



Morgan Stanley

# Exit Planning Checklist

If you are contemplating an exit from your business, there are a multitude of personal, business, tax, estate, and financial factors involved in making this important decision. The earlier you begin planning, the more options you may have for a successful exit.

This checklist can help guide you through the process of planning your exit.

## 1

### **Build Your Team**

Seeking guidance from professionals with experience in transitioning businesses can help you make more informed decisions. It can also help ensure that you don't overlook any of the key factors you should be considering as you develop your exit plan. Your exit planning team should include a Certified Public Accountant (CPA), an attorney, and a financial planner. Depending on which type of transition you choose, you may also want to include a banker, business broker, or an insurance agent.

You may also benefit from selecting an exit planning advisor who can serve as the quarterback for your team. The role of an exit planning advisor is to:

- Educate you on your exit options
- Assist in developing, documenting, and communicating your exit plan to your family, colleagues, and other exit planning team members
- Continue to advise you during the preparation and transition phases of your exit

## 2

### **Establish Your Personal Goals**

Set your personal goals for the exit, whether it is funding your retirement, pursuing a new venture, fulfilling your philanthropic aspirations, or achieving another life milestone. Establishing your goals can help you determine how and when to exit your business.

## 3

### **Estimate the Value of Your Business**

Business value can change over time, so this may be something you do more than once. The valuation method you use to estimate the value of your business may also change, depending on where you are in the exit planning process.

## 4

### Benchmark the Current State of Your Business and Address Any Gaps

The objectives of benchmarking the current state of your business include:

- Ensuring that you have in-depth knowledge of all facets of your business operations
- Identifying opportunities for improvement or value enhancement
- Understanding how potential buyers may view your business
- Clarifying whether an exit may help you achieve your goals

## 5

### Explore Your Exit Options

There are multiple options for exiting your business, which include both selling to insiders and selling to outsiders.

#### INSIDERS

Intergenerational transfer  
Management buyout  
Sale to existing partners  
Sale to employees

#### OUTSIDERS

Sale to a third party  
Recapitalization or refinancing  
Orderly liquidation

Each of these options has potential pros and cons, and the best option for you will depend on both your goals and your timing for exit.

## 6

### Understand the Tax Implications

Exiting your business can have tax implications, which may vary depending on the type and timing of exit. Talking to your CPA about the tax consequences of different exit options which help you understand your tax obligations and potential proceeds.

## 7

### Draft Your Transition Plan

The last step in the exit planning process is to develop and document an outline of your plan. Once this outline is complete, share it with your exit planning team and your family. Keep in mind that your exit plan may change over time, depending on personal, business, and market factors. If you keep your plan up to date, it can provide a roadmap for maximizing the value of your company and exiting your business when you are ready to make the transition.

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