

How to Exit Your Business with the Most Money Possible

By Brent Bressler

Eventually, every business owner will leave his or her business. There are usually two categories of owners that want to sell their businesses. The first is it just may be time to “cash in” on your years of hard work and retire or move on to another chapter in your life. The second category is that the owner may be suffering from “burn out” or is simply ready for a change.

Before making the decision to sell you must ask yourself some serious questions. Start with... *What's the most important thing to you in selling your Business?*

Are you really ready to sell? In many cases this is your baby, you've worked hard for many years to build what you now have. You have built a quality business and reputation over the years; you most likely want that to be maintained by a new owner. You may have loyal employees that have been with you for a long time and you have a concern for them. The continued success of your business is probably something you would like to see maintained.

Major decisions require careful planning. Your business may be your most valuable asset and your exit from it should be treated as one of the most important things you will ever accomplish... after all it's your years of hard work and dedication.

Many emotions will come into play throughout the selling process until the time you turn over the keys to the new owner. There must be a strong desire and commitment that an ownership transfer will actually take place. Some businesses do not sell because those responsible fail to make the proper and timely decisions necessary to consummate a sale. You must be prepared to respond quickly when a qualified buyer comes along.

Start early, it's never too early to start planning your exit strategy. The decision to sell your business is one of the most important financial decisions you'll ever make. This single transaction will perhaps put more money in your pocket at one time than ever before in your lifetime. You need take the proper steps to **insure** that you receive the highest price possible.

Keep the sale of your business confidential. Confidentiality in most businesses is crucial if employees learn your business is for sale they may become insecure and seek other jobs. Suppliers may lose confidence, bankers may become uneasy and perhaps worse of all if your customers find out and begin to look else where to purchase your product or service this could greatly diminish the value of your business. All of this can be devastating to you when you need your

business to look it's best. When your business is on the market it needs to display the ability to grow and be capable of financing that growth. **You must first and foremost guard and protect your confidentiality!**

Determine the value of your business. The proper pricing of your business is critical because if you are priced too high above the market you are not going to get serious interest from qualified buyers. If you're priced too low, you will leave money on the table and not receive the full value for you and your family.

The most important consideration in pricing your business for the market is... is the value believable? Is it believable to the buyer, and to the buyer's advisors such as their accountant, attorney or banker?

Consider an Independent Third Party Appraisal because a potential buyer is not very interested in what you "think" your business is worth. **They want proof** that you are asking the right price for your business. If the sale of the business will be financed by the buyer, a lender will also want proof.

The bank will typically be conservative on estimating the value of your business. They will want to see the business tax returns. The problem is that most business owners want their accountants to help them lower their taxes. Showing less profit does typically lower your tax burden therefore lowering your taxes. However, lowering profits also lowers the value of your business.

You CAN NOT allow your prospective buyer **to buy your business based on numbers taken from your tax return.** You want **all** of the value of your business included in the appraisal. That is why it's vital that you provide a believable appraisal, driven from the seller's perspective.

Determine who may be a prospective buyer of your business. Is it someone in your industry? A vendor or supplier, a related business, your customer? Someone leaving a job due to downsizing, or simply tired of corporate America? Downsized executives are looking for businesses to buy and run.

Keep in mind that many of the better prospects for your business may come from other states and possibly even other countries. We live in an era of globalization and all of us are affected by what happens elsewhere. Don't overlook that fact because you can use that to your advantage in the marketing process

Screen all prospective buyers because the facts are that 95% of prospective buyer will never buy anything, not your business or any business, for any number of reasons they are not truly qualified buyers. Beware of spending too much time on "non-buyers", you must weed them out as quickly as possible and not allow them to waste your valuable time!

In addition to the screening process you need to require that **every** inquiring prospective buyer sign and return to you a Non-Disclosure Agreement. A well

written non-disclosure agreement is a strong deterrent and your best protection against an unethical buyer.

Avoid the many distractions while selling your business. Beware of neglecting your customers, suppliers, employees or the operations of your business during the process of exiting your business.

You should spend your time where it needs to be maintaining a productive business, this is the time when it is absolutely essential that your business is running smoothly and making money. You can not allow yourself to lose focus or get sidetracked at such a crucial time in your business.

Properly prepare for the showing of your business. When a possible buyer is ready to do an onsite visit, your business must look it's best to receive top dollar. In order to maintain confidentiality you may need to show your business after hours when employees are gone.

Be certain that you have taken the time to clean up and place everything in its proper place. If possible, have employee work places look their best, however do not reveal to your employees the reason for the visit. All throughout the entire process you must protect your interests by maintaining confidentiality until you get your money and turn over the keys to the new owner.

Remember, problems avoided are much less expensive than problems solved.

If you are thinking of exiting your business and are unsure if you want to attempt it yourself, consider this...

A Primary Business Consultant representing you will greatly increase the ability to maintain confidentiality. We serve as your advocate and as the link between you and a perspective buyer. When an interested buyer first makes an inquiry about your business our initial communications **never** reveal your identity.

Before any information is given, a prospective buyer will be required to sign a non-disclosure agreement stating they will not reveal your identity, any company secrets or misuse any information shared. Without outside representation, it's virtually impossible to maintain confidentiality.

We can also save you time so you can do what you do best, run your business and make sure it is profitable. We tell our clients you run your business and we'll take care of the details of selling it. You will always be informed of all activity regarding the sale of your business.

We see it as our job is to protect your valuable time and help you avoid the many possible distractions in the selling process. We also help eliminate the non-buyers and time wasters so you will not have to deal with them.

We help you achieve Top Dollar for your business by using a time proven system designed to put more money in your pocket. The proven system starts with determining the value of your business. This is best accomplished by an appraisal. We recommend an Independent Third Party appraisal.

An appraisal will help us remedy several issues:

- *Believability* - The asking price must be substantiated, an independent appraisal will help the believability that your business is fairly priced.
- *Leaves no money on the table* – It will eliminate selling too low because no two businesses are exactly alike, and you need to know the specific value of your business.
- *You maintain control* - Because you have solid documentation on the value of your business you will have an advantage during negotiations.
- *Allows a base for financing* – Lenders will eventually require some type of appraisal and you don't want a "conservative bank" determining what your business is worth.

In preparing for the appraisal we will "recast" your tax returns. Recasting is the practice of dissecting your tax returns to uncover your *discretionary cash flow*. Then arranging it for the appraiser so that it is **added back** into value of your business, this will further support the asking price of your business.

Discretionary cash flow is compiled of the "perks" that the business owner is taking from the business other than a paycheck such as a company vehicle, a corporate meeting in Hawaii or any other benefit that may not necessarily be essential to the operations of the business.

Recasting your tax returns will insure that all of the value of your business is included in the appraisal. This is worth repeating... always keep in mind that the **prospective buyer can not be allowed to purchase your business based only on numbers taken from your tax return**. An independent third party appraisal is the only **proven way** to clearly determine if your business is likely to command the price and produce the proceeds you want or need.

We will also help you negotiate the sale. This allows you the luxury of time to carefully examine all options to be certain you are making an informed decision. And it will eliminate you from being "put on the spot" and having to make a quick decision. Also you will be able to maintain your "easy to get along with" image.

The bottom line is... we know that we must help you **get more money** for your business by using our services... otherwise it wouldn't make sense for you to hire us. Our mission is to increase the value of your business so you take home more money.

If you considering selling your business and have some questions or concerns... let's get together for a no obligation meeting to explore your available options. During our meeting you'll get all of your questions answered and you'll know the costs involved.

The only purpose of our first meeting is to learn a little about each other and see if it makes sense to move forward. You'll discover what to expect in the business transfer process. At the end of the meeting we will have enough information about each other to determine if we even have reason for a second meeting.

If after our meeting you decide for any reason, the timing is not right, you want to do it yourself or you just aren't ready that's OK with me and it's over. Give me a call at 316.744.8020. Visit www.BresslerVentures.com for more information on selling your business.

Selling a Business Requires More Expertise Than You Might Think.

Here are 11 questions to think about when selling your business:

1. Do you know the three most important factors to successfully sell your business?
2. Do you think that knowing everything about your company is all you need to know to make the sale?
3. Do you know the current market value of your business?
4. Do you know where to get financing for a buyer so that you are ensured your asking price?
5. Do you know what businesses similar to yours have been sold for?
6. Do you know where to find qualified buyers for your business?
7. Do you know how to increase the market value of your business, before you offer it for sale?
8. Do you know when to announce to your employees that you are selling the company?
9. Do you have a plan for assuring your employees and retaining the key people?
10. Do you know how long you should remain to help the new owner during the transition period?
11. Do you have a plan for selecting a broker/consultant who will work for you when you think about selling?
12. Do you know how to sell your company for cash at fair market value, defer all the capital gains tax, reward your loyal employees, and then let the government help pay for part of the purchase price