

Coordinating Retirement Plans with Client Exit Planning



RETIREMENT MANAGEMENT SERVICES, LLC
Plan Consulting • Administration • Design

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The Overlooked Connection Between Retirement Planning and Exit Strategy

For closely held business owners, the company often represents their largest asset — and their primary retirement funding source. Yet retirement plans are frequently disconnected from exit planning conversations.

For advisors, this gap represents both risk and opportunity.

When coordinated properly, a qualified retirement plan can materially improve tax outcomes, reduce transaction friction, and position you as a strategic partner in the exit process — not just an investment advisor.

Unlocking New Opportunities Under SECURE 2.0

Under the SECURE 2.0 Act of 2022, enhanced catch-up contributions and design flexibility create additional planning opportunities for high-income owners so make sure they are taking advantage of all opportunities.

If a client is within five years of a liquidity event, their retirement plan design deserves immediate review.

Key questions to make sure they are getting the most out of their plan:

- Is the client maximizing tax-deferred savings while income is highest?
 - Does the current allocation formula favor or limit owner contributions?
 - Are there compliance issues that could derail due diligence?
 - Would adding a defined benefit or cash balance plan materially increase tax efficiency?
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Pre-Exit Planning as a Tax and Diversification Strategy

The years prior to a sale could be the most profitable years of a company. That can create a window for:

- ✓ Maximizing 401(k) + profit sharing contributions
- ✓ Implementing safe harbor structures
- ✓ Layering in a cash balance plan to contribute \$100K–\$300K annually (depending on age and income)

Strategically, this allows owners to:

- ✓ Reduce taxable income prior to exit
- ✓ Shift wealth from an illiquid asset to protected retirement assets
- ✓ Build diversification before a liquidity event

For advisors, this is often one of the largest tax planning opportunities available to business-owner clients.

How Exit Structure Impacts Retirement Plan Strategy

Buyers — especially private equity groups — scrutinize retirement plan compliance during transaction diligence. Operational failures under the Employee Retirement Income Security Act of 1974 (ERISA) can create liabilities that may reduce purchase price, trigger escrow holdbacks or delay closing. Common issues include late deferral deposits, missed eligibility, improper allocations and outdated plan documents.

Advisors who recommend a proactive compliance review 12–24 months in advance of the owner considering an exit from the business will demonstrate foresight and risk management value.



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The exit structure directly impacts plan strategy:

Asset Sale

- ✓ Plan remains with seller
- ✓ Opportunity for plan termination and distribution

Stock Sale

- ✓ Plan typically transfers to buyer
- ✓ May be merged or frozen

Asset and Stock sales carry very different fiduciary, communication, and timing considerations. Coordinating with ERISA counsel and a TPA early avoids costly missteps.

Post-sale, the conversation shifts:

- ✓ Coordinating rollovers with sale proceeds
- ✓ Managing tax brackets in the first 2–3 post-sale years
- ✓ Evaluating Roth conversion windows
- ✓ Aligning qualified plan assets with broader wealth strategy

This is a critical moment for advisors to deepen the relationship — the client is transitioning identity from operator to investor.

The Bottom Line

Retirement plan design can also support:

- ✓ Employee retention pre-sale
- ✓ Leadership transition stability
- ✓ Cultural continuity
- ✓ Reduced turnover costs

In some cases, strengthening the plan 2–3 years pre-exit enhances company attractiveness to buyers.



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When coordinated properly, retirement plans become can become a tax mitigation tool and a balance sheet diversification strategy. It can also deepen a relationship with business owners by initiating a due diligence risk management solution. Advisors who integrate retirement plan design into exit conversations elevate themselves from product provider to strategic partner.

For additional information on coordinating retirement strategies with exit planning, please contact our team. Discuss any design changes with your Account Executive or connect Leisha Gosling to explore additional plan opportunities.



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