies, and integration with estate and philanthropic structures.
- **Estate Planning Attorney and Wealth Advisor:** Ensure the transaction aligns with broader wealth transfer goals, trust structures, and long-term financial planning. This includes executing gifting strategies and managing concentrated liquidity post-sale.

To maintain cohesion, many sellers appoint a “quarterback”—often the wealth advisor or estate counsel—to coordinate sequencing and communication across disciplines. This integrated approach ensures the deal structure, estate strategies, and liquidity deployment are all synchronized

4.2 Understanding Buyer Behavior and Valuation Mechanics

Different buyer types—strategic acquirers, private equity sponsors, and family offices—approach valuation and diligence through distinct lenses. Understanding these differences enables sellers to anticipate negotiation dynamics and proactively manage risk.

Core valuation drivers include:

- **Recast EBITDA and Add-Back Analysis:** Buyers assess normalized earnings by adjusting for one-time, discretionary, or non-operating items. Sellers should prepare detailed justifications and documentation to support these adjustments.

- **Quality of Earnings (QoE) Reports:**

A third-party QoE enhances credibility, identifies accounting inconsistencies, and reduces the likelihood of price renegotiations post-diligence.

- **Founder Dependency and Key-Person Risk:** Concentration of decision-making or relationships around the founder can diminish perceived enterprise value. Proactive measures—such as formalizing leadership roles and implementing incentive plans for key personnel—can mitigate this risk.

Deal terms with material impact include:

- **Earn-Outs:** Provide contingent compensation based on future performance. While useful to bridge valuation gaps, they transfer risk to the seller and must be structured with clear performance metrics, timelines, and protections.
- **Rollover Equity:** Allows the seller to retain a minority stake in the acquiring entity. This can provide additional upside and signaling alignment, but also introduces illiquidity and governance considerations.

4.3 Post-Liquidity Capital Strategy and Deployment

A significant liquidity event requires as much discipline after the transaction as before it. Without a clear capital strategy, sudden wealth can lead to poor diversification, tax inefficiencies, and loss of purpose.

Key post-liquidity considerations include:

- **Liquidity Pacing:** Avoid deploying capital too rapidly. Staged allocation allows for market assessment, planning refinement, and emotional adaptation to a new financial reality.
- **Asset Allocation Strategy:** Transitioning from a concentrated operating business to a diversified portfolio introduces unfamiliar risks. A formal investment policy statement, rooted in risk tolerance and cash flow needs, is critical.
- **Purpose-Aligned Capital:** Wealth should be contextualized within broader personal, philanthropic, or family enterprise goals. This includes strategies such as impact investing, mission-aligned trusts, or legacy planning structures.

Tools to support decision-making:

- Scenario modeling (e.g., capital market assumptions, drawdown scenarios)
- Monte Carlo simulations for sustainable withdrawal planning
- Stress testing for adverse market events or family liquidity demands

Exhibit: Transaction Readiness Checklist – 90-Day Pre-Close Framework

<input type="checkbox"/> Legal	Confirm updated operating agreements, IP assignments, and non-competes
<input type="checkbox"/> Financial	Complete QoE, finalize normalized EBITDA, resolve accounting anomalies
<input type="checkbox"/> Operational	Review key contracts, HR policies, and succession planning
<input type="checkbox"/> Tax & Estate	Execute final trust strategies, gift transfers, and charitable allocations
<input type="checkbox"/> Investment Planning	Define asset allocation, liquidity pacing, and post-close governance models

Conclusion: From Event to Endowment

Reinforcing the strategic intent and long-term implications of pre-transaction planning

The Role of Planning as a Strategic Lever

Pre-transaction planning is not a peripheral consideration in the lifecycle of a business—it is the linchpin of an intentional and optimized exit. Far from a purely tactical exercise, it is a strategic design process that integrates legal, tax, personal, and governance dimensions to achieve multidimensional outcomes.

- When initiated early and executed cohesively across disciplines, pre-transaction planning not only protects enterprise value but also amplifies the potential to convert that value into enduring wealth. The absence of such planning often results in value erosion through tax inefficiencies, structural constraints, or misaligned family priorities—challenges that are preventable with adequate foresight.

Core Pillars of a Successful Transition

This whitepaper has presented a framework for business owners to reframe a liquidity event as a transformative opportunity, organized around four core pillars:

- **Strategic Alignment:** Integrating personal liquidity objectives, family legacy goals, and enterprise readiness ensures that all stakeholders—both internal and external—move forward with clarity and coordination.
- **Structural Readiness:** Entity optimization, tax planning, and estate structuring are foundational to maximizing post-tax wealth. Tools such as Section 1202 exclusions, Grantor Retained Annuity Trusts (GRATs), and Donor-Advised Funds (DAFs) can only be fully effective if deployed in advance of a transaction.
- **Governance and Continuity:** Family preparedness and institutional frameworks—including family charters, private trust companies, and education protocols—are essential for translating financial capital into multigenerational purpose.
- **Execution Discipline:** Successful sellers enter the transaction process prepared—with a dedicated advisory team, well-substantiated valuation materials, and a capital allocation strategy for post-liquidity deployment.

Strategic Implications for Business Owners

What is ultimately at stake extends beyond enterprise value. At the point of sale, the business ceases to be a private engine of wealth creation and becomes a source of liquidity that must now be managed, preserved, and aligned with new roles and responsibilities.

Failure to plan risks not only higher tax burdens and inefficient capital structures but also more subtle forms of value loss—fractured family cohesion, underprepared heirs, and delayed philanthropic or legacy impact.

When approached strategically, however, the liquidity event becomes a powerful pivot—from operating a business to stewarding a family enterprise, from personal effort to shared capital, from event to endowment.

Forward Guidance

Business owners should treat pre-transaction planning with the same intentionality they applied when building their company. This includes:

- **Initiating Advisory Coordination:** Engage a multidisciplinary team—including legal, tax, investment, and estate advisors—early in the planning cycle.
- **Conducting Readiness Assessments:** Evaluate entity structure, trust architecture, governance gaps, and post-transaction financial modeling.
- **Beginning Scenario Planning:** Use stress tests and comparative simulations to evaluate different transaction structures and post-liquidity capital deployment strategies.

Ultimately, pre-transaction planning is an exercise in control—over outcomes, over legacy, and over how value is preserved and expressed long after the business is sold. Owners who embrace this opportunity can convert enterprise success into a durable and purpose-aligned wealth platform that benefits generations to come.

Appendix: Supporting Tools and Resources

Supplementary frameworks, definitions, and reference material to support implementation

A. Glossary of Key Terms

This glossary provides concise definitions of core technical terms referenced throughout the whitepaper. It is intended as a reference for readers seeking clarification or deeper context during implementation.

- **Qualified Small Business Stock (QSBS):** Shares of a qualified domestic C-Corporation eligible for capital gains tax exclusion under Section 1202 of the Internal Revenue Code, subject to holding period and active business criteria.
- **Grantor Retained Annuity Trust (GRAT):** An irrevocable trust that allows a business owner to transfer appreciating assets to heirs with minimal gift tax by retaining an annuity for a fixed term.
- **Spousal Lifetime Access Trust (SLAT):** An irrevocable trust that enables one spouse to transfer assets outside the taxable estate while maintaining indirect access through the other spouse.
- **Intentionally Defective Grantor Trust (IDGT):** A trust structured so that the grantor is taxed on income but the assets are excluded from their estate, often used in conjunction with intrafamily sales.
- **Earn-Out:** A deferred payment structure in M&A transactions where a portion of the purchase price is contingent on future business performance.
- **Equity Rollover:** A transaction mechanism where a seller retains partial ownership in the acquiring entity, typically used to align long-term interests and defer taxation on the rolled portion.

B. Illustrative Planning Timeline

	1	2	3	4
Timeframe	Legal	Financial	Estate & Trusts	Operational
36-24 Months	Entity restructuring review	Preliminary valuation	Draft or amend estate plan	Define succession strategy
24-12 Months	Review buy-sell agreements	Engage investment banker	Execute GRATs, SLATs	Prepare data room baseline
12-6 Months	Execute definitive trust plans	Conduct QoE analysis	Initiate DAF or CRT funding	Finalize key management roles
6-0 Months	Draft transaction documents	Confirm liquidity strategy	Complete gifting and reporting	Launch diligence phase

C. Transaction Readiness Checklist

The following checklist outlines core elements of transaction readiness across legal, estate, and operational dimensions. It may be used as a pre-close audit to identify outstanding items.

- **Entity Structure**
 - Confirm C- or S-Corp designation and implications
 - Assess eligibility for Section 1202 (QSBS)
 - Validate operating and shareholder agreements
- **Estate and Gifting**
 - Execute transfers to irrevocable trusts (GRATs, SLATs, IDGTs)
 - Finalize appraisal and valuation discount documentation
 - Record all gift tax filings
- **Trust and Philanthropic Vehicles**
 - Establish or fund Donor-Advised Fund or Charitable Remainder Trust
 - Clarify advisory roles and distribution guidelines
 - Coordinate charitable intent with transaction timeline
- **Management Succession**
 - Appoint leadership transition team
 - Develop incentive alignment plans (e.g., phantom equity, retention bonuses)
 - Document delegation of key decision-making rights

- **Buyer Positioning**

- Prepare normalized financials with recast EBITDA
- Commission and review third-party Quality of Earnings report
- Update corporate governance records and board resolutions

D. Sample Planning Scenarios

The following hypothetical examples illustrate the difference between proactive and reactive pre-transaction planning.

Scenario 1: Early Planning (36 months pre-sale)

- Founder establishes a GRAT and transfers 25% of shares at a \$60M valuation.
- Shares appreciate to \$90M by transaction close.
- Result: \$30M of appreciation passes to heirs outside the taxable estate.
- Founder also funds a DAF with \$5M in pre-transaction stock and receives a full fair market value deduction.

Scenario 2: Reactive Planning (signed LOI, no pre-transaction trust work)

- Estate planning and charitable vehicles are implemented post-sale.
- Founder pays full capital gains tax on \$30M of appreciation.
- Gifted assets are valued at post-sale FMV, reducing discount and increasing gift tax exposure.
- Charitable contribution limited to cash post-close, with reduced deductibility.

Impact Differential: Over \$10M in estate tax savings and \$1.5M in additional charitable impact lost due to timing.

E. Source Material and Further Reading

This whitepaper draws upon a curated set of industry whitepapers, private wealth reports, and advisor toolkits. For readers seeking deeper technical guidance or case studies, the following sources are recommended:

Bibliography

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- 6 Things You Need to Know Before Selling a Business
- Structure Your Estate Before Selling Your Business
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2. Crewe Advisors

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6. CIBC US

- The Privately Held Business Booklet

7. Compound Planning

- Exit Planning for Business Owners – Compound Manual

8. Exit Planning Institute (EPI)

- State of Owner Readiness (Referenced for statistics on planning preparedness and owner regret)

9. Quantive

- Pre-Diligence: De-Risking in the Pre-Transaction Window

10. Business Exit Institute / True North Advisors

- Business Owner Exit Readiness Guide
- PowerPoint Presentation (Referenced for readiness statistics and planning timelines)

These materials reflect leading thinking on tax efficiency, legacy planning, and transaction execution, and may be consulted during implementation or planning refinement.

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