

WHO SHOULD I SELL MY BUSINESS TO AND WHY SHOULD I CARE?

You're getting to a point in your life where selling, getting out of, moving on from the business, or whatever you want to call it, is top of mind. Your friends are thinking about selling, your golf buddies are saying it's time to get out after surviving the COVID pandemic, your mom may even be telling you, "Honey, your work is too stressful, have you thought about selling your business?" My mom has those thoughts for my sister and her clothing boutique. You may also be getting some interest from outside parties to buy your business!

THE PROBLEM YOU DON'T HAVE A PLAN

If you're like most business owners, you haven't done much in the area of business succession or exit planning. If you haven't worked with a CEPA (Certified Exit Planning Consultant) or someone else who has experience in comprehensive exit/succession planning, it's pretty unlikely you've been exposed to and educated around all the different options you have and the financial impact of each. Some things you need to consider:

- **What are my options when it comes to who would want to buy my business?**
Family, a competitor, one of my key managers, a financial buyer (private equity, family office)
- **Let's say I want to sell to a competitor** (spoiler alert: you'll probably get the most value out of this option), how do I go about soliciting offers in a strategic/confidential way? Yes, you want to pit them against each other and drive the value up!
- **What about if I want to transition my business to family or employees?**
- **I need to understand how much I'm going to get for my business after taxes** and what that translates to as a potential lifetime income stream

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THE SOLUTION EDUCATION IS KEY

You need to get yourself educated about the different options that may be available to you and understand the financial implications of each. Explore which options will position you to get the highest value from selling your business because that obviously translates to you getting the most money in your pocket at the end of the day. I know, I know. Who in the heck wouldn't want to get the highest value from their business?

Simple. A family transfer, for estate valuation (*cough cough* giving the IRS less) or gifting purposes, divorce proceedings maybe? You may even want a mid-level valuation if you're thinking about selling/transferring your business to your employees. Let's walk through an example of understanding your exit options.

You've got a nice tour bus company that profits \$1,500,000 annually. Your [BERI \(Business Exit Readiness Index\)](#) results have you pinned as having a high mental, but low financial readiness to exit. Let's do this!

First things first, you need to get a valuation done so you have an idea of what your company may be worth. After exploring your exit options, here's what you've found. If you transition the business to your daughter, who's effectively running the company, you'd sell it to her for 3x profit or \$4,500,000. If you sell it to Susan (the friendly owner of a competitor down the street you now have synergy value) she'll buy it for 4x profit or \$6,000,000.

Lastly, you've found a financial buyer (let's say it's a private equity firm) that has a portfolio of companies like yours and they'll pay you 5.5x profit or \$8,250,000. See the trend here? You've spent many, many years building your business. So spend 6 months to a year working with someone who can help you look at all your exit options, execute the one you find to be the best for you, your family, your employees, and your legacy. It'll ensure you've got a plan to live your life after you're not running or owning a business any longer. Good luck!

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