

# The Business Owner's Playbook

## Types of Business Transitions

**You might be ready to sell or pass your company to your heirs; what type of transition is right for you and your business?**

Type of Business Transitions		
Transition	Possible Benefits	Some Considerations
<b>Sale to Another Company</b>	<ul style="list-style-type: none"> <li>• Usually a company familiar with, and successful in, your industry.</li> <li>• Financial benefits to you and your employees.</li> </ul>	<ul style="list-style-type: none"> <li>• What happens to your employees? Are they absorbed, moved or out of a job?</li> </ul>
<b>Sale to Employees (ESOP)</b> Many small business owners develop strong ties to their employees; If you feel this way – or if your company looks like it would be a hard sell to outsiders based on market conditions or the kind of industry you're in – you can sell it to your employees through an Employee Stock Option Plan (ESOP) ( <i>see The Growing Company, Compensation &amp; Benefits.</i> ) You can transact the sale through an existing ESOP or set the plan up expressly for the transition.	<ul style="list-style-type: none"> <li>• You'll realize tax benefits with the ESOP using tax-deductible corporate earnings to buy stock from the owner.</li> <li>• Capital gains tax on the sale is deferred.</li> <li>• Employees know the business well and usually have strong ties to the company.</li> </ul>	<ul style="list-style-type: none"> <li>• Most such transitions take several years.</li> <li>• Employees can be reluctant to make changes.</li> <li>• Not for small mom-and-pop shops; usually for companies whose sales total in the millions.</li> </ul>
<b>Sale to Family Member(s)</b>	<ul style="list-style-type: none"> <li>• You know the buyer – little risk for surprises.</li> <li>• Usually someone who knows the business well.</li> </ul>	<ul style="list-style-type: none"> <li>• Often difficult to mix family and finances, especially when there is not an equitable distribution between family members.</li> </ul>
<b>Sale to Co-owner(s)</b>	<ul style="list-style-type: none"> <li>• You usually know the buyer(s) very well.</li> <li>• Usually someone who knows the business well.</li> </ul>	<ul style="list-style-type: none"> <li>• More difficult transaction when co-owners are family members. Can change friendships/relationships post-transaction.</li> </ul>