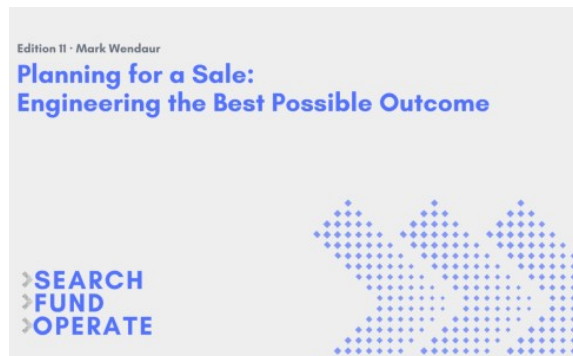


Planning for a Sale: Engineering the Best Possible Outcome

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Most business owners approach a potential sale by asking a single question: **What is my business worth?**

While valuation is important, it is rarely the most important question. A more productive starting point is: **What do I want the sale of my business to accomplish for my family, my legacy, and the next phase of my life?**

A recent series by [Family Business Magazine](#) outlines a useful framework for thinking through that question. It moves the conversation beyond price and into a broader discussion of life planning, liquidity planning, and post-sale purpose. I highly suggest taking at those articles here:

Part 1: [How to exit a family business with purpose, profit and peace of mind - Family Business Magazine](#)

Part 2: [Planning for the best possible outcome of a business sale - Family Business Magazine](#)

The below focuses primarily on maximizing enterprise value while preparing for a sale, but the articles linked above are a must read for owners planning an exit. Many of these themes closely mirror what we see in transactions involving search funds, independent sponsors, and family office investors acquiring privately held businesses, because many of those deals pull from the same group of sellers.

Sellers Should Define "Enough" Before Negotiating

One of the most common mistakes founders make is negotiating a transaction before defining what success actually looks like. Owners should enter negotiations with clarity on:

- The lifestyle they want after the sale
- How much liquidity is required to support that lifestyle
- Legacy or philanthropic goals
- Whether they want to remain involved in the business

Without defining what "enough" means, sellers can end up optimizing for headline price rather than overall outcome. Some reject reasonable offers while others accept deals that ultimately do not support their long-term financial goals.

From a planning perspective, this is where tax modeling, estate planning, trust structuring, and charitable planning should occur before a letter of intent is signed. Once negotiations begin, many of these planning opportunities become more limited.

Transaction Structure Matters as Much as Price

A higher purchase price does not always produce a better result for the seller. Owners should carefully evaluate the structure of a proposed transaction, including:

- Cash at closing versus rollover equity
- Earn-outs and performance contingencies
- Seller financing
- Employment agreements and non-compete obligations
- Indemnification exposure and escrow provisions

Capital tied up behind unrealistic performance benchmarks, potential clawbacks, and unintended tax consequences can quickly change how a seller views the attractiveness of a deal.

A Practical Example: How Structure Shapes the Outcome

Consider a common lower-middle-market transaction. A founder sells a services company for \$12 million to a search fund backed by several investors. The deal structure may look something like this:

- \$8 million paid in cash at closing (often financed through SBA or senior debt)
- \$2 million rolled over by the seller as minority equity
- \$1 million tied to performance-based earn-out targets
- \$1 million held in escrow to cover indemnification exposure

On paper, the headline purchase price is \$12 million. In practice, the seller only receives \$8 million at closing, with the rest dependent on future performance and negotiated protections.

For some sellers, this structure can be extremely attractive. Rollover equity allows them to participate in future growth, particularly if the buyer plans to pursue add-on acquisitions or scale the platform. For others, the priority may be liquidity and simplicity.

The Emotional Transition Is Real

Selling a business is not purely a financial event. For many founders, the business represents years of personal effort and identity. The business may represent:

- A founder's reputation in the community
- Their daily structure and purpose
- Their primary social and professional network

This is why many successful transitions incorporate some form of gradual change rather than an immediate exit. Options may include:

- A phased transition period
- A recapitalization instead of a full sale
- Minority liquidity events

- Installing professional management before a transaction

These approaches can allow owners to preserve value while also managing the emotional realities of stepping away from the enterprise they built.

Post-Sale Wealth Requires Structure

For many founders, the sale of a business represents the single largest liquidity event of their lives. The transition from operating income to investment income requires a completely different mindset and governance framework.

A successful sale often creates a new set of challenges. A significant liquidity event can introduce complexity that many founders have never previously faced. Common considerations include:

- Investment governance
- Asset protection
- Estate and gift tax exposure (although much of this should be planned prior to the sale date)
- Family alignment around wealth management

Many families explore options such as establishing a family office, joining a multi-family office platform, or pursuing their own investments in different asset classes (real estate, private equity, traditional stocks and bonds, etc.). The legal and governance infrastructure supporting these structures is just as important as the purchase agreement that completes the sale.

Why Sellers Need to Have This Conversation Now

Several market trends are increasing the number of potential transactions in the lower middle market. We are seeing:

- Growing number of retiring business owners
- Continued growth of search funds
- Increased independent sponsor activity
- Expansion of family office direct investing
- Strong buyer demand in certain service sectors

As a result, many business owners are receiving inbound acquisition interest earlier than expected. But inbound interest does not necessarily mean a business or its owner is ready for a transaction. The most successful exits tend to occur when three elements align:

- The owner is personally ready
- The business is operationally prepared
- Legal, contractual, and financial structures are organized

When those pieces are in place, a transaction can achieve far more than simply generating liquidity. It can provide the foundation for the next chapter of the owner's personal and financial life.

Seller Readiness Checklist

For founders considering a potential exit, several questions can help determine whether the business and owner are ready for a transaction:

- Have you defined what financial outcome is "enough" for your post-sale goals?
- Are your financial statements, contracts, and corporate records organized and diligence-ready?
- Do you understand how different transaction structures affect liquidity and taxes?
- Have you discussed succession and estate planning with your advisors?
- Do you know whether you want to exit completely or remain involved post-transaction?
- Is your management team capable of operating the business during and after a transition?

Owners who address these questions early often enter negotiations from a position of clarity and strength.

Final Thoughts

Selling a business is one of the most consequential financial decisions an entrepreneur will make. The best outcomes rarely result from focusing on price alone. Instead, they come from thoughtful planning that integrates transaction strategy, tax considerations, estate planning, and personal goals. For owners considering an exit, taking the time to plan intentionally, before negotiations begin, can make the difference between a good outcome and a transformative one.