



Six Steps Every Business Owner Must Take Before They Sell Their Business

Making the choice to sell your business is a huge decision, and it is one that should not be taken lightly. It could be one of the biggest decisions you will ever make. You have worked hard for many years, and maybe you're thinking about what exactly comes next after the transition of your company. We have worked with numerous business owners through the years and have identified six steps that must be taken before you sell your business.

Enriching Lives.
Empowering Legacies.

01.

Time the Sell

You have a lot of control over how ready the business is for the sale, but you don't have control over the business cycle. Today, great businesses are selling at very high multiples, but we all remember 2008-2009 and even in the midst of COVID-19 when things looked quite a bit different. It is important to know where you are in the business cycle so that when you're ready to transition your company you can do so at the right time.

02.

Manage Family Dynamics

Family dynamics are real and can be challenging. The choice to sell a family-owned business can be tough for some members of the family. Navigating these difficult decisions can be challenging, and communicating with other family members so they feel informed and heard is vital for family harmony. If transitioning to a younger generation, determining the readiness of family members for leadership and management is crucial.

03.

Assemble Your Team Of Advisors

Assembling a strong team of advisors is a very important step. You are likely starting with a Certified Public Accountant and an Investment Banker/Merger and Acquisition group as the base of your team. Selling your business requires a deep bench of advisors who can collaborate and work together on your behalf. These include:

i. **Certified Public Accountant (CPA)**

iv. **Qualified Appraiser**

If you have a desire to gift some of your sale proceeds to family, charities, or irrevocable trusts, then an appraiser is required by the IRS. This is always recommended as a starting point in determining the value of your business.

ii. **Attorney(s)**

- Corporate or transactional attorney to help facilitate the transaction
- Income tax attorney
- Estate planning attorney

iii. **Investment Banker/M&A Advisor**

They can help you achieve the best price for your business. Assist in developing your Confidential Information Memorandum (CIM), market your business, and also help negotiate the deal with all parties involved through the closing.

v. **Financial/Wealth Advisor**

Your business is most likely your largest asset and one that makes up the majority of your net worth. Before the sale takes place, this advisor helps you determine if you will be able to live the life you want with the sale proceeds. They will help identify and plan for the outcomes that the family desires and be a guide in the process of achieving your goals.

04.

Create A Wealth & Financial Plan For The Owner

To effectively plan for the sale, it is important to begin a process with an experienced wealth advisor to assess the family's financial needs and desires. It is important to consider whether an internal transition is feasible; if it is necessary or desired to sell to an outside buyer; what type of lifestyle is desired post sale; and if you wish to donate company stock to charity before a binding letter of intent (LOI) is signed. Answering questions like these beforehand will allow you to properly navigate your new future – stepping back from the business you once owned and engaging a portfolio of investments with the guidance from a team of experienced wealth

05.

Identify Types Of Buyers

External Sale

i. Strategic Buyer

Organization that aims to create synergies with existing businesses. This group may be willing to pay a premium. Possibility of maintaining company culture.

iv. Minority Interest Buyer

Buyer who will bring capital to the table to create a liquidating event for the business owner. Most of the time they are passive investors and can be a good option to take some money off the table.

ii. Financial Buyer

Typically, this is a private equity firm that is looking to inject capital and possibly sell the business again down the road. This group will likely generate the highest selling price. Highly unlikely to be able to maintain company culture.

iii. Individual Buyer

Typically in their late 30s to 50s, leaving corporate careers to do something for themselves, these buyers seek to buy a business to replace the retiring/selling business owner after a transition period. They tend to need everyone on the team to continue working with the business.

Internal Sale

i. Sell To A Family Member

Likely to sell at a discount but keeps family control.

ii. Sell To Management Team

Likely to sell at a discount but maintains company culture.

iii. Employee Stock Ownership Plan (ESOPs)

May generate less cash on close but has some tax advantages.

06.

Prepare The Business For The Sale

Determine ways to add value to the business itself. For example, decreasing or cutting the right costs, diversifying the client base, or developing and retaining the management team can help add benefits for employees and encourage a stronger transition overall. Each step is critical to properly plan and prepare for selling your business. The most important thing to remember is to start this process early.

Discover how we can support and guide you throughout the business transition process.

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