

Key Family Wealth – Business Advisory Services (BAS)

Business Transition FAQs: Expert Guidance for Owners

Navigating a business transition is one of the most significant decisions a middle market business owner will face. Whether you're exploring options for succession, preparing for a sale, or simply planning for the future, understanding the process and available resources is essential. These FAQs are designed to answer the most common questions business owners have about transitioning their businesses, with insights from KeyBank's Business Advisory Services (BAS) team — experts dedicated to helping owners maximize value, minimize tax liability, and achieve their personal and financial goals.

Q: What is the biggest challenge facing business owners in the lower middle market?

A: The biggest challenge is the lack of service offerings for business owners in this segment.

Q: What are the three types of business owners KeyBank's Business Advisory Services (BAS) team deals with?

A: The three types are explorers, analyzers, and implementers.

Explorers are business owners who are in the initial stages of considering a transition. They have many questions and are looking to understand the different options available.

Analyzers are business owners who have a more concrete idea of their transition goals. They may be evaluating multiple offer strategies and need help analyzing the pros and cons of each option.

Implementers are business owners who have already decided on a transition path and need help implementing it.



Q: What are the three biggest questions that business owners have about transitioning their businesses?

A: The three biggest questions are:

1. What is my business worth?
2. How can I build value in my business prior to a sale or transition?
3. What are the different options for transitioning my business?

Q: What is the best time to start planning for a business transition?

A: The best time to start planning is three to five years prior to the desired transaction date.

Q: How can KeyBank's BAS team help business owners create value during the transition process?

A: The BAS team can help business owners create value by:

- Advising them on the best ways to structure their businesses for a sale or transition.
- Helping them negotiate a deal that minimizes their tax liability.
- Working with their tax and legal advisors to implement tax-saving strategies.

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Q: What are the key milestones that business owners can expect to achieve when working with KeyBank's BAS team?

A: The key milestones are:

1. Preparing a Pre-Transition Readiness Assessment.
2. Identifying the best transfer channels for the business.
3. Conducting an analysis to show the economic implications of different transition paths.
4. Implementing the chosen transition plan.

Q: How involved are business owners in the implementation process?

A: Business owners are actively involved in the implementation process, working closely with KeyBank's BAS team and their tax and legal advisors.

Q: What is the ultimate goal of KeyBank's BAS team?

A: The ultimate goal is to help business owners achieve their desired transition outcomes while maximizing their personal net worth and minimizing their tax liability.

Frequently asked questions about transitioning your business

Q: What is a business transition?

A: A business transition is a planned process of transferring ownership and control of a business. It can involve selling to a third party, passing it on to family members, or pursuing other options.

Q: Why is it important to plan for a business transition?

A: Planning for a business transition helps ensure a smooth and successful transfer of ownership, minimizing disruptions to the business and maximizing value for the owner. It also allows the owner to address personal and financial goals, such as retirement planning and wealth transfer.

Q: When should I start planning for a business transition?

A: The best time to start planning for a business transition is three to five years in advance. This allows ample time to address potential issues, maximize business value, and explore different transition options.

Q: What are the different types of business transitions?

A: There are more than 30 different transition paths available, including selling to employees, transferring ownership to family members, partnering with private equity, and donating shares to a charitable trust. The best option depends on the owner's specific goals and circumstances.

Q: How can I determine the value of my business?

A: Determining the value of your business involves assessing both tangible and intangible assets, such as financial performance, market conditions, brand reputation, customer loyalty, and recurring revenue streams. Engaging with an expert can help establish a realistic range of values.

Q: How can I maximize the value of my business before a transition?

A: Maximizing business value involves improving financial reporting, strategizing tax structures, and enhancing operational efficiencies. This can lead to higher valuations and potential tax savings.

Q: What role does KeyBank's Business Advisory Services play in a business transition?

A: KeyBank's Business Advisory Services (BAS) provides expert guidance and support to business owners throughout the entire transition process. BAS helps owners explore different transition options, analyze their financial implications, and implement the chosen path.

Q: What are the benefits of using KeyBank's BAS?

A: BAS offers several benefits, including reduced taxes, increased business value, and peace of mind. BAS also helps owners navigate the complexities of a business transition and achieve their personal and financial goals.



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Q: How can I learn more about transitioning my business?

A: To learn more about transitioning your business, contact your KeyBank Relationship Manager or visit the KeyBank website. You can also consult with a financial advisor or business transition specialist.

Q: What are some common mistakes business owners make when transitioning their businesses?

A: Some common mistakes include:

- **Waiting too long to plan:** Starting the planning process late can limit options and reduce potential value.
- **Underestimating the emotional impact:** Transitioning a business can be an emotional process, and owners need to be prepared for the changes it will bring.
- **Not understanding the value of their business:** Having a clear understanding of the business's value is crucial for making informed decisions.
- **Overlooking owner dependency:** Businesses that are highly dependent on the owner may be less attractive to potential buyers.

Q: What are some resources available to help me with a business transition?

A: Resources include:

- **KeyBank's Business Advisory Services:** Provides expert guidance and support throughout the entire transition process.
- **Financial advisors:** Can help with financial planning, valuation, and other aspects of the transition.
- **Business transition specialists:** Offer specialized expertise in specific areas of transition planning.
- **Legal and tax advisors:** Can help with legal documentation, tax planning, and compliance.

Q: What are some key factors to consider when choosing a transition path?

A: Factors include:

- **Personal and financial goals:** What do you hope to achieve through the transition?
- **Business value:** What is your business worth, and how can you maximize its value?

- **Owner dependency:** How dependent is the business on you, and how can you reduce that dependency?
- **Market conditions:** What are the current economic and industry trends?
- **Tax implications:** What are the tax implications of different transition paths?

Q: How can I ensure a smooth transition for my employees and customers?

A: Communication and transparency are key. Keep employees and customers informed throughout the process, address their concerns, and ensure a seamless transfer of responsibilities.

Q: What is the role of a business valuation in a transition?

A: A business valuation provides a clear understanding of the business's worth, which is essential for making informed decisions about the transition, negotiating with potential buyers, and ensuring a fair transfer of ownership.

Q: What are some common methods for valuing a business?

A: Common methods include:

- **Market-based approach:** Comparing the business to similar businesses that have been sold.
- **Asset-based approach:** Evaluating the value of tangible and intangible assets.
- **Income-based approach:** Estimating the value of a business as a function of the future economic benefits to the owner.

Q: What are some important considerations for choosing a business appraiser?

A: Choose an appraiser who is qualified, experienced, and independent, and who has a good understanding of your industry and business model.

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Q: How can I prepare my business for a transition if I'm not planning to sell in the next five years?

A: Even if you're not planning an immediate transition, there are several steps you can take now to prepare your business:

- **Get a business valuation:** Understanding your business's current value can help you make informed decisions about its future and track its growth over time.
- **Focus on strategic planning:** Identify areas for improvement, allocate resources effectively, and set realistic goals for future growth.
- **Build a strong management team:** Reduce owner dependency by delegating responsibilities and developing leadership within your organization.
- **Improve financial reporting:** Upgrade from compiled to reviewed or audited financial statements to demonstrate transparency and financial health.
- **Optimize your tax structure:** Explore options like changing entity type or evaluating the Section 1202 stock exclusion for potential tax savings.

Q: What are some common emotional challenges business owners face during a transition, and how can I overcome them?

A: Transitioning a business can be an emotional rollercoaster. Some common challenges include:

- **Fear of the unknown:** Uncertainty about the future can be unsettling.
- **Loss of identity:** Many business owners deeply identify with their businesses, and stepping away can feel like a loss.
- **Difficulty letting go:** It can be hard to relinquish control after years of building and running a business.

To overcome these challenges:

- **Seek support:** Talk to trusted advisors, family members, or other business owners who have gone through a transition.
- **Develop a vision for the future:** Having a clear plan for what comes next can ease anxiety and provide a sense of purpose.

- **Focus on the positive:** Remember the accomplishments and the legacy you've built.
- **Take time for yourself:** Allow yourself time to adjust and process the emotions involved.

Q: How can I involve my family in the transition process?

A: If your transition involves passing the business on to family members, it's crucial to involve them early and often.

- **Communicate openly:** Discuss your plans, address their concerns, and ensure they understand the implications of the transition.
- **Provide training and mentorship:** Prepare them for their future roles and responsibilities.
- **Establish clear expectations:** Define roles, responsibilities, and decision-making processes.
- **Seek professional advice:** Family business transitions can be complex, so consider engaging a family business consultant or therapist to help navigate potential challenges.

Q: What are some common legal and regulatory considerations during a business transition?

A: Legal and regulatory considerations vary depending on the type of transition and the specific industry. Some common areas to address include:

- **Contracts and agreements:** Review and update existing contracts and agreements to ensure a smooth transfer of obligations.
- **Intellectual property:** Protect your intellectual property rights through patents, trademarks, and copyrights.
- **Licensing and permits:** Ensure all necessary licenses and permits are transferred to the new owner.
- **Environmental regulations:** Comply with all applicable environmental regulations.
- **Employment laws:** Adhere to all relevant employment laws during the transition.

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Transitioning a business is more than a financial transaction — it's a strategic journey that requires thoughtful planning, expert guidance, and a clear understanding of your goals. KeyBank's BAS team is here to support you every step of the way, from exploring transition paths to implementing a plan that protects your legacy and enhances your net worth. For more information or personalized support, reach out to your advisor or visit: [Business Advisory Services | KeyBank | Key Private Bank](#) to request a meeting.

The Key Family Wealth BAS team is dedicated to providing guidance and support to privately held business owners like you. Specifically, the BAS team helps owners prepare for an eventual business transition with strategies and advice on how to maximize the after-tax value of a business transition.



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