The Business Is in the Financial Plan. Is the Ownership Decision?

For wealth advisors serving business owners, knowing when to involve an independent ownership advisor can be as important as knowing what to ask.

By Joseph (JD) Durnford

A business owner sits across from you to discuss retirement. The investment portfolio is organized. Insurance coverage has been reviewed. Estate counsel has updated the documents.

Then the conversation turns to the asset expected to make much of the plan possible.

“I’ll probably sell in a few years.”

“My daughter wants to take over.”

“A competitor has already approached me.”

Each statement describes a possibility. None establishes how much liquidity the owner will receive, when it will become available or what obligations will remain.

The challenge for the wealth advisor is not to become a dealmaker. It is to recognize when an assumption about the business has become a dependency in the financial plan—and when that dependency requires specialized examination.

An independent ownership advisor can help connect the owner’s objectives to the business’s economics, transferability and available alternatives. The right time to involve one is not necessarily when the client decides to sell. It is when an ownership decision begins to determine whether the broader plan can work.

Start With the Dependency, Not the Valuation

A business valuation may provide an important reference point. It does not, by itself, establish the resources available to support retirement or family objectives.

The relevant bridge runs from business value to equity value, from equity value to net proceeds, and from net proceeds to funds actually available for investment or spending.

Debt, working-capital adjustments, transaction expenses and taxes affect that bridge. So do the form and timing of consideration. A seller note is an exposure to a borrower. An earnout depends on defined future outcomes. Retained equity remains an ownership investment, not cash available for diversification.

A wealth advisor should therefore ask more than, “What do you think the business is worth?”

Better questions include: How much does the personal plan require from the business, and by when? How much of that amount must be liquid at closing? What happens if proceeds are lower, delayed or partly contingent? Which continuing obligations would the owner accept—and which would defeat the purpose of the transaction?

These questions identify the assignment for an ownership specialist. The objective is not necessarily to obtain a higher valuation. It is to test whether the contemplated ownership outcome can deliver what the financial plan requires.

Distinguish Personal Readiness From Business Readiness

An owner's desired retirement date and the company's ability to support a transition are separate questions.

The client may be ready to leave while the business still depends on that person for customer relationships, pricing decisions, technical knowledge or access to financing. Reported earnings may not reflect the cost of replacing those contributions.

The same distinction applies to financial information. Accounts that serve management and tax reporting may require additional analysis before a buyer or lender can assess sustainable earnings and cash flow.

An independent ownership advisor can help identify which issues materially affect transferability, what can be improved and what the owner must accept as a constraint.

The wealth advisor's role is to connect those findings to the client's timeline and resources. If preparation requires additional management, systems investment or several more years of ownership, the personal plan should reflect that deliberately.

"I want to retire in three years" is an objective. It becomes a credible planning assumption only when the path between today's business and that outcome has been examined.

Separate the Decisions Hidden Inside Family Succession

"We are keeping it in the family" can conceal unresolved questions about control, income and financial risk.

One child may work in the company while another does not. The parents may want equal treatment but depend on business distributions. The successor may be capable of operating the company without having the capital to purchase it.

Management succession, ownership transfer and retirement funding should not be treated as interchangeable.

The practical questions are specific: Who will make operating decisions? Who will hold voting rights? Who will receive distributions? How will the departing owners be paid? What happens if the business cannot fund growth and the promised payments at the same time?

Insurance may address a defined liquidity or equalization need. It does not resolve an ownership structure that the business cannot support.

This is a natural point for coordinated work. The wealth advisor establishes the family's financial requirements. Insurance professionals assess appropriate funding and protection. Counsel and tax advisors evaluate structure and consequences. The ownership advisor tests the commercial feasibility of the proposed arrangement.

The purpose is not to challenge the family's intention. It is to distinguish what has been agreed emotionally from what has been made workable economically.

Treat a Buyer's Approach as a Planning Event

An unsolicited approach can move a client from considering a future sale to negotiating one without a clear decision to make that transition.

The owner may describe the discussions as preliminary. Yet questions about price expectations, desired retirement timing and willingness to remain involved already concern negotiating leverage.

Before a letter of intent or exclusivity agreement is signed, the owner should understand the proposed transaction's basic economic architecture: payment at closing, contingent consideration, financing conditions, working-capital expectations and continuing responsibilities.

Those terms belong in the wealth planning conversation as well.

An offer that requires several years of employment and a substantial earnout may not deliver the retirement the client envisioned. A transaction involving retained equity may provide partial liquidity while leaving significant exposure to the business and its new capital structure.

The specialist's initial assignment need not be to find another buyer. It may be to evaluate the existing approach, identify unresolved terms and establish whether the opportunity deserves further commitment.

For the wealth advisor, the signal is straightforward: when a buyer's proposal begins to shape the client's expectations, it is time to replace assumptions with analysis.

A Sale May Reduce Ownership Without Ending the Exposure

A buyer may propose that the owner reinvest part of the sale proceeds, or contribute existing equity, into the post-closing business or a holding company. This "rollover equity" can provide participation in future growth. It also means the owner is making two decisions at once: selling an existing investment and accepting a new ownership arrangement. [1]

For the wealth advisor, the distinction is critical. Rollover equity is not investable liquidity, a guaranteed second payment or necessarily a smaller version of the ownership the client previously held. The owner may exchange control for a minority position whose economics depend on leverage, distribution priorities, dilution provisions and restrictions on exit. Those terms require their own review. [1][2]

The financial plan should separate cash available at closing from contingent payments and rollover equity. If retirement depends on a successful second exit, that dependency should be explicit and stress-tested. A sound starting point is to determine whether the cash retained after taxes, expenses and other commitments can support essential objectives without assuming a particular rollover outcome.

That is another reason to involve an independent ownership advisor before the letter of intent fixes the commercial framework. The question is not simply whether the proposed rollover offers upside. It is whether its risks, rights and liquidity fit the owner's purpose for selling.

Recognize That Growth Is Also an Ownership Decision

The need for ownership advice is not limited to succession or sale.

A client may propose acquiring a competitor, funding an expansion or bringing in outside investors. The business case may be compelling while the consequences for the owner's financial independence remain unclear.

Will the investment consume assets previously intended to provide security outside the company? Require a personal guarantee? Restrict distributions? Change control rights? Extend the likely holding period?

An independent ownership advisor can help evaluate the transaction and its alternatives. The wealth advisor can then assess the implications for liquidity, concentration and the client's capacity to absorb loss.

The point is not to discourage entrepreneurial risk. It is to make sure the client is consciously choosing it.

A business decision should not quietly rewrite the personal plan.

Examine Whether Protection Arrangements Can Work as Intended

A buy-sell agreement or insurance policy may address a defined event without establishing that the resulting ownership transition will function smoothly.

Who must purchase the interest? How is the price determined? What happens if available funding is insufficient? Can the business support installment payments? Who can operate the company during the transition?

These are questions for coordinated review, not an invitation for one professional to reinterpret another's work.

The ownership advisor can examine the commercial assumptions. Counsel determines legal rights and obligations. Tax and insurance professionals address their respective disciplines. The wealth advisor assesses whether the resulting arrangement supports the client and family.

The trigger for that review is a material gap between the outcome the plan assumes and the business's apparent ability to deliver it.

Choose the Specialist for the Assignment

"Independent ownership advisor" should describe a role, not substitute for diligence on the person performing it.

Wealth advisors should examine relevant experience, scope, compensation, conflicts and professional boundaries. Has the specialist evaluated family transfers as well as third-party sales? Negotiated transaction economics? Worked constructively with existing financial, legal and tax advisors?

Independence also deserves scrutiny. Who pays the advisor? Does compensation change if a transaction occurs? Are there relationships with prospective buyers, financing sources or execution firms that should be disclosed?

Transaction-based compensation is not, by itself, evidence of poor advice. It is an incentive the client should understand. Where work involves securities or capital raising, the advisor's authority and any required registrations or affiliations should be verified.

A useful engagement begins with a defined decision and a clear scope. It should allow for a conclusion to proceed, prepare, defer or retain the business—not presume that a sale is the desired result.

Make the Introduction About the Client's Plan

An owner who is not ready to sell may hear a referral to a transaction professional as an attempt to start a sale process.

The wealth advisor can avoid that misunderstanding by explaining the purpose:

A substantial part of the client's financial future depends on an ownership outcome. Before planning around a value, date or family transfer, the advisory team needs to examine the available choices and what each requires.

The relationship should remain coordinated. The client should know who is responsible for which decisions, what work is authorized, how information will be shared and what it will cost. We lead the financial and business negotiation, working closely with counsel on the legal terms that give those decisions effect.

The wealth advisor does not need to solve every ownership issue. But identifying an untested assumption—and bringing in the appropriate expertise to examine it—is central to sound advice.

Before the next planning review, ask: Which conclusions in this plan depend on something happening to the business that has not yet been tested?

If the answer affects retirement, family security or a major capital commitment, that is the point to consider an independent ownership advisor.

Do not wait until the business becomes a transaction. Bring ownership into the plan while the client still has time to shape the outcome.

About the Author

Joseph ("JD") Durnford is CEO and Founder of JD Ford & Company. An entrepreneur, investment banker and M&A advisor, he serves as an Independent Ownership Advisor to owners, CEOs and boards facing consequential business decisions. His work combines experienced judgment with transaction leadership when execution is needed. JD Ford is based in Dallas. He can be reached at joe.durnford@jdford.com.