

Here's When Smart Owners Start Planning Their Exit

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For most business owners, the idea of selling feels distant until suddenly it doesn't. A competitor makes an offer. A health scare changes priorities. A key partner decides to move on. And in that moment, the question shifts from *if* to *when*, and whether you are actually prepared.

The founders who exit with the most clarity, and often the most money, are rarely the ones who found the right buyer. They are the smart ones who started planning well before they needed to. Ideally, five years in advance.

Why Five Years?

The most impactful financial strategies available to a business owner before a sale are not things you can execute in the final months. Gifting strategies, trust structures, entity restructuring, and tax elections all usually require a multi-year runway to work properly. Attempt them too close to a transaction and you may often lose the benefit, or worse, create legal and tax complications at exactly the wrong moment.

Five years is not an arbitrary number. It is the minimum lead time for most high-leverage moves to work out in terms of strategic planning, execution, and change management. Three years out, you still have meaningful choices. One year out, your options narrow dramatically.

The Three Dimensions of Exit Readiness

Exit planning is not purely a financial exercise. The founders who struggle most after a sale are often the ones who treated it that way. True readiness requires examining three dimensions simultaneously.

1. Personal Clarity

What does your life look like after the transaction?

Have you thought honestly about your identity outside of the business: the structure, purpose, and relationships it provides?

What does this mean for your family, and have those conversations happened?

What role does your health play in your timeline?

These are not soft questions. They directly affect when you sell, what you accept, and whether you feel at peace with the outcome.

2. Business Readiness

The options available to you are largely determined by the type of business you have built, how dependent it is on you personally, and whether there is a management team capable of operating without you.

Buyers may put a valuation discount on businesses where the owner is the business itself. The key-person risk post-sale can dramatically reduce future cash flows if the primary relationship person is no longer cultivating key business relationships.

Five years gives you time to build genuine independence into the operation through management systems and operations improvements, which also happen to increase enterprise value in the process.

3. Financial Planning

For many founders, the financial outcome is the finish line. It's the reward after years of risk, sacrifice, and delayed gratification. But treating wealth as the only dimension of exit planning often leaves critical questions unanswered and hard-won gains unnecessarily exposed.

A well-constructed financial plan does more than project a number. It connects your business value to your personal wealth goals, your liquidity needs, your

tax picture, and the life you intend to fund on the other side of the transaction. It accounts for what you are walking into, not just what you are walking away from. That kind of integrated thinking, one that holds your entire financial life in view simultaneously, is where thoughtful planning separates itself from a transaction and becomes a strategy.

What If You Have Less Than Five Years?

Not every founder reading this has a five-year runway, and that is okay. The timeline is shorter, but the opportunity is real and there is no time like the present. Prioritization and sequencing matter more when time is compressed, and a structured advisor relationship pays for itself precisely in those situations.

If you are already within three years of a potential sale, the most important thing you can do is start the conversation now rather than waiting until you have a letter of intent in hand. That is when the options are gone and the regret begins.

Preparation Is the Strategy

The founders who capture the most value from a liquidity event are rarely the ones who moved fastest. They are the ones who started earliest.

Exit readiness is a multi-year process that requires coordination across your business structure, your financial plan, and your personal goals.

This integrated approach is at the core of how we at HCR Wealth Advisors work with business owners. From wealth management and estate planning to business transition strategy, our exit planning process is designed to hold every dimension of your financial life in view, so that when the moment comes, you are ready for it.

If a transition is on your horizon, that conversation is worth having now. [Contact us](#) to schedule a confidential discussion and begin building a strategy aligned with your goals.