



**Williams Strategic Advisors**  
**M&A Experts**



**Pre-Sale Planning Techniques**



## **Williams Strategic Advisors M&A Experts**

Williams Strategic Advisors has extensive experience helping business owners understand and analyze the myriad issues and considerations involved in mapping a strategic direction for a company and its owner(s). We approach the analysis without any preconceived result or "product solution;" rather, we provide straightforward and objective recommendations and strategies. We continue to offer these services, partnering with businesses and their owners to help them maintain success and fulfill their short- and long-term goals.

# **Thinking of Exiting Your Company in the Next Five Years?**

## **A Financial Check-Up Could Save You Millions of Dollars**

Exiting your business shares many similarities with selling a house. Just as you would strive to present your home in its best possible condition before listing it, the same principles apply when preparing to sell your business. Use the following techniques to ensure your business is in top-notch shape before entering the market.

## **Six Pre-Sale Planning Techniques to Consider**

### **1. Employment Contracts for Owners and Key Executives**

Employment contracts for owners and key executives play a vital role in ensuring a smooth business sale. Owners and key executives may have interests that vary from those of the new business owners. Creating employment contracts with incentive packages effectively motivates key executives and drives the bottom line. Acquiring a business's strategies, culture, and processes can be difficult. Having an employment contract that includes terms related to executive assistance and commitment to the integration process can increase buyer confidence, knowing the transition process will be more effective.

### **2. Transfer of Stock to Next Generation**

Strategically transferring stock to the next generation or other stakeholders before the sale of your business can yield significant benefits in tax planning. By carefully considering your company's unique situation and local tax laws, early stock transfers may lead to more favorable tax results for the owner and can even reduce the tax burden associated with the sale. Additionally, transferring stocks to the next generation can effectively reduce the value of the owner's estate, leading to potential estate tax savings.

### 3. Review Financials and Prepare a List of Add-Backs

Reviewing your financials and preparing a list of "add-backs" is crucial when selling your business. Add-backs include any expenses that are legitimate for accounting purposes but not essential for the business's ongoing operations. This helps accurately present the company's financial performance and highlights key selling points to potential buyers. Collect all financial statements, including your income statements, balance sheets, and cash flow statements. Once collected, identify and remove all add-backs. Reviewing financials and listing add-backs can portray your business in a positive light and increase the likelihood of a successful sale.

### 4. Golden Handcuff Reward Programs for Key Executives

"Golden Handcuff" reward programs for key executives are useful as an incentive to retain employees during and after the sale of a business. They offer financial and non-financial benefits such as bonuses, stock options, and promotions. Golden Handcuff reward programs encourage current employees to stay with the company during the selling process. Key executives are contributing factors to the company's success. Their exit could disrupt business operations and lower your sale value. Incorporating Golden Handcuff reward programs could increase your selling price by motivating key executives toward the buyer's goals.

### 5. Small Business Acquisition

Considering a small acquisition prior to the sale of your business is a great way to increase your company's value. Acquiring a small business not only boosts your market share but also strengthens your position in the industry. Moreover, expanding your business through a small acquisition also enables you to reach new customers and introduce new services. Leveraging this strategic move can effectively elevate your business's value, leading to a more lucrative sale of your business.

### 6. Review Corporate Tax Status: C-Corp VS S-Corp

Reviewing your corporate tax status helps you understand the liabilities associated with the sale of your business. Different tax treatments may apply to the sale proceeds depending on your business's tax status. The tax status of your business can determine if you qualify for any incentives. These incentives can attract potential buyers and improve the terms of sale. Selling your business as an S-Corp currently offers more tax advantages due to the avoidance of double taxation. If you were to convert from a C-corp to an S-Corp, there is a five-year period where the IRS may treat the business as a C-corp again if you sell within that timeframe.



# Let us guide you through the process!

Contact us to learn more



**Williams Strategic Advisors**  
**M&A Experts**

Williams Strategic Advisors 201  
King of Prussia Road Suite 340  
Radnor, PA 19087 (610) 293-2020  
[www.williamsstrategicadvisors.com](http://www.williamsstrategicadvisors.com)



**Brad Williams**

717.951.2800

[bwilliams@willstrat.com](mailto:bwilliams@willstrat.com)

---