



The Complete 'Selling a Business' Checklist:

— For Our —

No-Stone-Left-Unturned Folks



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Introduction:

As you think about [selling your business](#), you may feel overwhelmed by the complexities that demand your time and attention. You've spent years transforming an idea into a thriving company and selling may be a new phase that you have only just started to think about. The simplicity you've been craving post business sale is finally within reach but there are bound to be some white-knuckle moments due to the coordination of many players during the course of this transition.



Though complex, a successful exit is an exciting milestone for any entrepreneur and can be an enjoyable experience with the help of a 'selling a business' checklist to guide you through the process.

✓ **STEP 1**

Get Your Personal Financial House In Order With An Eye Toward The Future



After years of focusing on building a business, now's the time to pause and audit your personal financial life. What assets do you have? Liabilities? What kind of income are you accustomed to and how do you spend it?

Approach these questions with the same discipline and no B.S. attitude that's already gotten you this far. Then, map these items out—(we use a “Monument Asset Map”)—so you can see the big picture clearly without overwhelming the senses.

▶ What are your post-sale plans?

Think about what's important to you—what do you want your life to look like after your business sale? The lives of those you love? Do you have any charitable organizations or interests that you'd like to designate funds for? Try to answer the big question here, [“What's the money for?”](#) This can help you better understand what YOU need from a business sale to meet your objectives and make decisions about specific actions to take pre-sale (more on that below).

▶ Get help.

Work with a Wealth Advisor, specifically with a CERTIFIED FINANCIAL PLANNER™ designation who can help you identify and prioritize your goals and objectives while helping you connect the financial details to your big picture. They can complete the audit for you and ensure you have the right team assembled to ensure a smooth transition (CPA, trust and estate attorney, etc.).

Bottom line: A Wealth Advisor can help you translate your success in running a business to success in meeting your needs post-sale, ensuring you understand your options and can confidently make decisions about your newfound wealth. This is CRUCIAL for any business owner thinking about a sale.

You with us so far?

Please See Important Disclosure Information on the last page.

✓ **STEP 2**

Engage A Merger & Acquisitions (M&A) Advisor.



An M&A Advisor will guide you through the process from start to finish. You are THE expert on your business and that's how it should be...you don't need to waste time and energy trying to figure out the process of selling your business on your own.



► **Get an appraisal.**

There are many different deal structures—an M&A Advisor will listen to what's important to you in terms of your involvement with the business post-sale and your personal financial needs to help you make sense of the options. They will also help you obtain a professional appraisal—you can't know if you're ready to sell if you don't know what a buyer would pay for it. Remove anxiety of the unknown with a seasoned pro who can help you extract the most value from your exit.

It will also help in planning for your post-sale life. Part of the decision to sell should be grounded in knowing that the proceeds will be enough to fund your lifestyle. Pre-sale planning, like that done in the Monument Private Wealth Design process, will determine the after-tax amount needed to fund a long-term investment portfolio that accomplishes your post-sale lifestyle objectives.

You can't know if you're ready to sell if you don't know what a buyer would pay for it.

If the company appraises for that amount or higher, you will have an advantage in negotiating with any buyer and will set your “no-go sale price.” It is also helpful in determining if any “earn out” is worth accepting or passing on. If the sale proceeds are higher than the amount needed to fund a post-sale portfolio, you may determine that you do not want to keep working to get the additional earn out money.

Of course knowing that the appraised value does not meet the proceeds you need is valuable too. In this case, options include revising your post-sale lifestyle downward or postponing the sale and continuing to build the value of the business higher for a future sale.

► Put your company in a position to sell.

An M&A Advisor will help you get the company in the best position possible to sell by:



Cleaning up the financials



Conducting a business valuation



Identifying and selecting an M&A attorney



Creating models that can show you what you can expect from various purchase scenarios



Creating a deck to share with potential purchasers that outlines everything they need to know about your business, the strategic synergies of an acquisition, key competitive environment dynamics, financial snapshots and more



Identifying potential purchasers and coordinating due diligence meetings



Charting a plan that allows you to keep focused on your annual growth rate and profit margins that will be critical for a top valuation—a buyer is paying for growth!



Making sure your brand is marketable



Thinking about key employees and other “assets” that might not appear on the balance sheet

✓ **STEP 3**

Tune Up Your Estate Plan

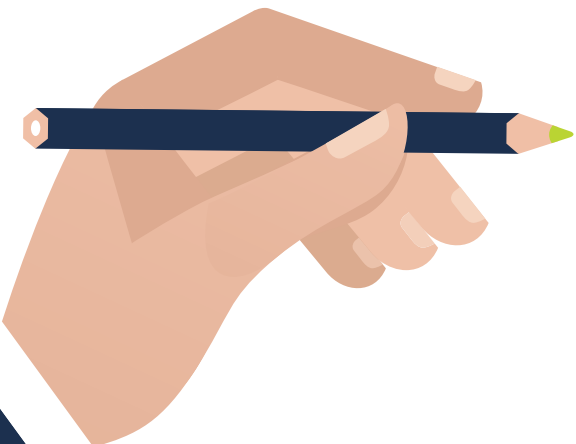


Estate documents are never something you should set and then forget, especially when it comes to a business sale. Depending on your answers to the question “What’s the money for?”, there may be opportunities to update your estate plan BEFORE a sale occurs.

For example, if there’s a goal of [creating multi-generational wealth](#) and the total business proceeds aren’t needed to sustain your lifestyle, you may want to transfer a portion of non-voting shares to an irrevocable trust that benefits the next generation of your family **before any mention of a sale**. This allows wealth from the business sale to accumulate inside of a trust, which protects the assets from the claims of creditors and the risk of children spending more than you intend.

An irrevocable trust will also allow wealth to accumulate for the next generation OUTSIDE of your estate—meaning it won’t be subject to estate taxes when you pass away if your taxable estate exceeds the lifetime gift and estate tax exemption amount.

This requires careful planning with a Trust and Estate Attorney in conjunction with your Wealth Advisor as you may need to re-write your estate documents to account for this new liquidity, even if there aren’t any trusts to fund pre-sale. Life evolves, and you may wish to adjust provisions in your existing documents to be reflective of your new or soon-to-be liquid net worth. Your team of professionals can help you break down the overwhelming complexity and make sure your assets end up in the right buckets in line with your legacy desires.



✓ STEP 4

Plan Ahead For Taxes



Get a handle on your cost basis so that you can project the amount of cash you'll be left with post-sale. More than likely, proceeds above your cost basis will be taxed as long-term capital gains. But as with anything, your taxes will be highly dependent on your personal circumstances and the details of the transaction. This is helpful with creating realistic plans for life post-sale that are customized to you and proactively address any liabilities.

► Take time to plan.

[Tax minimization strategies](#) take time to plan—if you're interested in ways to mitigate taxes, such as [large charitable donations](#), talk to your team of Wealth Advisors (your CPA and Wealth Advisor, specifically) early in the process about your options.



Having enough time to plan ensures clear communication and decisions that you feel comfortable with and also provides for the most amount of options. The more time to plan before a sale the better—being rushed into last minute tax strategy decisions is one of the biggest challenges we encounter and usually results in actions not being taken, which is not optimal.

Have a plan to set aside cash from the proceeds to pay your tax bill—liquidity is the key. Keep this safe in a money market fund or other cash-equivalents.

✓ **STEP 5**

Execute On Your Plan With Your Team Of Wealth Advisors.



The most important personal question you need to answer when determining your exit strategy is, “What’s the money for?” Money, unlike art which is something that is to be admired, is a tool to be used to achieve your goals and objectives. When people treat it like art, they tend to watch it and look at it in a way that is counter-productive and limits its overall usefulness.

The answer to this question provides the framework for creating the path forward. Your **Private Wealth Design** includes a collaborative, creative, customized approach to turning a wealth of opinions, ideas, resources, and investments into a blueprint that represents the life you want to live. It’s a living blueprint and action plan for your life, financial and otherwise, that adapts to your shifting needs and wants.

Your Private Wealth Design provides:

1. Clarity

We'll create your Monument Asset Map that helps you see all your financial details in one simple infographic and how they contribute to your bigger picture.

2. A Sense of Security

We'll complete a Trust and Estate audit, assessing where your assets will go post-sale and help you maximize available funding for your priorities.

3. Confidence that someone’s eye is on the ball

We'll develop your Investment Policy Statement--a guidebook we co-create to frame a long-term, deliberate investment strategy during a period of sound mind planning clarity --and a custom portfolio allocation based on your unique circumstances.



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Most importantly—take a breath and enjoy what years of hard work and determination have afforded you! Have a plan for things you want to enjoy post-transaction—new hobbies, travel, and time with friends and family.

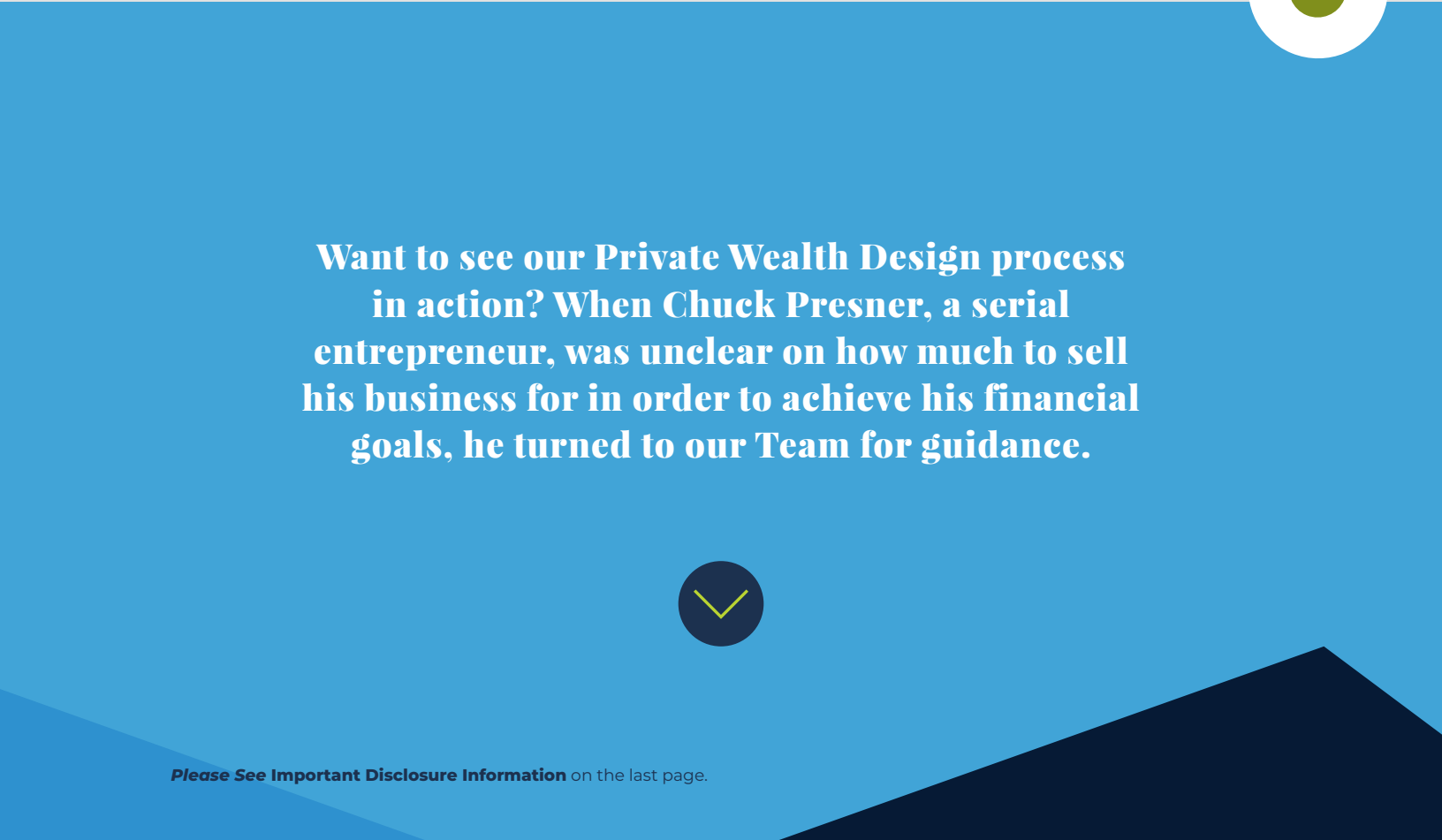
While this 'selling a business' checklist might answer some of your questions, there are bound to be many others.

[Monument](#) helps people selling their business by offering unfiltered opinions and straightforward advice that properly frames

all risk, removes hassle, and empowers you to have more control over your time and options—a must when you are considering a business exit.

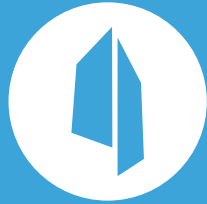


Talk to us about our Private Wealth Design and how it can answer YOUR specific questions and provide you clarity if you're wondering how to start the process of a business sale.



Want to see our Private Wealth Design process in action? When Chuck Presner, a serial entrepreneur, was unclear on how much to sell his business for in order to achieve his financial goals, he turned to our Team for guidance.





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A Case Study

The Confidence to Sell a Business

CASE STUDY

Chuck Presner is a serial entrepreneur

In his early 30s, he sold a successful small business and worked with Monument to invest the proceeds. When he and his business partner were considering selling their current business, a consulting firm they had been building for 10 years, Chuck turned to Monument again.

With a potential sale imminent, Chuck wanted to get a handle on how much to sell the business for. He knew it was likely worth between \$10 million and \$15 million, but he didn't know exactly how much he needed to receive from the sale to achieve all his personal financial goals. And as a result of his earlier work with Monument, Chuck understood the need for careful planning to ensure the sale would help him be successful.

► The Need: Enough Certainty to Pull the Trigger

Chuck's goal was to feel confident accepting or declining an offer when one came in. To do that, he needed to know how much he had to make from the sale to meet his family's financial goals.

Chuck and his wife, Kelly, now in their early 40s, worked with Monument for a year and a half to pinpoint exactly what the proceeds of a sale would need to cover. Their goals included:

- **The freedom to retire early**
- **Building the couple's dream home**
- **Philanthropic giving**
- **College savings for their two children**

Additionally, they wanted to be sure they had a plan to integrate assets from their sale into their overall financial plan.

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UNDERSTANDING WHEN TO SELL

How much will I need to accomplish my goals?

As a first step in the sale process, Chuck and his wife needed to understand how much their goals would cost. And they wanted to be sure that they had enough to live on if Chuck never started another business and neither of them worked again.

The team at Monument tackled these issues systematically.

▶ The Process

We planned for cash flow by examining the couple's spending to determine how much they would need to maintain their lifestyle if they retired. A deep dive into the couple's expenses revealed they were spending more than they thought, about \$12,000 per month. We factored those actual spending numbers into a plan for their retirement income needs.

We developed a budget for the house. Chuck and Kelly's dream home would cost about \$2 million to build. We weighed the pros and cons of borrowing to fund construction versus paying in cash. After careful consideration, the couple decided they would borrow \$750,000 to take advantage of the full mortgage interest deduction and pay the rest of the costs in cash, which would help them better manage their monthly cash flow.

We used a Monte Carlo simulation to run their planning scenario through a thousand different iterations of possible market performance during their lifetime to help determine how likely the couple would be to meet their goals based on different possible proceed amounts from their business sale.

▶ Results

Using the Monte Carlo simulation, we were able to show that the couple was likely to meet their retirement and housing goals with a payout of \$4 million or more after taxes. This analysis gave Chuck the information he sought to guide his decision-making once the business was on the market.

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CONTINUING A COMMITMENT TO PHILANTHROPY

How should I fulfill a pledge to my alma mater?

Philanthropy is an important part of Chuck and Kelly's lives. They are regular donors to their church and typically make their donations in cash. Two years ago, Chuck made a pledge to donate \$150,000 to his alma mater. With a windfall coming, he wanted to fulfill his promise to his school.

► Our Advice

We discussed options for philanthropic giving beyond simply giving cash. Options included donating investments such as appreciated stock, which would provide tax advantages to Chuck and Kelly.

► Results

Rather than using cash from the payout to fulfill Chuck's pledge, we identified a few stocks in the couple's existing portfolio. The stocks had appreciated so much they now represented an overweight allocation in the portfolio. Selling the stock and using the proceeds to rebalance the portfolio would have incurred high capital gains taxes. Instead, we advised Chuck and Kelly to donate stock valued at \$150,000 to the university, fulfilling the pledge while avoiding realizing capital gains altogether.

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PLANNING FOR THE WINDFALL

How can I generate enough income from my portfolio to replace my salary?

A year and a half after pre-sale planning began, Chuck and his partner received an offer of \$12 million for the business. Chuck would receive \$5 million after taxes, enough to meet his goals. Thanks to the planning we had done ahead of time, Chuck was able to accept the offer with confidence.

Large liquidity events require careful attention to asset allocation and taxes. Before the sale of the business, we worked with Chuck and Kelly to develop a financial plan that would provide the retirement income they needed, fund their children's education and be as tax efficient as possible.

Throughout the process, we discussed risk and time horizon to help the couple become comfortable with the idea of long-term investing. Specifically, we helped Chuck and Kelly understand the pros and cons of taking on more risk now to provide potential growth over time. After the sale, we were able to set a plan in motion.

► What we did

We designed an asset allocation for the new money being added to the couple's existing portfolio. The allocation met the dual goals of rebalancing the portfolio where needed and avoiding generating additional capital gains for long-held assets.

We developed an income plan for the portfolio that would provide enough money to cover the couple's monthly expenses. The plan included investments that would provide dividend income that could function like a regular paycheck. We made sure that the portfolio would provide income right after the sale, immediately replacing Chuck's salary.

We coordinated with the client's accountant to determine the couple's tax liability from the sale. We determined they would owe \$3 million, so we bought \$3 million in Treasury notes, rather than keeping the money in cash. The Treasury notes would generate income before being sold to cover the couple's taxes.

We opened 529 accounts to save for the children's college education. We pre-funded two accounts with \$75,000 each—the maximum allowable amount—to take full advantage of the accounts' tax-free growth potential.

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► Takeaway: Confidence Comes From Careful Planning

Selling a business is a stressful event under the best circumstances. When an offer came through, Chuck didn't want to be a deer in the headlights, forced to guess about whether it would cover his family's needs.

Careful planning allowed Chuck and Kelly to determine the goals they wanted to accomplish and how much they needed to succeed. Modeling how different scenarios would affect the couple in the decades to come helped them arrive at a financial target for the sale.

With that amount in mind, Chuck was able to quickly and confidently accept the offer when it arrived. Thanks to all their advance planning, Chuck and Kelly could then implement their financial plan and smoothly transition to the next chapter in their lives, including breaking ground on their new home.

► About Monument Wealth Management

Life, like money, is complex. There are lots of moving parts. And it requires a lot more than just tallying up numbers to figure it out. At Monument, we specialize in taking complex, 3-dimensional problems and creating solutions that are intelligent, thoughtful, and creatively conceived.

Our niche is working with people who are coming into newfound wealth and are faced with a sudden need for meaningful advice from a Team, or as we refer to it, a Collective Mastermind. These are typically business owners going through a sale, individuals with newly inherited wealth, and highly compensated executives with at least \$5mm in assets.

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Ready to get started?

We'd love the opportunity to get to know you better. **In 30 seconds**, you'll be able to tell us if we'd be a good fit.

GET IN TOUCH



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IMPORTANT DISCLOSURE INFORMATION

Please Note: Limitations: The above is a hypothetical scenario-not involving an actual Monument Capital Management, LLC ("Monument") client. It illustrates the hypothetical experience of a fictitious client based on a scenario that an actual client might experience. The scenario is designed to help illustrate how Monument might provide services to similarly situated clients. Keeping in mind that no two clients, situations, or experiences are exactly alike, the above should not be construed as an endorsement of Monument by any of its past or current clients, nor any assurance that Monument may be able to help any client achieve the same satisfactory results. To the contrary, there can be no assurance that a client or prospective client will experience a certain level of results or satisfaction if Monument is engaged, or continues to be engaged, to provide investment advisory services. A copy of our current written disclosure Brochure discussing our advisory services and fees continues to remain available upon request or at www.monumentwealthmanagement.com.

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Please Remember: If you are a Monument client, please contact Monument, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services, or if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. Unless, and until, you notify us, in writing, to the contrary, we shall continue to provide services as we do currently.