



BUSINESS SUCCESSION PLANNING

Is your business ready to transfer?

Follow this checklist to assess your readiness, whichever exit path you're considering

Every business transitions eventually. The question isn't whether you'll exit, but whether you'll be ready when you do.

One-third of business owners lack a formal succession plan, leaving them vulnerable when unexpected events force a transition.¹ Even if you're planning a structured sale years from now, operational and financial readiness protects value and preserves your options.

This checklist is a primer to assess your readiness across three critical areas: your business, your personal readiness and your succession path. Use it to identify gaps early and build a transition plan that works on your terms.

Readiness isn't about perfection. It's about knowing what stands between you and a successful exit.

Is your business ready to transfer?

Prepare your business

Get your financials in order

Clean, accurate financials signal credibility to buyers, successors and advisors. They also help you understand what your business is actually worth.

Prepare audited financial statements. Having financials audited by a reputable accounting firm gives buyers confidence and may justify a premium price.

Get a quality of earnings statement. This report surfaces operational inefficiencies and can improve your company's valuation.

Bring financial reporting up to industry standards. Timely, accurate tracking of accounts receivable, accounts payable and inventory isn't just good practice — it makes transitions smoother and faster.

Strengthen your operations

A business that runs smoothly without you is a business that transfers successfully. Buyers and successors want to see systems, not dependencies.

Secure your customer base. Review contracts to confirm they're binding and transferable to a new owner. Renew or extend contracts to demonstrate long-term client relationships.

Shore up your supply chain. Source critical materials from multiple suppliers in different locations. Lock in long-term pricing where possible and use financial hedging to manage risk.

Lock in key employees. Use employment contracts, retention bonuses, phantom equity and deferred compensation to keep critical people through the transition. Include both incentives for staying and penalties for leaving early.

Protect intellectual property. Safeguard patents, trademarks, trade secrets and proprietary processes in employment agreements and restrictive covenants. Confirm your IP protections are current and enforceable.

Align your structure with your documents. Confirm your bylaws, charter and operating agreements reflect how you actually run the business. Update official filings and ensure you're qualified to do business in all relevant states.

Meet with your advisors annually. Regular check-ins with legal, accounting and tax advisors surface opportunities you might miss on your own. They can share strategies working for other clients and flag issues before they become problems.

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Is your business ready to transfer?

Prepare your personal life

Business readiness matters, but so does personal readiness. Two-thirds of business owners are “maximizers” and experience decision fatigue and regret when they exit without adequate planning.¹

Know what you and your family need. Complete a comprehensive financial plan to determine the income required to maintain your desired lifestyle. Calculate how much you'd need to invest to generate that cash flow indefinitely.

Understand your obligations. Review any buy-sell agreements to confirm what events trigger buy or sell requirements. If you're obligated to purchase another owner's interest upon death, consider life insurance to fund the obligation.

Learn how your exit will be taxed. Income taxes, capital gains, estate taxes? Understand the full tax impact before committing to a structure. A large offer shrinks quickly after taxes.

Update your estate plan. Ensure your will, trusts and beneficiary designations reflect your current intentions. If you're leaving the business to one child, confirm your estate can equalize other heirs.

Plan for life after exit. Business owners often underestimate the loss of purpose, identity and daily structure. Define what your life will look like post-exit, both financially and emotionally.

Prepare for your chosen exit path

Your exit path determines what additional prep you need to complete. Focus on the section that matches your intended direction.

1 If you're selling to an outsider

Third-party buyers — whether strategic acquirers, private equity firms or competitors — will conduct thorough due diligence. Preparation determines whether you close quickly at a strong valuation or face delays and price reductions.

Anticipate due diligence requests. Buyers will examine operations, financials, legal matters, customer contracts, employee agreements and IP protections. Organize these materials now to avoid last-minute scrambles.

Build a strong management team. If you want a clean exit, demonstrate that the business runs independently of you. Buyers discount valuations when the founder's departure creates operational risk.



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Is your business ready to transfer?

Create management retention agreements. Formal contracts that incentivize key employees to stay post-transaction can increase your sale multiple by 20 percent to 25 percent.²

Clean up your balance sheet. Address outstanding liabilities, aging receivables and excess inventory. Buyers scrutinize working capital — inefficiencies here directly impact valuation.

Plan for post-close involvement. Understand whether the buyer will require you to stay on under an employment contract. If you want a clean break, build a team that makes you optional.

2 If you're keeping it in the family

Family transitions introduce emotional complexity that third-party sales don't. Clear structures and explicit expectations prevent conflict and preserve both the business and relationships.

Define ownership vs. management. Decide who will lead the business and who will hold ownership stakes. Equal ownership isn't always equitable, especially if some family members are active and others aren't.

Create governance structures. Advisory boards, shareholder agreements and family councils provide neutral space for dialogue and decision-making. They keep business priorities separate from family dynamics.

Address fairness early. If you're leaving the business to one child, consider how you'll equalize non-active heirs. Life insurance can fund equal bequests without forcing the sale of business assets.

Document buy-back rights. If you're transferring ownership but want the option to step back in, include buy-back provisions in the sale agreement. This protects your financial interest if successors struggle.

Plan for taxes. Family transfers can trigger gift, estate and income taxes. Work with advisors to structure the transition tax-efficiently and ensure your estate can fund all intended bequests.

Set clear employment policies for family. Require outside work experience before joining the business. Establish job descriptions, performance metrics and compensation structures that apply equally to family and nonfamily employees.

Clear expectations prevent conflict in family business transitions.

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3 If you're transferring to employees

Employee ownership — whether through ESOPs, management buyouts or gradual equity transfers — rewards the people who built the business alongside you. It also requires careful financial structuring.

Assess management capability. Confirm your team can lead without you. Employee ownership only works if successors have both operational skills and financial capacity.

Understand financing options. Management buyouts typically require seller notes, where you hold paper and receive payment over time. Understand the tax implications and cash flow impact.

Explore ESOPs. Employee stock ownership plans offer tax advantages but require significant administrative setup. Determine whether your business structure and size make an ESOP viable.

Plan for gradual transition. Employee transfers often work best when ownership shifts incrementally. This allows successors to grow into leadership while you maintain involvement and income.

Build retention into the structure. Structure equity transfers to reward longevity. Vesting schedules and forfeiture provisions keep key people engaged through the transition.



Is your business ready to transfer?

Don't go it alone

Succession planning is complex. The business owners who exit successfully build a team of advisors who help them see around corners and avoid costly mistakes.

At PNC, our Private Business Strategists focus solely on helping business owners optimize personal and business finances. Our team of specialists can help you assess readiness, structure your transition and preserve value throughout the process.

Whether you're years from exit or facing an unexpected transition, the time to prepare is now.

To start the conversation, contact your PNC representative.



1 PNC Private Bank Business Owner Study, 2025

2 Pepperdine Private Capital Markets Report, 2023

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