Building a Business, Creating Wealth, and Preparing for What Comes Next

Authored by Mike Cassidy, CFP®, BFA™, ChFC®, CEPA®
Partner & Private Wealth Advisor

For many business owners, their company is more than a source of income. It represents years of sacrifice, long hours, personal risk, and a meaningful part of their identity. In many cases, it becomes their largest asset and an important part of the legacy they hope to leave. That makes planning for both the business and the owner's financial future especially important.

At Fathom Advisors, we help owners make informed financial decisions throughout the life of their business and prepare for what comes next.

COORDINATING CONNECTED DECISIONS

Business owners make decisions constantly. They choose how to structure the company, invest for growth, and balance business priorities with personal goals. They must decide how to hire and reward employees as well. At the same time, many business owners are considering when and how they may eventually step away.

Those choices rarely stand alone. Business structure influences taxes. Taxes affect cash flow, which can shape retirement savings and other long-term goals. Exit planning influences many of the decisions that come before a sale. Our role is to help connect those pieces, so each decision supports the owner's broader objectives.

REVISITING BUSINESS STRUCTURE AS THE COMPANY GROWS

One of the earliest decisions an owner makes is how to structure the business. A company may begin as a sole proprietorship, LLC, S corporation, C corporation, or partnership. As the business matures, the original structure may no longer be the best fit.

Entity structure can influence taxes and liability protection. It can shape retirement-plan opportunities, employee benefits, succession planning, and a future sale. Because those factors can change both current cash flow and long-term wealth creation, we help owners revisit the decision as circumstances evolve.

USING THE BUSINESS TO BUILD PERSONAL WEALTH

As a business matures, owners often shift their focus toward creating greater efficiency and building wealth. Strategies such as profit-sharing plans, safe harbor 401(k)s, cash balance plans, SEP IRAs, and executive compensation arrangements can help owners save more for retirement while providing meaningful employee benefits. The right approach can support employee retention and enhance the value of the business.

KNOWING WHAT THE BUSINESS IS ACTUALLY WORTH

For many owners, the business represents most of their net worth. We've worked with owners whose companies accounted for 70%, 80%, or even 90% of their wealth, yet many had only a rough idea of what the business might be worth.

A professional valuation can change the planning conversation. One owner earning roughly $1 million in annual profit believed his company might sell for about the same amount. Early valuation work suggested a much higher value. The estimate was approximately eight times profit, with the potential to reach as much as fifteen times profit after additional work.

That example highlights an important point: understanding business value can reveal both opportunities and issues that deserve attention well before a sale becomes imminent.

PREPARING YOUR EXIT: THREE COMPONENTS OF A SUCCESSFUL TRANSITION PLAN

A successful transition first requires attention to the owner's life beyond the company. Retirement is not only a financial decision; it is a life transition, yet many owners spend decades building their business and spend little time considering what they are retiring to. Some business owners want to travel or mentor others. Others may focus on charitable work or start another business. Clarifying that next chapter helps shape the rest of the plan.

Financial viability is the next component. The financial side of a transition focuses on whether the expected value of the business can support the lifestyle the owner envisions after a sale. We identify any existing value gap, which is the difference between what the owner needs financially and what the business is expected to generate. Once the gap is clear, we focus the plan on how to close it.

Business improvement is the third component of a successful transition. Owners may strengthen their company by diversifying revenue sources, reducing customer concentration, or building a stronger management team. They may document systems and processes, improve profitability, or reduce the company's dependence on them. These changes can support both company value and buyer interest.

WHY EXIT PLANNING SHOULD START EARLY

One of our guiding ideas is that exit planning is good business planning. Owners often assume they should begin preparing for an exit only when retirement is a few years away. In our experience, stronger outcomes often come from starting five, seven, or even ten years before a potential sale.

That lead time gives owners room to reduce the company's dependence on them and make it more attractive to a future buyer. The work done in this time can improve transferability, profitability, and scalability while reducing risk. Those improvements can also make the business easier and more enjoyable to run before a sale.

PLANNING AFTER THE SALE

Selling the business does not end the planning process. It creates a new one. An owner who spent twenty or thirty years building a company may suddenly hold a significant pool of liquid assets instead of a closely held business.

That shift creates a different set of decisions. The owner must determine how to invest the proceeds and how much income the portfolio can generate. Tax management becomes part of the picture, along with decisions about transferring wealth to children and grandchildren. Charitable planning may become more important as well.

The transition from business owner to steward of personal wealth can require just as much thought as building the company in the first place. We help clients navigate that change while coordinating financial, tax, and long-term planning decisions.

BUILDING THE RIGHT ADVISORY TEAM

Successful business ownership rarely depends on one advisor. Owners often work with accountants and attorneys, along with bankers, insurance professionals, payroll specialists, benefits consultants, and valuation experts. The challenge is not simply finding capable professionals. It is making sure they are all working toward common goals for the business owner and communicating with each other.

When advisors work independently, opportunities can be missed, and recommendations can hinder one another. We help create alignment, so each professional understands the overarching objectives and the owner's priorities remain at the center of the process.

FREQUENTLY ASKED QUESTIONS

When Should a Business Owner Start Exit Planning?

Exit planning can begin years before a sale. Starting five, seven, or even ten years in advance can create more time to improve the business, reduce owner dependence, and prepare for the financial and personal transition.

Why Should Business Owners Revisit Their Entity Structure?

The structure that worked when a company was small may not remain the best fit as it grows. Periodic review can help ensure the entity structure still makes sense for both the business and the owner.

Why Is a Professional Business Valuation Important?

A valuation can give owners a clearer picture of how much of their wealth is tied to the company and reveal opportunities to improve value before a sale.