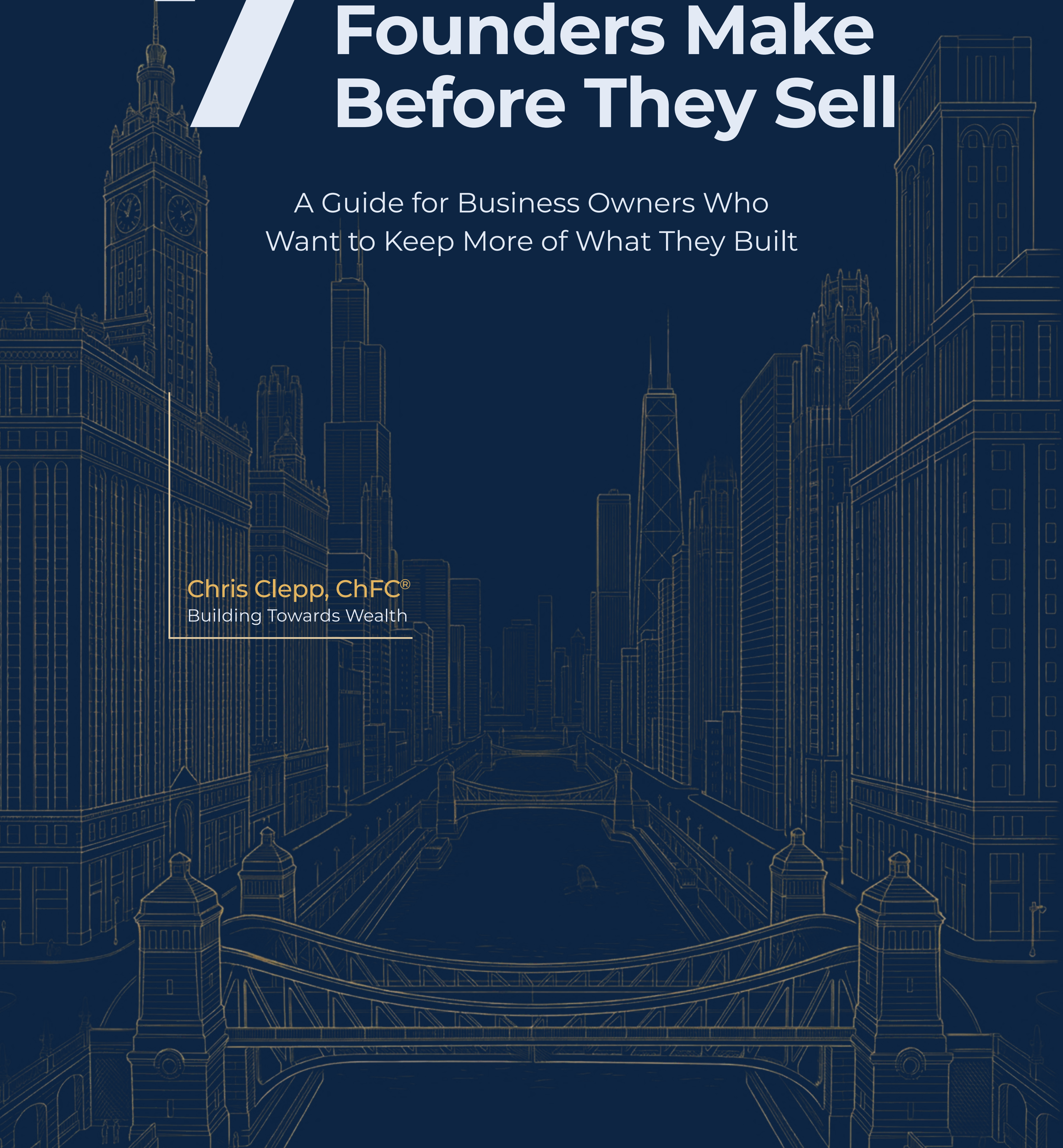
7 Exit Tax Mistakes Founders Make Before They Sell

A Guide for Business Owners Who Want to Keep More of What They Built



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Before You Read This:
A Quick Gut Check

You've spent years building something valuable. Before you sell it, take two minutes with the statements below. Check any that apply.

- [ ] I haven't modeled my estimated after-tax proceeds from a sale.
- [ ] I don't know whether my deal would likely be structured as an asset sale or a stock sale.
- [ ] I've never heard of Qualified Small Business Stock (QSBS) treatment, or I'm not sure if it applies to me.
- [ ] I haven't coordinated my tax planning with my estate planning.
- [ ] I'm within three years of a potential exit and don't have a written tax strategy.
- [ ] My CPA focuses on annual returns, not exit modeling.
- [ ] I haven't reviewed my entity structure in the context of a sale in several years.
- [ ] I'm planning to deal with tax optimization once I have an offer in hand.

If even two or three of those apply, this guide was written for you.

Each item represents a decision window that closes as you move closer to a transaction. The pages that follow explain what's at stake with each one.

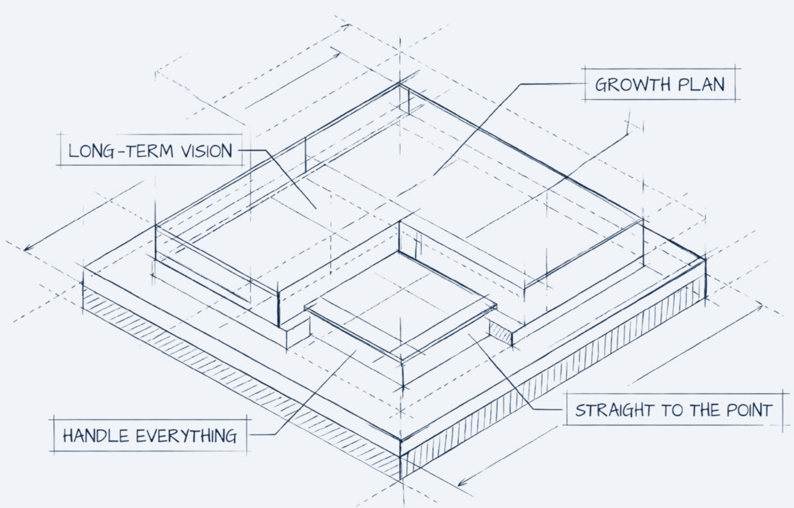
You Built the Business.
Now Protect What You Get for It.

If you're a business owner in your forties or fifties, you've probably spent the last decade or two focused on growth, operations, and keeping everything running. Tax planning happened once a year, around filing time. It was mostly about looking backward at what already occurred.

Exit planning is different. It's forward-looking and time-sensitive. The strategies that protect the most wealth at exit aren't available the month before you close. Many require two, three, or even five years of lead time to work.

This guide walks through the seven most common mistakes founders make before they sell, why each one costs real money, and what you can do about it starting now.

One thing you'll notice: a financial advisor who specializes in exit planning sits at the center of each of these conversations. Not at the end of them. Not after the deal closes. **Before**.



MISTAKE 1

You Haven't Modeled Your After-Tax Proceeds

Selling your company for $10 million doesn't mean you walk away with $10 million. Taxes, deal structure, entity type, and timing can reduce your actual take-home by 40% to 50%. Sometimes more.

Most founders negotiate based on the gross number in the term sheet. They never actually calculate what they'll net.

HERE'S WHY THAT MATTERS:

Keeping all of a $10 million sale beats losing half of a $13 million sale. But you can only make that judgment when you know your real number. Your after-tax proceeds are the foundation for every decision that follows. What your next chapter looks like. What goes to your family. What gets positioned for growth. Without this number, you're planning around a figure that doesn't reflect reality.

WHAT A PREPARED FOUNDER DOES INSTEAD:

Models after-tax proceeds at least twelve months before any formal process begins. The model accounts for federal and state capital gains, depreciation recapture if applicable, and deal-specific variables like earnouts or seller notes. It compares multiple scenarios side by side so you can see what different structures actually cost you in real dollars before a buyer ever puts an offer on the table.

Based on our current structure and a hypothetical sale at a specific valuation, what would I actually net after all taxes? How does that number change depending on how the deal is structured?

MISTAKE 2

You Don't Know Your Deal Structure or Whether QSBS Applies to You

Buyers and sellers usually have opposing preferences on deal structure. Most founders don't understand the tax implications of each until they're already negotiating.

Even fewer know about Qualified Small Business Stock (QSBS). Under the right conditions, QSBS can let you exclude a significant portion of your gain from federal taxation entirely. If you qualify and don't know it, you may be leaving one of the most valuable tax benefits available to founders completely on the table.

WHY THIS COSTS REAL MONEY:

In an asset sale, certain gains get taxed as ordinary income rather than at capital gains rates. In a stock sale, the seller typically gets more favorable treatment, but buyers push back on that structure. QSBS can go further, potentially eliminating federal tax on a portion of your gain if your shares meet eligibility requirements and you've held them long enough. The difference between knowing and not knowing this before you negotiate? **Easily six figures. Often more.**

WHAT A PREPARED FOUNDER DOES INSTEAD:

Meets with a financial advisor and tax counsel before engaging with any buyers to answer three questions. Do your shares qualify for QSBS treatment, and how much of your gain could be eligible for exclusion? What deal structure will your likely buyers prefer, and how does that conflict with your tax position? What are the real dollar tradeoffs between different structures? A founder who knows those answers negotiates from a position of strength. A founder who doesn't finds out after the deal closes, when nothing can be changed.

> *Do my shares potentially qualify for QSBS treatment? What conditions need to stay intact between now and my sale to preserve that benefit?*

MISTAKE 3

You Haven't Figured Out What "Enough" Looks Like

Most founders approach exit planning as a tax minimization problem. But before you can minimize taxes intelligently, you need to answer a more personal question: how much of your proceeds do you actually need to support the life you want?

Without that number as an anchor, every other decision gets made in a vacuum. Your tax advisor, estate attorney, and financial advisor are all optimizing in isolation when they should be working from the same playbook.

WHY THIS MATTERS MORE THAN YOU THINK:

Not all of your proceeds should be treated the same way. The portion that supports your lifestyle needs different positioning than the portion that compounds for your kids, or the surplus that could go toward something you care about. Once you know what's enough for your own security, the rest becomes available for smarter strategies: gifting programs, trust structures, charitable vehicles. Tools that work best when put in place before a liquidity event, not after. Proceeds that land in your account without a plan? They tend to sit there. Generating unnecessary taxes. Missing planning windows that don't reopen.

WHAT A PREPARED FOUNDER DOES INSTEAD:

Starts the exit planning conversation not with tax rates but with a lifestyle income number. How much annual income do you need to support the life you actually want? How long do you need to plan for? What dollar amount of proceeds needs to remain accessible? That number becomes the anchor. Everything above it becomes a planning opportunity, and your advisors can align their strategies around it instead of working in separate directions.

> *What annual income do I need from this sale to support the life I want? Once we have that number, what strategies open up for everything above it?*

MISTAKE 4

You're Within Three Years of an Exit and Don't Have a Written Tax Strategy

Many founders assume that tax planning around an exit happens during the exit.

It doesn't.

The strategies with the greatest impact require two, three, or even five years of lead time. Some require changes to entity structure that need to season before they're usable. Others involve gifting programs that only work if started well in advance. By the time you have a signed letter of intent, most of these options are gone.

THE MATH IS SIMPLE:

There's a direct relationship between how early you plan and how much you keep. A founder who starts five years out has a full menu of strategies. A founder who starts five months out works with whatever's left. The difference isn't marginal. It's often hundreds of thousands of dollars. And unlike most business problems, this one doesn't give you a second shot. You sell a business once. The planning window you have right now won't come back.

WHAT A PREPARED FOUNDER DOES INSTEAD:

Treats the years before a formal sale process as the primary planning window. Identifies which strategies require the most lead time and prioritizes those first. Reviews a written exit tax strategy annually so the window stays open and decisions happen deliberately rather than by default.

Given a potential transaction in the next two to five years, which strategies have the longest lead time? Which ones should we be putting in place right now while we still can?

MISTAKE 5

Your CPA Is Focused on Annual Returns, Not Exit Modeling

Annual tax compliance and exit tax planning are different disciplines. Your CPA looks backward at what happened last year and minimizes your current liability. Exit planning requires looking forward, modeling future scenarios, and making structural decisions years in advance.

Many founders assume their CPA is handling both. Often, the CPA assumes the founder isn't planning to sell anytime soon. Nobody's connecting the dots.

WHY THIS GAP COSTS MONEY:

A CPA optimizing this year's return may be making choices that are neutral or even counterproductive from an exit standpoint. Without a forward-looking conversation, your annual decisions aren't linked to your eventual exit. The result: a tax position built year by year without anyone watching the finish line.

WHAT A PREPARED FOUNDER DOES INSTEAD:

Has a direct conversation with their CPA specifically about exit planning, and brings a financial advisor into that conversation to ensure continuity between annual strategy and long-term exit positioning. If exit modeling isn't part of the current advisory relationship, a specialist in transaction tax planning can complement the existing team without replacing it.

Is our current annual tax strategy aligned with where I want to end up at exit? Are there places where short-term decisions are working against my long-term outcome?

MISTAKE 6

You Haven't Reviewed Your Entity Structure for a Sale

The entity structure you chose at formation, or that evolved through years of incremental decisions, may not be the best structure for a liquidity event. C-corp vs. S-corp treatment, holding company arrangements, and the state where your entity is formed can all affect your tax outcome at exit.

WHY TIMING MATTERS HERE:

Restructuring takes time. In some cases it requires a seasoning period before the tax benefits kick in. Changes made too close to a transaction may not achieve their intended effect, and they can raise questions during due diligence. A structure that made sense when you started the business could cost you significantly by the time you sell it.

WHAT A PREPARED FOUNDER DOES INSTEAD:

Reviews entity structure with a financial advisor and tax counsel specifically in the context of an eventual exit, not just for operational efficiency, at least two to three years before a likely transaction. The review looks at the gap between where the structure is today and where it needs to be.

Is our current entity structure well-positioned for a sale? If not, what needs to change and how much time do we need to make that change effective?

MISTAKE 7

You're Planning to Optimize Taxes Once You Have an Offer

This is the most common assumption on this list. And the most expensive.

It's the belief that tax planning is something you do during a transaction. By the time a letter of intent is signed, the vast majority of your tax position is already locked in.

HERE'S THE REALITY:

Deal timelines move fast. Once you're inside a process, legal and financial diligence consumes your attention. Advisors working in a compressed timeline have very little room to act. The strategies that make the biggest difference require lead time measured in years, not weeks. Entity restructuring. Gifting programs. Qualified opportunity zone investments. Charitable vehicles. All of them need runway.

Waiting for an offer to start planning is the equivalent of buying insurance after the accident.

WHAT A PREPARED FOUNDER DOES INSTEAD:

Treats right now as the planning window, regardless of how far out a transaction might be. Uses the time to put strategies in place that won't be accessible later. Creates a written exit plan that gets reviewed and updated annually, so that when an offer does arrive, the preparation is already done.

> *If a buyer approached us tomorrow, how prepared would we actually be? What would we wish we had done differently two or three years ago?*

The Window Is Open.
The Question Is Whether You're Using It.

The seven mistakes in this guide aren't failures of intelligence.
They're failures of timing.

Founders who avoid them don't necessarily know more about tax law or financial strategy. They just started the right conversations earlier, with the right people, before the options started disappearing.

Every year you wait is a year of strategies you no longer have access to. The founders who walk away with the most aren't always the ones who negotiated the highest price. They're the ones who knew what they'd actually keep, planned for it years in advance, and had someone helping them connect the dots between their business, their taxes, their estate, and the life they wanted on the other side.

The most expensive decisions aren't the ones you make.
They're the ones you delay until you no longer have a choice.

If three or more items on that opening checklist applied to you, that's where our conversation starts.

Ready to chat about it?

Book a quick call with me below.

No pitch. No pressure.

Just a clear picture of where you stand and what's still available to you.

Book my call

Or if you're not ready for a call yet, reply to the email that brought you here. I read every one.

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