

[Selling your business think about the following wealth management options.](#)

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When selling your business think about the following:

Retirement planning usually focuses on setting expectations about a retiree's future lifestyle and working backward to determine how much money should be invested in various asset categories now to help provide for that retirement lifestyle. Many business owners expect that when they are ready to retire, they will sell the firm and the proceeds from that sale will provide a significant part of the resources that will support them in retirement.

A windfall from the sale of a business can present investment management problems that must be addressed. Estate planning can become a big issue if you sell your business for a lot of money. Assets also should be preserved post-sale.

Effective wealth management should be an important aspect of all stages of your career. That's because wealth management is designed to coordinate a broad range of components of your financial life over time—from investments to estate planning, asset preservation planning and charitable giving—around your needs and wants. It's also designed to coordinate a team of experts to help deliver the financial outcomes you seek.

That said, wealth management may be at its most powerful and beneficial when it comes time to sell your business. One reason is that the sale of your company is likely to be the biggest financial transaction of your entire life. As such, it will likely impact nearly all of your post-sale options and decisions.

Pre-sale wealth management

Consider the role wealth management can play going into a sale. Advanced wealth planning in areas such as taxes and wealth transfer can potentially enable you to create a situation in which you walk away from a sale with more money in your wallet for you and your family. For example: Prior to a sale, a high-quality wealth manager may be able to stress-test the legal and financial strategies you've implemented thus far—in order to assess whether your planning has been effective and is likely to enable you to achieve your goals. Stress testing often reveals opportunities to refine and improve upon existing strategies and actions—which can result in better, more profitable outcomes. Unfortunately, we see that most business owners are not paying much attention to pre-sale wealth management opportunities.

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Post-sale wealth management: Two key areas to address

For lots of entrepreneurs, creating a successful company is a lifetime endeavor. As a business becomes more successful, it often creates enough corporate wealth for the owner to start to amass significant personal wealth. In this type of situation, a business owner tends to find and work with financial advisors and other professionals to help find and implement the most appropriate wealth management strategies. The great majority of business owners expect a financial windfall with the sale of their companies. They anticipate selling for a good price and turning “tied-up” nonfinancial wealth into liquid financial wealth. Some important issues to consider once that expected windfall becomes real include how the assets will be invested and managed as well as advanced wealth planning concerns.

Investment management:

I believe experience investment decisions about the money from a sale can be often overlooked because entrepreneurs are focused so intensely on getting the transaction done. According to the Small Business Administration¹ less than a fifth of the entrepreneurs who expect a windfall have thoughtfully considered how to manage it. From my experience a huge influx of liquid wealth can be problematic. If not handled knowledgeably, there is the possibility of serious problems, such as: Outliving the wealth due to ineffective investment management. Paying legally avoidable taxes because of failing to integrate investment management with broader wealth planning strategies making serious financial and legal mistakes that can be problematic economically and personally.

¹ The United States Small Business Administration (SBA) is an independent agency of the United States government that provides support to entrepreneurs and small businesses.

There are different philosophies, approaches and methodologies to managing money, and many factors need to be considered to find the appropriate approach—what you seek to accomplish with your wealth, your comfort with various types of financial risk and so on. It's vital you have confidence that the way your money is being managed has the potential to achieve the results you are looking for.

Wealth Planning:

Estate, asset preservation and charitable planning are all specialties under the umbrella of wealth planning. Working with professionals who can look at your aims and situation holistically can potentially help you with wealth planning and get you synergistic results. Post-sale, there is usually a need for entrepreneurs to redo their estate plans. For example, the way business assets were being transferred (such as through certain legal structures and possibly including discounting) may no longer be viable. Opportunities to transfer ownership can also fuel a need for a new estate plan. Likewise, asset preservation planning is typically much different when your money is locked up in your business than it is when much of the money is liquid. There are ways of combining investment management and wealth planning to mitigate (and in some cases eliminate) the taxes on investment portfolios. Some former business owners who have more than \$5 million in investable assets should explore these combinations.

Implications:

If you want to develop strategies to help enhance your personal wealth from the sale of your business, it can be an excellent idea to do some careful planning going into the transaction *and* once you've converted your years of hard work to liquid financial assets. Given the amount of money and the complexities involved, you will likely need to work with top-of-the-line wealth managers and other professionals. They will be in a position to help you review any existing plans for effectiveness and to put together various strategies that make good sense given your unique personal situation and are aimed at delivering the outcomes you most want.

About the Author:

Jamie M. Waldren is a CERTIFIED FINANCIAL PLANNER™ professional. He is a registered investment professional with 30 years' experience in the financial service industry. He attended Missouri Western State University where he earned a B.S. in Business Administration Management while attending on an athletic scholarship; he earned his CERTIFIED FINANCIAL PLANNER™ professional designation through the College for Financial Planning. He can be reached at (410) 715-5026 or email jamie.waldren@wfadvisors.com with any questions or comments.

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