# TOP 10 FINANCIAL CONSIDERATIONS BEFORE YOU SELL YOUR BUSINESS

*And the costly mistakes most owners don't realize until it's too late.*

A successful exit isn't about luck. It's about preparation.

The data is clear: most business owners are underprepared and risk leaving significant **value on the table.**

> "Most owners build an amazing business. Only a few build an amazing exit.

## THE DATA BUSINESS OWNERS CAN'T IGNORE

**73%** of business owners **expect to transition ownership within the next 10 years.**
Source: Exit Planning Institute (EPI)

**75%** of business owners **do NOT have a formal exit plan.**
Source: Exit Planning Institute (EPI)

**70%** of business owners **rely heavily on their business to fund retirement.**
Source: Exit Planning Institute (EPI)

**42%** of business owners **do not have a written personal financial plan.**
Source: Exit Planning Institute (EPI)

70% of businesses that go to market **never successfully sell.**
Source: Exit Planning Institute (EPI)

## THE TOP 10 FINANCIAL CONSIDERATIONS BEFORE YOU SELL

### 1 BUSINESS VALUE VS. PERSONAL WEALTH

70% of owners rely on their business to fund retirement.

Business value is often illiquid and not the same as personal wealth.

Source: Exit Planning Institute (EPI)

### 2 MOST OWNERS DON'T HAVE A PLAN

75% of owners do not have a formal exit plan.

Lack of planning leads to lower value, poor timing and higher taxes.

Source: Exit Planning Institute (EPI)

### 3 TAX PLANNING OPPORTUNITIES DISAPPEAR QUICKLY

The most effective tax, estate, and charitable strategies must be implemented before a sale process begins.

Source: Goldman Sachs Private Wealth Management

### 4 OVER-CONCENTRATION IN A SINGLE ASSET

70% of owners rely on their business as their primary retirement asset—creating significant concentration risk.

Source: Exit Planning Institute (EPI)

### 5 LACK OF A WRITTEN PERSONAL FINANCIAL PLAN

42% of owners do not have a written personal financial plan. Without one, your exit may not support your life goals.

Source: Exit Planning Institute (EPI)

### 6 BUYERS PAY FOR SYSTEMS, NOT JUST REVENUE

Businesses with strong systems and low owner dependency typically command higher valuations.

Source: Exit Planning Institute (EPI)

### 7 EXIT TIMING IS OFTEN OUTSIDE YOUR CONTROL

70% of businesses that go to market never successfully sell. Market, timing and buyer availability matter.

Source: Exit Planning Institute (EPI)

### 8 EMOTIONAL READINESS IS OVERLOOKED

76% of owners have regrets within the first year after exiting due to lack of personal transition planning.

Source: Exit Planning Institute (EPI)

### 9 VALUE LEAKAGE HAPPENS BEFORE THE SALE

Poor preparation can reduce value long before a sale. Buyers price in risk early.

Source: Exit Planning Institute (EPI)

### 10 THE EXIT IS NOT AN EVENT—IT'S A PROCESS

73% of owners expect to transition in 10 years, yet most are underprepared. Every year of delay reduces optionality.

Source: Exit Planning Institute (EPI)

**PREPARATION TODAY. FREEDOM TOMORROW.**

When we build exit-focused financial plans, we help you protect your wealth, reduce risk, and create the freedom your business was meant to provide.

*Your business is your greatest asset. Let's collaborate on keeping the value you've worked so hard to build.*

**LET'S START THE CONVERSATION.**

Schedule your confidential strategy session today.

SOURCES:

- Exit Planning Institute (EPI) – State of Owner Readiness Survey
- Exit Planning Institute (EPI) – Research Reports
- Goldman Sachs Private Wealth Management – Tax and Wealth Transfer Insights

## TOP 10 FINANCIAL CONSIDERATIONS BEFORE YOU SELL YOUR BUSINESS

### And the costly mistakes most owners don't realize until it's too late

*A white paper for business owners preparing for a future transition, sale, or succession event*

By Frank Virgallito, CFP – founder and advisor for Arktos Wealth Management specializing in business owner wealth, exit planning, and integrated financial strategy.

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### Introduction

Most business owners will exit their business at some point—voluntarily or otherwise.

According to the Exit Planning Institute, **73% of privately held business owners expect to transition ownership within the next 10 years**.

Yet most are not financially, structurally, or personally prepared for that transition.

As part of the financial planning conversations I have with business owners, I consistently see the same pattern:
extraordinary focus on building the business… and far less focus on preparing for what happens when ownership changes.

This white paper outlines the **10 most important financial considerations before you sell your business—and the costly mistakes most owners don't recognize until it's too late.**

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### 1. Business Value vs. Personal Wealth Are Not the Same Thing

Many owners assume their business value equals their personal net worth.

However, research from the Exit Planning Institute shows that **70% of business owners rely heavily on the value of their business to fund retirement**.

**The mistake:** Confusing enterprise value with usable wealth.

**Why it matters:** Business value is often illiquid, concentrated, and dependent on a future transaction.

**Advisor insight:** When we build exit-focused financial plans, the first step is separating "paper wealth" from accessible, diversified personal wealth.

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### 2. Most Owners Do Not Have a Formal Exit Plan

According to the Exit Planning Institute, **approximately 75% of business owners do not have a formal exit plan in place**.

**The mistake:** “I’ll figure it out when I’m ready to sell.”

**Why it matters:** Lack of planning often leads to reduced valuation, poor timing, and unnecessary tax exposure.

**Advisor insight:** As part of the financial planning conversations I have with business owners, the biggest risk is not the market—it’s delay.

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### 3. Tax Planning Opportunities Disappear Quickly

Goldman Sachs Private Wealth Management notes that many of the most effective tax, estate, and charitable planning strategies must be implemented **before a business sale process begins**.

**The mistake:** Waiting until after a buyer is identified.

**Why it matters:** Once a transaction is underway, tax flexibility is significantly reduced.

**Advisor insight:** When we build exit-focused financial plans, tax strategy is designed years before a transaction—not during it.

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### 4. Over-Concentration in a Single Asset

Research from the Exit Planning Institute shows that **70% of business owners rely on their business as their primary retirement asset**.

**The mistake:** Treating the business as the entire retirement plan.

**Why it matters:** Concentration risk can significantly impact financial security if valuation, timing, or buyer conditions change.

**Advisor insight:** Diversification is not about lack of confidence—it’s about reducing dependency on a single outcome.

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### 5. Lack of a Written Personal Financial Plan

According to the Exit Planning Institute State of Owner Readiness Survey, **42% of business owners do not have a written personal financial plan**.

**The mistake:** Focusing on business strategy while neglecting personal financial structure.

**Why it matters:** Without a coordinated plan, business exit decisions may not align with personal goals.

**Advisor insight:** As part of my planning process, I align business strategy with retirement, tax, and investment planning long before a liquidity event occurs.

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### 6. Buyers Pay for Systems, Not Just Revenue

Exit Planning Institute research shows that businesses with strong systems, management teams, and reduced owner dependency typically command **higher valuations than owner-dependent businesses**.

**The mistake:** Building a business that requires the owner to operate.

**Why it matters:** Buyer risk perception directly impacts valuation.

**Advisor insight:** When we build exit-focused financial plans, we also focus on improving enterprise value through transferability and scalability.

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### 7. Exit Timing Is Often Outside the Owner's Control

Studies commonly cited in exit planning research estimate that a significant percentage of businesses that go to market **do not successfully sell on the first attempt**.

**The mistake:** Assuming there will always be a ready buyer at the right time.

**Why it matters:** Market conditions, buyer availability, and business readiness all affect outcomes.

**Advisor insight:** Strong financial planning builds liquidity and flexibility before an exit is needed.

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### 8. Emotional Readiness Is Overlooked

Research from the Exit Planning Institute highlights that many owners experience regret after exiting their business due to lack of personal transition planning.

**The mistake:** Treating exit as purely financial.

**Why it matters:** Identity, purpose, and structure often change significantly after a sale.

**Advisor insight:** A complete plan addresses both financial readiness and life after ownership.

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### 9. Value Leakage Happens Before the Sale

A lack of preparation can reduce business value long before a transaction occurs.

Exit Planning Institute research shows that poorly prepared businesses often experience lower valuations due to operational risk and inefficiencies.

**The mistake:** Waiting until "the year of sale" to optimize the business.

**Why it matters:** Buyers price in risk long before due diligence begins.

**Advisor insight:** When we build exit-focused financial plans, preparation typically begins 3–10 years before an exit.

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### 10. The Exit Is Not an Event—It's a Process

Most owners think of selling as a single transaction.

In reality, exit readiness is built over time.

According to Exit Planning Institute research, **73% of business owners expect to transition within 10 years**, yet most are underprepared.

**The mistake:** Treating exit as a future decision instead of a current strategy.

**Why it matters:** Every year of delay reduces optionality.

**Advisor insight:** The most successful transitions I see are those where business strategy and personal financial planning are fully integrated well before a sale occurs.

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### Conclusion: The Real Goal Is Financial Freedom, Not Just a Sale

Selling a business is not just a financial event—it is a life transition.

The most successful outcomes happen when owners coordinate:

• Business value creation
• Tax strategy
• Investment planning
• Retirement planning
• Succession planning

When we build exit-focused financial plans, the goal is simple:

To help the business you built support the life you want next.

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### About This Approach

As a financial advisor working with business owners, I help coordinate business value with personal wealth strategy to help owners better prepare for a transition.

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**About the Author**

Frank Virgallito is a CERTIFIED FINANCIAL PLANNER™ professional who comes from a diverse background of consulting non-profit organizations on federal grant projects and teaching adult school. He's currently running his own independent financial planning practice in Glendale, California since 2006.

Prior to entering the field of financial planning, Frank was the principal grant writer and administrator for Community Partnership Development Corporation (CPDC), a nonprofit organization dedicated to enhancing the services, safety, and lifestyle for low-income residents of Los Angeles.

Frank personally secured more than $3.2 million in federal and private sector grant money to coordinate programs with the FBI, LAPD, LAUSD and District Attorney's office of Los Angeles to accomplish its mission. Grant funding was used to target and prosecute drug gangs, create four successful neighborhood network computer centers, build a multi-year high school dropout recovery program in East Los Angeles, and rebuild Section-8 housing in low-income areas throughout Los Angeles.

While administrating the grant-funded projects for CPDC, Frank obtained his California general contractor's license. More than 400 units of housing were rehabilitated through funding by the Department of Housing and Urban Development grant programs and Frank gained invaluable contracting experience acting as owner representation on these projects. Frank received various forms of certification from the National Affordable Housing Management Association during this time.

Eventually, Frank was hired on with the Los Angeles Unified School District as a California state credentialed teacher in the adult-occupational programs. Frank was tasked with assisting in the development of course curriculum for a wide range of apprenticeship training programs to be integrated into district class offerings. In addition, Frank began teaching electrical theory as well as general construction training at the Abram Friedman Occupational Center from 2002 to 2005. He more than doubled the size of these programs while improving the facilities and outreach to the community.

In 2003, Frank founded his own nonprofit consultancy to assist other nonprofits with the complexities in managing and fulfilling their own federal grant programs. Frank reached out to Unity in the Community, a prisoner re-entry program run out of Leimert Park, to foster an accelerated job training opportunity for those who had been recently released from incarceration. Many members of the community went on to work in the trades throughout Los Angeles.

As Frank is always one to reinforce personal responsibility, lessons were integrated through the aforementioned programs to improve each participant's outcome in creating a better society-starting with themselves. Frank's success with various grant partners and the nonprofit industry led him into the profession of providing sound advice on managing money, creating budgets, and how to mitigate risk. In 2006, Frank opened the doors to his independent financial planning practice, Arktos Wealth Management. His passion now lies in working with individuals and business owners on managing their wealth, balancing risk, and achieving their personal goals.

Frank graduated with a BS degree in Business Administration from California State University, Los Angeles, and completed the Certified Financial Planning curriculum through Boston University's Institute of Finance. Professional designations include Certified Financial Planner, the 6, 7, and 65 FINRA securities licenses, and insurance licenses for life, health, long-term care, and disability.

Frank is married, has two children, and resides in his hometown of La Crescenta-only minutes from his office. He lives by the mantra, "A family that plays together stays together." The Virgallitos enjoy an active lifestyle of camping, boating, traveling, hiking, and celebrating fun-times with friends and family at their home.

### Arktos in the Community

Health & Wealth Event – watch: https://www.youtube.com/watch?v=eIUPvDH7rFE

Much appreciation to Fleming's Prime Steakhouse & Wine Bar in Pasadena for providing our preferred clients with a gorgeous venue, delicious food, and a professional, hard working staff. Many thanks to our esteemed speakers, Dr. Jason Chiriano from VivaLife Healing Center and Jamie Given, LMFT, LPCC from Given Guidance Family Counseling.

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