When to Sell a Business Early: The 2026 Founder's Dilemma

The 2026 exit conversation has quietly shifted from maximizing proceeds to de-risking against an unforecastable future.

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The Question Founders Are Actually Asking in 2026

I have grown accustomed to a particular kind of exit planning conversation this year. It commences, as such conversations traditionally do, with business valuation multiples, financial performance history, and after-tax proceeds. It concludes, with a frequency that has become impossible to ignore, somewhere else entirely.

The macroeconomic backdrop illuminates why. PwC's 29th Global CEO Survey, conducted across 4,454 chief executives in 95 countries, found only 30% expressed confidence about revenue growth over the next twelve months, down from 38% a year earlier and 56% in 2022. The AlixPartners 2026 Disruption Index, drawing on 3,200 executives across eleven countries, reported that 72% of chief executives now find it increasingly difficult to determine which industry trends and disruptive forces to prioritize, and that 44% expect layoffs of ten percent or greater within five years attributable to artificial intelligence. The Conference Board's 2026 C-Suite Outlook identified uncertainty as the leading economic threat among 43% of U.S. chief executives, ranked ahead of recession itself.

Palmer Wealth Group's target client sits inside that macro picture, and increasingly reflects it.

What "Sell Now" Usually Means When I Hear It

When business owners tell me they want to sell now, they are rarely describing a transaction. More often, they are describing a feeling that market conditions have become too opaque to model three years forward. Founders who once tracked two or three variables now find themselves attempting to weigh six or eight. The instinct to reduce that cognitive load through the single decisive act of selling your business is understandable. It is also worth examining carefully before acting upon it.

The Shift from Opportunity-Driven to Fear-Driven Exits

The exits I helped design five years ago were principally about opportunity. Multiples were expanding, buyer competition was intense, and business owners sold because the arithmetic argued for it. The exits I observe this year carry a different signature. The PwC decline in CEO confidence from 56% in 2022 to 30% at the outset of 2026 is not, in itself, a prediction. It is a reasonable proxy for the atmosphere in which today's exit strategy decisions are being made. Fear and opportunity produce transactions that look superficially similar. The planning required to serve them well is not.

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Why the Traditional Exit Framework No Longer Fits

The framework I have described elsewhere, most recently in our [Maximizing Business Exit Value: Strategies for Successful Transition Planning](), was built around a particular assumption: that the owner's central question was optimization against a horizon she could confidently forecast.

When the driver shifts from opportunity to insurance, that assumption fails.

The optimization playbook, in one paragraph

The traditional exit plan is neither wrong nor obsolete. Its logic remains sound where it applies. A defensible business sale typically requires twelve to twenty-four months of preparation, followed by another seven to ten months of active transaction work, per International Business Brokers Association benchmarks. Value creation levers compound over that window: customer base diversification, recurring revenue growth, management team depth, predictable cash flow, defensible market share, and clean financial statements. Tax structuring, entity work, and trust funding require lead times of their own. Optimization presumes the owner possesses that runway and desires to use it.

What changes when the driver is insurance, not opportunity

Insurance-driven exits collapse this runway, and the collapse has consequences. Sophisticated potential buyers, whether strategic buyers or private equity sponsors, actively detect and price seller urgency. The business valuation discount that follows is not a reflection of the enterprise's underlying financial health. It is a function of the seller's timeline and the execution risk that timeline creates.

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Pepperdine University's 2025 Private Capital Markets Report is instructive. Approximately 31% of the engagements studied closed without a transaction, and the most common cause, at roughly 26%, was a valuation gap between seller and potential buyers. When pricing was the fault line, roughly 84% of gaps fell between eleven and thirty percent of enterprise value. A hurried owner does not necessarily receive a lower final price. She does, however, dramatically reduce the probability of any price at all.

The New Questions I Ask a Founder Considering an Early Exit

When the presenting question is "should I sell," and the underlying question is "how do I insure against a future I cannot forecast," the diagnostic questions must change.

What is the actual risk you are trying to insure against?

This question sounds elementary. It is, in my experience, the question business owners most often skip. The prevailing anxiety in 2026 is artificial intelligence, and the fear that one's industry will be materially reshaped before one's planned retirement date. The evidence for that fear is genuine but uneven. McKinsey's most recent State of AI research reports 88% of organizations using AI in at least one function, up from 55% two years earlier, but only 7% with fully scaled implementations and roughly 6% reporting meaningful earnings impact. The disruption thesis is best understood as a hypothesis whose realization varies by industry, business model, and management team capacity.

What does your balance sheet look like the day after closing?

An accelerated business sale does not eliminate risk. It transforms operating risk into portfolio risk, business cash flow into a lump sum requiring redeployment, and concentration risk into reinvestment risk. Our earlier examination of The Entrepreneur's Blind Spot addressed the separation of business and personal wealth in a broader context. In an accelerated exit, that separation becomes the diagnostic question. Owners who have relied for decades on operating cash flow face a different problem the day after closing: constructing an income architecture from investment assets rather than from the enterprise they built. If the personal balance sheet cannot absorb the transition, selling your business may concentrate risk in a form the founder is less equipped to manage.

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Is a full sale actually the answer, or is it a partial one?

Business owners reflexively equate "sale" with "full sale." The private capital markets have offered more nuanced structures for at least a decade. A majority recapitalization allows a founder to sell fifty to seventy percent of the equity to a financial or strategic partner while retaining thirty to fifty percent for a subsequent liquidity event. Minority recapitalizations, employee stock ownership plans, and thoughtful succession planning to internal leadership or family offer additional variations. Each involves genuine trade-offs. None is a full-sale decision. Where the fear concerns the future of the business, a partial structure permits the owner to reduce personal exposure without predicting the industry's trajectory or forfeiting future growth potential.

What I Have Stopped Promising Founders in 2026

The regulatory and market events of the past twelve months have prompted a reconsideration of certain claims I once offered with greater confidence. Two of those claims deserve mention.

The humility the tax code has forced on me this year

I no longer speak of Qualified Small Business Stock, the tax provision under Section 1202 that can exclude a substantial portion of gain on the sale of certain qualifying stock, with the same certainty I once did. The One Big Beautiful Bill Act, signed into law on July 4, 2025, meaningfully expanded the provision for stock acquired after that date. The per-issuer cap rose from ten million dollars to fifteen million, and the aggregate gross-asset ceiling from fifty million to seventy-five million. The Act also introduced a tiered holding period: fifty percent exclusion at three years, seventy-five percent at four, and one hundred percent at five. Stock acquired on or before July 4, 2025 retains the prior rules.

Our companion piece, Why Your Practice Exit Won't Qualify for the New QSBS Tax Exclusion, addresses why the provision serves fewer business owners than they often assume. Qualification is fact-specific and requires review by qualified tax counsel, typically working alongside an experienced M&A advisor and the owner's wealth advisor. Timing decisions cannot be made from generalized assumptions about tax treatment.

What the tariff whiplash actually teaches about timing

On February 20, 2026, the Supreme Court held in *Learning Resources, Inc. v. Trump* that the International Emergency Economic Powers Act did not authorize the tariffs imposed under its authority in 2025. Within hours of that ruling, the administration implemented a ten percent global tariff under Section 122 of the Trade Act of 1974, subsequently announcing intent to raise the rate to fifteen percent. Section 122 tariffs expire after 150 days absent Congressional action, and refund mechanics for the invalidated tariffs remain unresolved.

The instructive point for exit-timing decisions is not the policy outcome. It is the volatility of the environment in which such decisions must be made. Owners who structured accelerated exits in late 2025 partly to escape tariff exposure may find their businesses valued differently under the successor regime. Those who delayed on the same premise may find themselves in the reverse position. The regulatory environment has proven capable of reversing itself in the span of a business day.

Frequently Asked Questions

Q: When is the right time to sell a business?

The right time to sell a business is when preparation, market conditions, and the owner's personal readiness align. IBBA benchmarks suggest a defensible process typically requires twelve to twenty-four months of preparation followed by seven to ten months of active transaction work. Business owners who compress that timeline commonly do so at a cost, either in final price or in deal certainty. The right time is rarely the first time the question surfaces. It is more often the time at which the exit plan, personal financial architecture, and prevailing market trends have all been addressed with sufficient care to withstand potential buyers' scrutiny.

Q: Should I sell my business before AI disruption reshapes my industry?

The answer depends on evidence specific to your industry and business model, not on general industry trends surrounding artificial intelligence. McKinsey's State of AI research indicates 88% of organizations use AI in at least one function, but only about 6% have achieved meaningful earnings impact. This suggests uneven realization of the disruption thesis. Before selling on that basis, evaluate whether your customer base is genuinely exposed, whether adaptation is feasible, and whether a partial recapitalization would address the risk without forfeiting future growth potential. Selling early to escape disruption also forfeits the value AI may add if your business proves to be an adopter rather than a target.

Q: How long does it take to prepare a business for sale?

A defensible business sale process typically requires twelve to twenty-four months of preparation and an additional seven to ten months of active transaction work, per IBBA benchmarks. The preparation window is where the highest-impact business valuation, tax planning, financial statements cleanup, financial performance normalization, customer concentration reduction, and management team development occur. Compressed timelines are possible but almost always carry costs, whether in final valuation, deal terms, or the probability of closing at all. Owners who begin only after receiving an unsolicited offer, without an M&A advisor or investment banker engaged, typically find the offer's timeline insufficient to conduct the preparation the sale merits.

Q: Is it better to sell my business now or hold and grow?

The comparison is not between selling and growing. It is between two different risk profiles. Selling your business exchanges operating and industry risk for portfolio, reinvestment, and market-timing risk. Holding preserves growth potential but continues to concentrate the owner's wealth, cash flow, and financial health in a single asset. The correct answer depends on diversification, liquidity needs, industry outlook, market share position, and personal readiness for the post-sale phase. Neither path is inherently safer. Owners who treat the sale as a way to eliminate risk often find they have exchanged risks they understood for risks they do not.

Q: Can I sell part of my business instead of selling it all?

Yes, and this option is frequently underused by business owners who assume a sale must be complete. Majority recapitalizations permit the owner to sell fifty to seventy percent of the equity to strategic buyers or financial sponsors while retaining thirty to fifty percent for a future liquidity event. Minority recapitalizations, employee stock ownership plans, and structured succession planning offer additional variations. Each structure involves specific trade-offs regarding governance, tax treatment, cash flow distributions, and future liquidity, and each requires evaluation with qualified legal, tax, and investment banker advisors. For owners whose primary concern is de-risking personally rather than exiting entirely, partial structures often address the actual question.

*This article is part of Luke Palmer's **Leadership Perspectives** series at palmerwealthgroup.com/insights.*

About the Author

Luke A. Palmer, CFP®, AAMS®, CRPS®, AWMA®, founded Palmer Wealth Group™ around a single conviction: what a family has built should serve every generation that follows. He is Owner and Chief Executive Officer of the Fort Worth, Texas boutique practice, which serves business owners, corporate executives, professional practice owners, and multi-generational families. He also serves as the practice's Chief Investment Officer, having designed its five proprietary portfolio allocation strategies and the robust methodology on which they are built. Learn more at palmerwealthgroup.com.

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Business owners considering an exit, recapitalization, or related transaction should consult a qualified legal or tax professional regarding their specific circumstances. Palmer Wealth Group™ does not provide business valuation, tax preparation or legal services.

Tax rules referenced, including the Qualified Small Business Stock provisions under IRC § 1202 and provisions of the One Big Beautiful Bill Act (P.L. 119-21), are complex, fact-specific, and subject to future legislative or regulatory change.

References to legal proceedings, including Learning Resources, Inc. v. Trump, describe developments as of the publication date and are not legal advice.

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Federal Legislation

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One Big Beautiful Bill Act (OBBBA), Pub. L. No. 119-21 (July 4, 2025).
Trade Act of 1974, Section 122, 19 U.S.C. § 2132.

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