

Thought Leadership

Time to say goodbye – what’s the best way to exit your business?

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We chose to feature Emma Myers because exiting a business is one of the most defining (and often disorienting) transitions an entrepreneur will face. Her work at KPMG, guiding founders through the legal and emotional complexities of this stage, reflects the kind of joined-up approach we value at Cavendish and complements our own advisory and mindset support.

From “We won’t need much to live off” to “I think we need about £15m”— exiting a business can be full of surprises. Whether you're eyeing a clean break or a legacy-preserving handover, the path to selling up is rarely simple. In this Q&A, a KPMG Private Client Solicitor, Emma Myers, shares the reality behind business exits and why more founders are turning to employee ownership trusts to keep the dream alive.

First things first, why is a tax firm talking about legal matters related to business exits?

Good question! A change of law in 2014 allowed firms such as KPMG to provide regulated legal services. Since then, KPMG Law has grown and now has around 250 lawyers in the UK covering a wide range of different areas. Crucially for me, in 2020, it became the only “Big 4” to offer Private Client legal services. This allows me to work as part of one “KPMG Team” perfectly placed to provide advice on business tax, personal tax, legal implementation and drafting. I hate the phrase “one stop shop” but it does fit here – my tax colleagues can discuss the various options and the tax implications when preparing the exit, my corporate colleagues draft the corporate paperwork and my team can draft any associated Trusts and succession planning documents.

When it comes to exiting a business, what are some common hurdles your clients face, and what's the most unusual one you've ever encountered?

For many of our clients, their business is successful because they have built it up from scratch, dedicating decades to building it to what it now is. How scary must it be to even think about handing over the reins. Who do you trust? Who would put in the same effort you did? Who has the same vision

you do? We also see the genuine fear of what happens when they actually stop working; mentally and physically.

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There is then the other type of client whose biggest concern is getting the most money for their business. Some will already be thinking about their next project but for many, the sale proceeds need to fund the rest of their life, and that of their children and future generations.

It's not unusual but it's always fascinating hearing the founder (and their spouse) talking about what funds they will need for the future. It's funny how quickly it goes from "we won't need much to live off" to suddenly "I think we need about £15m" *says client aged 82 with no mortgage or large outgoings!!

You mentioned that handing over the reins is daunting after spending decades building your business. What exit options are there available?

The main three that we deal with are an external, third-party arm's length trade sale; a sale to someone "known to you" – be that management or someone within the company, or family; or a sale to an employee ownership trust (EOT).

1. **An external independent trade sale to a third party** comes with the largest loss of control. The new purchaser may have their own vision for the future or plans to merge the business with their own. This comes with uncertainty for the employees – many of whom may have been with the business from the start.
2. **A management or family buy out** can go either way. Individuals with the same vision as you, may seamlessly keep the business going as you did, but if they have a different vision it could result in a significant change in direction or emphasis. A management buy out may also require private equity funding, which can bring a whole range of restrictions on sellers and ambitious growth targets for the company: this does go alongside a large pot of cash on completion though!

3. **A sale to an EOT** can be the best of both worlds. The trading company sets up a trust on behalf of the employees and that trust purchases the Company – usually part cash now with a payment plan over the next few years. This allows for the founder to slowly remove themselves from the business while having access to some immediate cash (and a very favourable capital gains tax relief). These are becoming more popular, and we have been involved in a number of these in the last few years, from less than £10m to ~£500m. John Lewis is the largest and one of the oldest employee-owned businesses in the UK with over 70,000 “partners” and official statistics show that in 2022 the number of EOTs established more than doubled from the previous year.

It sounds like Employee Ownership Trusts (EOTs) are becoming quite popular – why is that and what are the pros and cons of this exit option?

It has been over a decade since the last EOT legislation was enacted, bringing in several tax reliefs designed to encourage founders to explore the EOT option for exiting.

Pros:

- Capital gains tax relief for the founders on the sale of the shares.
- The exit is typically a gradual process rather than an abrupt departure.
- The future of the workforce is more secure.
- Tax free bonuses of £3,600 can be paid each year.
- You don't need to wait for a third-party purchaser to make an offer.
- Studies indicate that employees who feel a personal investment in the entire business demonstrate a stronger work ethic, leading to higher staff retention and fewer absences.
- Can be combined with a specific Incentive Plan for senior management.

Cons:

- The purchase price is typically paid in instalments from future profits, creating a risk of not receiving the full amount if the Company doesn't succeed.
- The Trustees of the trust become the shareholders of the Company, so choosing who to appoint to the board of trustees is crucial.
- EOT legislation is very complex and the rules must be followed carefully to benefit from the exemption.

What should entrepreneurs consider before taking one of these steps?

Currently, shares in a family business may qualify for a valuable relief from inheritance tax, known as business property relief. This is lost when those shares are sold and converted to cash. The tax rules are due to change in April 2026 and will dramatically reduce this relief, but until April there is some valuable planning that can be done while you still own those shares. We regularly speak to clients prior to an exit about setting up Trusts and assisting with a re-organisation/ reclassification of shares. And of course, as with any large life event, it is always worth reviewing your Will.

Leaving a team behind is a big concern, how can entrepreneurs handle transitioning a team and operations post-sale to ensure a smooth handover?

I would say communication and messaging are very important in these situations, and that the timing of the communication can be key. There is sometimes a reluctance to cause panic while there is uncertainty but getting the team on board with the proposed plan and making sure they are kept in the loop is so important to avoid unnecessary rumours and negativity.

Can you share a couple of examples of the most successful business exits you've seen and explain what made them so effective?

It sounds obvious but the most successful transactions are those that are win-win.

“Thank you so much for your help with this, I never thought I would see this much money in my life. It’s like telephone numbers.”

I remember a client saying “thank you so much for your help with this, I never thought I would see this much money in my life. It’s like telephone numbers.” The private equity buyer on the other side of that transaction was also delighted, they had outbid stiff competition to win a profitable business with great growth potential, and it was the first investment made by their first fund, which was only just closing as the deal was being negotiated. A tense time for them.

As lawyers helping clients navigate successful and positive transactions is very satisfying, but it can be difficult to achieve this win-win mentality. Modelling outcome-focused negotiations and

interactions with lawyers and clients on the other side while maintaining an optimistic mindset and constructive outlook can play a big part in sellers of family businesses feeling that the process of sale was smooth, which in my experience feeds into a positive outcome.

What's the best piece of advice you have heard or given an entrepreneur exiting their business?

Post-exit, take your time to choose your ongoing advisers (if not already identified) and get your affairs in order. There isn't any rush to make life-changing plans after you have just gone through a life-changing process. A long holiday always seems a good idea!

If you were selling your own business, which route would you take and why?

That is a tricky one – and I think it would depend on what my business was and the plans I had next. The EOT route is a great way of keeping your legacy going and giving the key players in your business a chance to own a share of it in the future. However, if the right deal came along from a third party whose values were closely aligned with mine, the lump sum cash payment would free me up to start something different – maybe venturing into philanthropy, another thing we assist clients with!

Conclusion

As can be gathered from our discussion, exiting a business is one of the most significant transitions a founder will face. Whether you are planning ahead or already navigating the process, having the right support makes all the difference. If you are looking for advice that balances the technical, financial and the emotional aspects of exiting a business, we would be glad to help you take the next step with confidence.

Please note: with the UK Autumn Statement due to be delivered on 26 November 2025, some of the tax-related points discussed may be subject to change.



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