



Things to Think About When Selling Your Business

The question of whether or not to sell your business is a difficult one—yet every successful business owner must face it eventually. Or you may consider transferring your business to a family member. Either way, it pays to think ahead.

THE "RIGHT TIME" TO SELL

Although it makes sense to try to sell during a hot market, it's even more important to pay attention to what's going on within your company and industry.

For a successful sale, you must be ready to substantiate the business' profitability. Your business should be performing well and it's wise to have audited financial statements and copies of tax returns to demonstrate your company's financial viability.

If you want to sell your business by a certain date, allow sufficient time to ensure that you do not feel pressure to take the first offer you receive, especially if it does not meet your expectations.

FINDING POTENTIAL BUYERS

A list of potential buyers may include: competitors, customers, vendors, suppliers, individual investors and entrepreneurs. Additionally, long-time employees or partners may be some of the best prospective buyers.

Perhaps you have children or other family members who wish to take over the business. Consider selling it to them outright or transferring it to them upon your death. If your children will be taking over, be sure to create a succession plan—which outlines the way the business should be managed after you're gone, and allows your family to operate it effectively, without conflict.

MAINTAIN SOLID RECORDS—AND CONFIDENTIALITY

Serious bidders will demand a high level of comfort, especially about the accuracy of cash-flow statements, accounts-receivable lists, and the assessed value of fixtures, equipment and inventory. This is the time when it may really pay off to invest in audited financial statements.

Also, it's usually wise to keep your plans to sell as confidential as possible. If word gets out too soon, you could lose customers or key employees.

DETERMINE YOUR BUSINESS' WORTH

There are various formulas for valuing a business but all of them are complicated and have limitations. To determine a realistic selling price, it's wise to consult with a qualified professional.

SEEK PROFESSIONAL HELP

Regardless of your background, you should seek professional advice. There will be many financial, legal and tax issues that need to be resolved before you can sell your business. Or there could be income, gift and estate tax issues if you choose to transfer it to your beneficiaries.

Business brokers are helpful if your company is large and the sale complex. Although costly, they are very helpful in acting as the seller's representative and handling negotiations. In addition, estate planners can assist with issues of succession.

