WELLS FARGO

Wealth & Investment Management

Pre-Transition Planning Overview

Services offered through Wells Fargo Bank, N.A.

Investment and Insurance Products are:
- **Not Insured by the FDIC or Any Federal Government Agency**
- **Not a Deposit or Other Obligation of, or Guaranteed by, the Bank or Any Bank Affiliate**
- **Subject to Investment Risks, Including Possible Loss of the Principal Amount Invested**

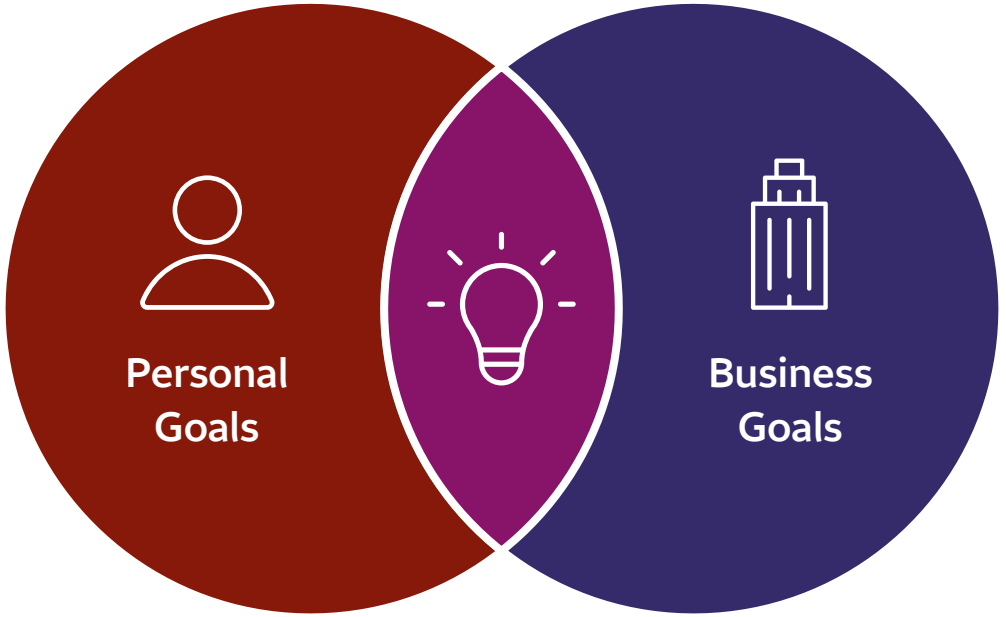
Pre-Sale Planning

Pre-Sale Planning Overview

Personal planning around the transition of a business can begin years prior to the event. Before a transition, an owner may face a variety of questions that can be answered through planning, particularly around matters of cash flow, income taxes, and estate taxes. Your advisor along with a team of professionals - including your accountant, attorney, and possibly others - can assist in preparing you personally for this transition.

Personal

- Cash Flow Planning
- Income Tax Planning
- Estate Tax Planning

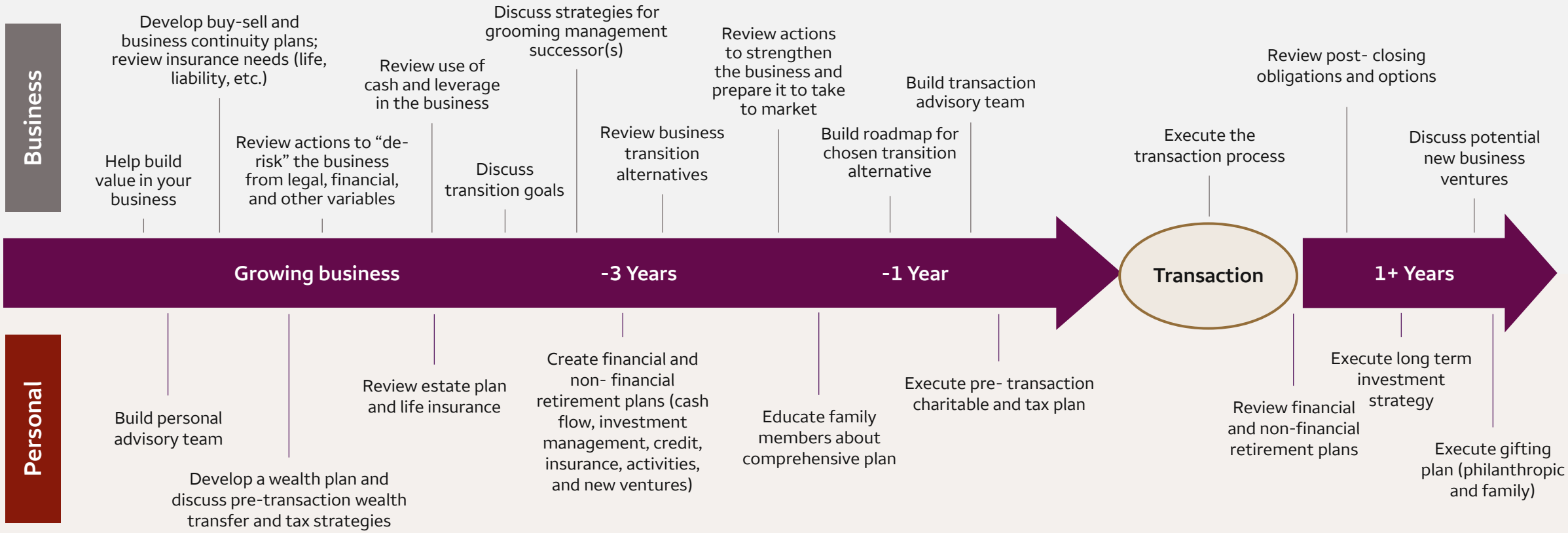


Business

- Create a Transition Plan
- Attractiveness Planning
- Readiness Planning

Pre-Sale Planning – Make Time Your Friend

Pre-sale planning takes thought and time. To have the best chance of achieving your personal goals, start the planning process years in advance of a transition.



Pre-Sale Planning – Cash Flow Planning

From a personal perspective, what are your financial goals and what is the priority of those goals?

These are important questions for a business owner to consider prior to transitioning their business. These questions can be answered through pre-sale planning that specifically addresses cash flow, income tax, and estate tax planning, among other matters. Your financial advisor can assist you in building out of a plan and illustrating scenarios using software such as eMoney®.

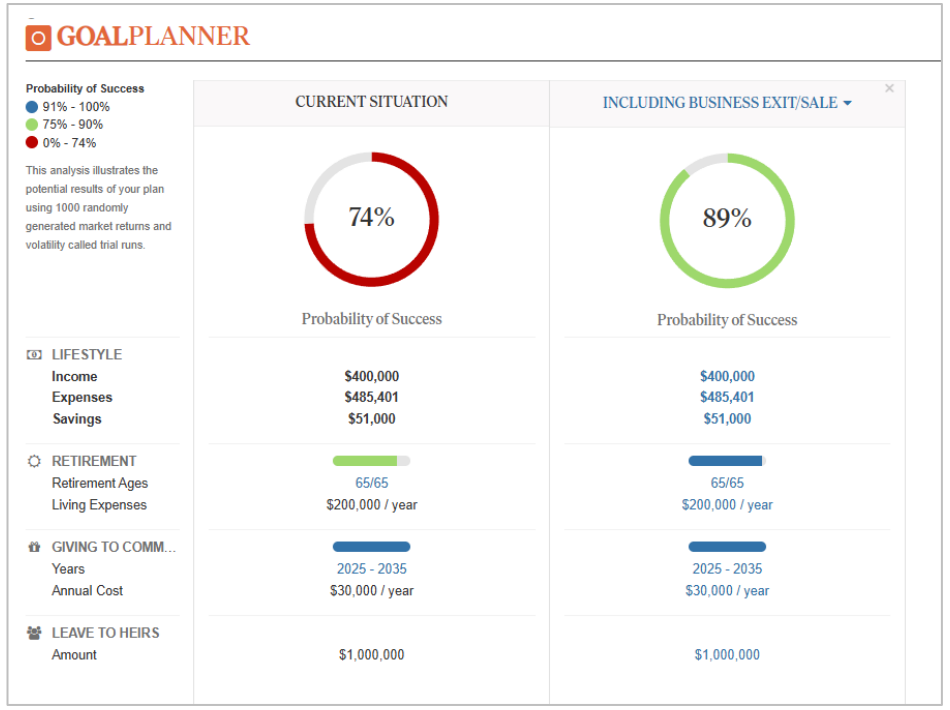
Ahead of a transition, business owners should consider various goals, such as:

- **Personal financial goals** - what is your "number" and when are you likely to achieve that number?
- **Charitable goals** – what is your interest in giving back to the community (which can also reduce your tax burden)?
- **Legacy goals** – what will be left to children and future family generations?

Action Items

- Collaborate with your financial advisor to create a cash flow plan
- Create "what if" scenarios that include income and estate tax strategies, among others

eMoney report



For illustrative purposes only

Pre-Sale Planning – Income Tax Planning

For many business owners, a common question when transitioning a business is how to reduce the tax burden. Tax strategies available to you will depend on the specifics of your enterprise's legal and tax situation. Rely on the advice of your accountant and attorney; engage them early in the pre-sale planning process.

Common tax strategies that most business owners consider include:

- Charitable giving – this may be in the form of giving directly to the charity, in a charitable trust, Donor Advised Fund (DAF), or a private foundation. (Note: these should be set prior to receiving a letter of intent to help maximize tax savings.)
- Using loss carryforwards or realizing capital losses in year of sale
- Using a 1031 exchange for real estate sold as part of the transition
- For C corporations –applicability of Internal Revenue Code Sections 1202 and 1245 and assess structuring the business sale as a stock sale vs an asset sale



Action Items

- Reach out to your CPA to discuss potential income tax saving strategies
- Build potential income tax strategies into your cash flow plan with your financial advisor to see the potential impact

Pre-Sale Planning – Estate Tax Planning

If your net worth is above the current (or expected) estate and gifting limits, you can utilize strategies to move business interests out of your estate prior to a sale, thereby reducing the size of your estate. You should consult with an estate attorney early in the pre-sale process to learn what might be appropriate for your situation and what tax savings may be available.

Key Concepts:

- Business interests may be gifted to recipients, potentially including trusts for the benefit of children or spouse. This may potentially be done at a discounted value due to the inherent lack of marketability and control of the gifted business interest.
- Value of the transferred interest is determined by a qualified appraisal.
- Best results are achieved by gifting business interests well ahead of any sale.
- Common trust structures used in estate planning include the intentionally defective grantor trust (IDGT) and spousal lifetime access trust (SLAT), among others.



Action Items

- Reach out to your estate planning attorney to discuss potential estate tax saving opportunities
- Build potential trusts into your cash flow plan with your financial advisor to see the potential estate tax savings

Disclosures

Wealth & Investment Management offers financial products and services through bank and brokerage affiliates of Wells Fargo & Company. Bank products and services are available through Wells Fargo Bank, N.A. Investment products and services are offered through Wells Fargo Advisors, a trade name used by Wells Fargo Clearing Services, LLC, and Wells Fargo Advisors Financial Network, LLC, Members SIPC, separate registered broker-dealers and non-bank affiliates of Wells Fargo & Company.

Wells Fargo Bank, N.A. ("the Bank") offers various banking, advisory, fiduciary and custody products and services, including discretionary portfolio management. Wells Fargo affiliates, including Financial Advisors of Wells Fargo Advisors, may be paid an ongoing or one-time referral fee in relation to clients referred to the Bank. In these instances, the Bank is responsible for the day-to-day management of any referred accounts.

Wells Fargo & Company and its affiliates do not provide tax or legal advice. This communication cannot be relied upon to avoid tax penalties. Please consult your tax and legal advisors to determine how this information may apply to your own situation. Whether any planned tax result is realized by you depends on the specific facts of your own situation at the time your tax return is filed.

IMPORTANT: The projections or other information generated by eMoney regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. Results may vary with each use and over time.

Trust Services are available through Wells Fargo Bank, N.A. and Wells Fargo Delaware Trust Company, N.A.

WELLS FARGO

Wealth & Investment Management

Thank you

© 2025 Wells Fargo. PM-12172026-8084332.1.1