



## Selling Your Business

For most of us, buying or selling our house is the biggest single financial move we will make. And unless we have special expertise in the real estate field, most of us turn to a real estate professional for help in pricing, marketing, and selling our home.

That real estate professional does more, of course. They also qualify potential buyers for both the willingness to buy as well as the ability to buy. They help secure financing, provide guidance on inspections, restrictive covenants, and ride herd on the mountain of paperwork that is generated these days.

These services don't come cheaply, but I can't imagine a non-real estate professional wanting to accept all these risks and potentially delay or even lose the sale.

Now think what it must be like to sell your business. All of the above applies, but with much, much more force.

Placing a value on a business is much more complex, and possibly subjective, than is placing a value on a house. It can be done of course, but performing business appraisals is a specialized field all its own, and these services don't come cheaply either.

You also must consider the ticklish question of how to advertise that your business is for sale. Guess what your employees are likely to think when they hear you want out.

Guess what your customers are likely to do. And you know what your competition will do.

Not a pretty sight.

So some business owners sell their business the same way that most of us sell our house: they find a broker experienced in the purchase and the sale of businesses.

If you think real estate professionals are expensive, wait til you see the fees from a reputable business broker. And reputable is most definitely what you want—this is no place to shave a few thousand dollars.

So there are reasons for these charges. I talked about one—just listing the business for sale. If you don't like the idea of putting a For Sale on the front door, you've still got to find a way to get the word out while shielding your identity from those tire-kicking folks who are not going to buy.

A reputable business broker has resources you can't even imagine. They have many ways to access prospective buyers—or prospective sellers—and all the while they are protecting your identity.

Thus, the odds are good that your employees, customers, and competitors won't know of your intent until you are ready for them to know.

Qualifying a prospective buyer for both the ability to pay and the willingness to pay is a major, major component of the broker's service. The broker shields you from the legions of tirekickers who will drain you of time and energy you need to maintain the business at a peak level.

Think of keeping your house neat when it's for sale—the bread baking in the kitchen, the red plants at the front watered, and so on. Maintaining a business in that pristine condition is worse.

To put it bluntly, you don't want to spend your time and energy talking to people who just want to look but really don't want to buy.

The broker can also advise you of small, low-cost things you can do that will add value. And s/he can tell you when to avoid making major expenses that won't materially impact the marketing and sale of the business.

Here is a final thought as you plan your exit strategy. Start early. Years early.

I'm not kidding. Any prospective buyer is going to ask for current financial records, loan documents, lease documents, restrictive covenants, options to purchase, employment agreements, Non-Compete covenants, and of course the business' tax returns for several years.

It takes time to amass all these things. Probably some of them need to be updated.

You can't start too early. Your first step should be to decide when you want to sell the business, and on what terms.

Your second step should be to contact the broker, and to do so years in advance. Remember, you can't start too early.

That first contact doesn't need to include a formal evaluation. But you need to get a feel for what will be required of you, so you can get everything in place.

I've seen it happen several times: a family invests decades to build a good business with a solid reputation, and fails to plan for the sale. The result usually is a rapid and significant decline in the value of the business.

Don't let it happen to you.