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Build to Keep or Build to Sell: Structuring Your Business for Generational Wealth



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Askia Jones · November 4, 2026

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Whether you plan to keep the business or sell it one day, the work is almost the same. SOPs, clean books, key-person insurance and buy-sell basics for a business that can run without you.

Not legal, financial or tax advice. This article is general education, not legal, financial, tax or insurance advice. Business transfers, buy-sell agreements, life insurance and estate planning depend on your state's law, your entity type and your personal situation. Before you act on anything here, talk with a business attorney, a CPA and, for estate questions, an estate-planning attorney licensed in your state.

Many owners say they're building something to pass down. Fewer have built one that can be. Say the business only works because you answer the phone, hold the client relationships, know where the money is and remember how every job gets done. Then what you own is valuable, but it may not be transferable. A buyer can't easily take it over. A child or partner would have a hard time stepping in. It may not survive you as more than a name.

A business that depends entirely on its founder's identity is closer to a job than an asset. Building wealth that lasts means turning the job into an asset. Whether you plan to keep the business in the hands of the next generation or sell it one day, the work is almost the same. Get yourself out of the middle and get your books clean. Then put the legal plumbing in place, before you need it.

Most Black-owned firms have no paid employees

As of the Census Bureau's November 2025 release, Black-owned firms accounted for 14.4% of U.S. nonemployer businesses, about **4.4 million** firms, with receipts of $128.7 billion (2023 data). 1 Among employer businesses, those with at least one paid employee, Black-owned firms accounted for 3.4%, about **201,000** firms, with receipts of $249.0 billion (2024 Annual Business Survey, reference year 2023). 1

By our own calculation from those two Census figures, that's roughly 22 Black-owned nonemployer firms for every Black-owned employer firm. Plenty of nonemployer businesses are side income by design, and that's fine. For owners who want something that outlasts them, though, the ratio raises a practical question: **could this business run, be sold or be inherited without you in the room?** Employees, written

processes and clean records are what usually make the answer yes.

Section 1: Decoupling the founder

What a buyer or an heir will ask

The Vermont Small Business Development Center's roadmap for owners planning a sale asks a blunt question: "How much does the business depend on your work and skills?" 2 Its list of value drivers includes "Standard Operating Procedures or business operating manual," "Is your staff cross-trained," and "Is your customer base well established and transferable?" 2

Those questions apply even if you never plan to sell. An heir inherits the same problem a buyer would: if the know-how lives only in your head, it leaves with you.

The SBDC roadmap is a checklist; it doesn't put a dollar figure on what documented processes add. Some brokers and advisers say that businesses with written procedures sell faster or for more, but we found no official figure for that, so treat it as an informed view, not a rule. The logic is simple enough. A buyer or successor pays for what they can keep running.

Practical steps

1. **List what only you can do.** For two weeks, jot down every task you handle that no one else can: pricing jobs, ordering, payroll, the big client calls, the passwords. That list is your transfer risk.

2. **Write the top five down as SOPs.** A standard operating procedure doesn't need to be fancy. A one-page checklist, a short screen recording or a shared document with steps, screenshots and "who to call" works. Start with whatever would hurt most if you were out for a month.

3. **Cross-train at least one person on each critical task.** If you have no staff, document it for a contractor, partner or trusted relative who could step in.

4. **Move client relationships from "you" to "the business."** Use a business email, phone number and customer list the company owns. Introduce clients to a second point of contact.

5. **Take a test vacation.** A week where you don't answer is the cheapest audit there is. Whatever breaks goes to the top of your SOP list.

The Vermont SBDC suggests that "the ideal timeframe to sell a business is up to 5 years." 2 That's one center's guidance, not a law, but it's a fair warning that decoupling takes time. You need the same lead time if you plan to keep the business.

Section 2: Clean books, commingling and value

Separate accounts and your liability protection

The IRS puts it simply: "One of the first things you should do when you start a business is open a business checking account. You should keep your business account separate from your personal checking account." 3 It also says to "write checks payable to yourself only when making withdrawals from your business for personal" use. 3

The reason goes past neat records. If you've formed an LLC or a corporation, its liability protection depends partly on treating the business as truly separate. A California Lawyers Association guide explains that, under California law, courts may hold an owner personally liable (often called "piercing the veil") when there is "unity of interest and ownership" and keeping the separation would "sanction a fraud or promote injustice." 4 The factors it lists include "commingling of assets," "treatment of the assets of the entity as the individual's own," "failure to maintain records," "undercapitalization," and "use of the entity as a shell." 4 In one federal case it discusses, NetJets v. LHC (2d Cir. 2008), the evidence included that the owner "transferred money back and forth between personal and LLC accounts" and "used LLC funds for personal expenses." 4

Two caveats. The rules vary by state, and commingling is one factor a court weighs, not an automatic loss of protection. 4 Ask your attorney how your state treats it.

Why messy books cost you at the closing table

Here we can only describe the mechanism, because we found no official source that puts a number on it. When personal spending runs through the business, a buyer, lender or appraiser has to dig through your statements to find the company's true earnings. An expense they can't confirm is one they may not give you credit for. The longer the untangling takes, the more doubt and delay it adds to due diligence. Heirs face the same problem when they try to value the business for an estate or simply figure out what they've inherited.

You'll sometimes hear that commingling knocks a set percentage off a sale price. We could not find a primary source for any such figure, so we don't use one. What we can say is that clean books make your earnings easy to prove.

Records: how long and how organized

The IRS says you "may choose any recordkeeping system suited to your business that clearly shows your income and expenses," and that you "must keep your records as long as needed to prove the income or deductions on a tax return." 5 The burden of proof is on you. 5 The SBA notes that "common guidelines advise keeping records for anywhere from three to seven years." 6

Know how a business gets valued

The SBA describes three common valuation approaches: an **income** approach, a **market** approach and an **assets** approach. 6 It also tells owners to account for intangibles such as "brand presence, intellectual property, customer information, and projection of future revenue," and warns: "Don't leave out any assets and liabilities." 6 Clean books make each of those easier to support. So do documented processes and a customer list the business owns.

Practical steps

1. **Open (or audit) a dedicated business account and card.** Stop paying personal bills from it.

2. **Pay yourself on purpose.** Use a regular owner's draw or payroll, as your entity type and CPA advise, instead of ad hoc transfers.

3. **Reconcile monthly.** Match every bank and card transaction to your books. If you're behind, catch up the last 12 months first.

4. **Write down any personal-use items still in the business** (a vehicle, a phone, a home office) and ask your CPA how to document them properly.

5. **Keep your entity paperwork current**, including your operating agreement or bylaws, ownership records and any required filings.

Section 3: Basic transfer architecture

Once the business can run without you and its numbers are easy to trust, the next question is what legally happens to it if you die, become disabled, want to retire or a partner leaves. The SBA cautions that "transferring ownership" of a business "may have legal impacts, such as estate and gift tax obligations." 6 Three tools come up again and again.

Key-person insurance

Key-person insurance is generally life insurance a business buys on someone critical to its success, often an owner or essential employee. The business owns the policy, so if that person dies, the business is the beneficiary and receives the proceeds. 7 The company must have an insurable interest in the person it insures. As a general rule, the Maryland Insurance Administration says, that requirement is met as long as the person is responsible for a critical aspect of the business. 8 The payout gives the business cash to survive the loss. It comes with rules that surprise people:

- **Premiums generally aren't deductible.** Federal tax law says no deduction is allowed for premiums on a life insurance policy "if the taxpayer is directly or indirectly a beneficiary under the policy." 9

- **Notice and consent come first.** For employer-owned policies, the tax-free treatment of the death benefit can be limited to the "premiums and other amounts paid" unless certain requirements are met

before the policy is issued. They include written notice to the employee of the intent to insure them and the maximum face amount, the employee's written consent (including that coverage may continue after they leave), and written notice that the employer will be a beneficiary. 10 Exceptions exist, and the details are technical. This is a talk-to-your-CPA item.

• **There's annual reporting.** Employers with these policies may need to file IRS Form 8925, which reports the number of employees covered and the total amount of employer-owned life insurance in force. 11

How much coverage? There's no official standard. For example, the NAIC describes coverage as a multiple of pay, such as "five times' annual current salary," as one common approach, 7 but that's a rule of thumb, not a requirement. Size it with your advisers around what it would actually cost to replace the person and keep the doors open.

Buy-sell agreements, and the Connelly lesson

A buy-sell agreement sets out in advance who can buy an owner's share, at what price, and when (for example at death, disability, retirement or divorce). Without one, heirs can end up co-owning a business with partners who never chose them, or with no clear way to cash out.

A major recent case is **Connelly v. United States**, decided unanimously by the Supreme Court on June 6, 2024. 12 Two brothers owned a company. The company held $3.5 million of life insurance on each of them so it could buy back a brother's shares at his death, a setup often called a redemption or entity-purchase agreement. 12 When Michael died, his estate valued his 77.18% stake at about $3 million. The IRS counted the roughly $3 million in insurance proceeds as part of the company's value, putting the company at $6.86 million and Michael's stake at $5.3 million. The result was an extra **$889,914** in estate tax. 12

The Court held that the company's obligation to redeem Michael's shares did not reduce the value of those shares, because a redemption obligation is not necessarily a liability that reduces a company's value for estate-tax purposes. 12 The opinion pointed out that the brothers could instead have used a cross-purchase agreement, "an arrangement in which shareholders agree to purchase each other's shares at death and purchase life-insurance policies on each other to fund the agreement." 12 It also noted that approach's drawbacks: each owner pays premiums, there's a risk someone stops paying, and it has "its own tax consequences." 12

What the case shows is that **how a buy-sell is designed and funded can change what your heirs owe**. An agreement written years ago may deserve a fresh look in light of Connelly. Life insurance is one common way to fund a buy-sell, but it isn't the only one, and each option has trade-offs to weigh with your attorney and CPA.

Estate and gift basics (as of 2026)

As of 2026, the federal basic exclusion amount for estate and gift tax is **$15,000,000 per person**, under Public Law 119-21, signed July 4, 2025. 13,14 A surviving spouse can use a deceased spouse's unused exclusion ("portability"), but only if the estate makes the election on a timely filed estate tax return. 13 Amounts for later years may change; check the IRS before you rely on a number.

Separately, **as of 2026,** the annual gift tax exclusion is **$19,000 per recipient**. In the IRS's words, "if you give each of your children $19,000 in 2026, the annual exclusion applies to each gift." 15 Some owners use annual gifts to move business interests to the next generation gradually; how those interests are valued is a question for your advisers.

Even with the federal basic exclusion amount at $15,000,000 per person (as of 2026), planning isn't optional. For most small businesses, what derails a transfer is operational or legal rather than the federal estate tax: an unclear will, a missing buy-sell, a business no one else can run, books no one can read. State taxes and rules may also apply.

Trusts

Trusts are tools an estate-planning attorney may suggest to hold, manage or pass down business interests. They come in many forms, and their legal and tax effects depend on how they're drafted and on your state. We're not going to describe those effects here; ask an estate-planning attorney which structures, if any, fit your goals.

Keep or sell: the same work either way

You don't have to decide today whether your business stays with the next generation or gets sold. The steps are almost the same either way. Start with one SOP and one clean bank account this month, then put a meeting with an attorney and a CPA on the calendar.

This article is general information, not legal, financial, tax or insurance advice. Consult a licensed attorney and CPA about your situation. Figures marked "as of 2026" were checked against IRS pages on Nov 16, 2026.

Companion: Business Transferability & Clean-Book Readiness Audit

Check each item. Every "no" is a to-do.

Founder dependence

- ☐ I've listed every task only I can do, and the business could run for 30 days without me.
- ☐ My five most critical processes are written down as SOPs that someone else has tested.
- ☐ At least one person (staff, contractor or partner) is cross-trained on each critical task.
- ☐ Client relationships, the phone number, email, domain, social accounts and customer list belong to the business, not to me personally.

Clean books

- ☐ The business has its own bank account and card, and no personal bills are paid from them.
- ☐ I pay myself through a regular draw or payroll, as my CPA advises, not ad hoc transfers.
- ☐ Every transaction is reconciled monthly, and the last 12 months are caught up.
- ☐ My records are organized and kept as long as needed to support my tax returns (the SBA cites three to seven years as a common guideline).
- ☐ My entity paperwork (operating agreement or bylaws, ownership records, state filings) is current.

Transfer architecture

- ☐ I've asked an attorney or CPA whether key-person coverage makes sense, and any employer-owned policy met the notice-and-consent rules before it was issued.
- ☐ If I have partners, we have a signed buy-sell agreement, and we've reviewed how it is funded in light of Connelly v. United States (2024).
- ☐ I have a current will and have asked an estate-planning attorney whether trusts or lifetime gifts fit my goals.

Not legal, financial or tax advice. Review this audit with your attorney and CPA.

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About the editorial team: BlackRefer's editorial team researches and writes practical guides for Black business owners and the people who support them. Every statistic is linked to its primary source, and examples are labeled as examples.

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