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Business Exit Planning: Overcoming Emotional and Financial Roadblocks

Admin User · January 25, 2026

Two-thirds of surveyed business owners lack a documented plan for selling or transitioning their business. Here's why and what to do about it.

By Rick Sweeney

We work with a lot of smart and successful entrepreneurs, many of whom have gotten where they are because they are driven, hard-working and never give up.

That focus and passion make them great at running their companies, but often not as great at thinking about – or planning for – a future when they transition out of running a business.

A 2024 survey of RBC Wealth Management’s business owner clients confirmed this: Two-thirds of our surveyed business owners lack a documented plan for selling or transitioning their business, and 41% haven’t completed any type of valuation analysis to know what their business is worth.

Our survey underscored business owners’ need for support during all stages of the business lifecycle, but especially during the transition process.

Why? Exiting a business is one of the biggest decisions an owner will ever make. It’s a complex and emotional process, and there are three common roadblocks that trip entrepreneurs up:

1. Letting go is hard.

A typical business owner we work with is around 65 years old. While many people are retiring at that age, entrepreneurs tend to remain laser-focused on building their business, optimizing productivity and reducing costs. They often plan and operate as though they are the linchpin of the entire operation – and always will be. It can be hard for them to imagine how the company could continue without them.

But that's exactly what you have to do.

In terms of dollars and cents, maximizing the value of your company can be a challenge if the enterprise cannot function without you. Even if you run a tight ship, that ship needs resilience.

Coming to terms with handing over the reins is often the biggest challenge for an owner to overcome. This can be due to the emotion, hard work and personal and financial risks it takes to build a successful business. It's natural to struggle to relinquish control of something you've devoted your life to creating.

Keep in mind that stepping back doesn't have to happen all at once, and everyone's first steps look a little different. Some owners start the exit planning discussion as an outgrowth of their personal wealth planning, as their business is inextricably linked to their own money landscape. Others ease into the process through conversations around risk management and value creation. I've learned to pick up on cues that an owner is ready to get serious about their exit, even if they don't know how to do it.

As for the emotional component of letting go, the fact is everyone exits their business one way or another. In my experience, many business exits are unplanned and involuntary – the opposite of an ideal scenario. Either something happens to the owner, or there is some unplanned upheaval in their personal life. Without a plan in place, you can't fully use what you have built to protect your own financial life, not to mention the jeopardy your employees would experience from the abrupt end of your business ownership.

2. They don't know when or where to start.

One of the biggest misconceptions I see is that an exit strategy is something you create when you're "ready" to leave. In reality, the earlier you start, the more options you have. Ideally, you should start planning at least three to five years before you want to transition out. You don't have to commit to a departure date, but a definitive start to the planning process gives you the freedom to choose when the timing is right, rather than being forced by circumstances.

Early preparation also gives you time to think strategically, so you can get the most out of your eventual exit. For example, if you know you're going to end up selling your business, planning years in advance allows you to implement tax-efficient strategies that may help preserve more of the proceeds from the sale. You can also work with your financial adviser to explore options for using the funds, such as a family trust or charitable giving, which can have both personal and financial benefits. Structuring your exit thoughtfully means you can do more with what you've built, not just for yourself, but for your family and community.

When it comes to getting a plan on paper, a practical first step is to document the management and operating framework of your business. Write down how decisions are made, who oversees what functions and where you think there are areas for improvement. This exercise, even at a preliminary level, gives you a roadmap for identifying areas that need work before you exit.

Another key step during the initial stages is putting together a team of experts to help you formulate and execute your plan. Too many business owners try to do it on their own. Given all the moving parts associated with selling a business, you need the right people by your side from the get-go to ensure a smooth and successful transition.

Of course, your fellow leaders of the business should be part of your exit planning conversation, but I'm also talking about outside counsel. A good exit strategy requires a core team of professional advisers who can guide you throughout the process and connect the "business" aspect of an exit with its personal meaning to you. Your team should include your financial adviser, attorney, accountant and likely a strategy consultant.

3. They don't know what they're worth.

When you show that you're in the market for an exit, it's common to be courted by private equity firms and other would-be buyers who promise what seems like a large sum and a painless, turnkey experience. That isn't to say these options shouldn't be considered. But those early offers are often counting on you to be too overwhelmed to do your due diligence and discover what your livelihood is actually worth.

A professional valuation goes beyond simply crunching numbers. It also helps you identify and quantify the unique aspects of your business that add value: your brand, client relationships, intellectual property and market positioning. Having objective experts involved also reduces the risk of emotional attachment clouding your judgment about what your business is truly worth.

Furthermore, a valuation assessment conducted by professionals who understand your specific industry carries more weight when negotiating with potential buyers, lenders or investors. It helps you create a competitive bidding process that can actually drive up the value of your enterprise. You're proving your value to others, and at the same time you're arming yourself with the right knowledge to make informed decisions.

As part of our survey, we also heard from clients who had already sold their businesses. More than half of their buyers turned out to be “strategic or other” acquirers. Attracting the attention of this kind of buyer requires a thorough evaluation of your business, evidence of sustainable, repeatable growth and the ability to continue without your direct and ongoing oversight.

Is this a tall order? Absolutely. I don’t want to discount the intimidation factor for anyone who wants to start putting together their business exit strategy but doesn’t know how. The good news is that it’s never too late to start. Remember, the process doesn’t happen overnight, and it’s not something you have to do alone.

About the author: Rick Sweeney

Rick Sweeney is director of Insured Solutions at RBC Wealth Management – U.S. He specializes in working with business owners at all stages of the business life cycle, guiding them with strategies to help protect the businesses they’ve built and plan ahead for the future, including the development of a succession plan and the owner’s transition into the next phase of life.