

Preparing to Sell Your Business: A Strategic Guide

Selling a business is a significant decision that requires careful planning to ensure a successful exit. It's not just about securing the best price; it involves considering your personal financial future, planning for life after the sale, and optimizing your business for potential buyers. Here are key steps to help you prepare effectively.

1. Personal Financial and Life Planning

Before selling your business, start with personal financial planning. Consider not just how much you will sell the business for, but also what your life will look like after the sale.

- **Wealth Management:** Work with a CERTIFIED FINANCIAL PLANNER™ to create a plan for managing sale proceeds. This might involve diversifying investments, updating your estate plan, protecting your assets and exploring philanthropic opportunities.
- **Tax Mitigation Strategies:** Plan ahead to reduce the tax impact of the sale. Options like installment sales, charitable planning and reinvesting in Opportunity Zone Funds can help manage tax liabilities.
- **Life After Business:** Many business owners struggle to find a sense of purpose after selling, so it's crucial to have a clear vision for what comes next. Whether it's a new venture, philanthropy, or personal pursuits, planning your next steps will ease the transition.

2. Understand Your Business's Value

Obtaining a professional business valuation well in advance of your planned exit is critical. Knowing your business's current value will help you understand whether the sale proceeds will meet your personal financial needs and allow you to identify ways to increase the sale price.

- **It's a Reality Check:** A business valuation provides a third-party range of value for what your business is worth today, and how it compares with others in your industry.
- **Identify Areas for Improvement:** The valuation process can uncover weaknesses or inefficiencies in your business. Use this information to make strategic improvements to make your business more attractive to buyers.
- **Monitor Market Conditions:** A valuation also allows you to keep track of market trends and can help you time your sale to maximize the sale price.

3. Enhance Your Business Value

To attract the best offers, focus on increasing your business's value well before you put it on the market. Buyers are drawn to companies that demonstrate strong financial health and growth potential.

- **Improve Financial Statements:** Ensure your financial records are transparent and accurate. Address any cash flow issues and eliminate non-essential expenses to boost profitability.
- **Strengthen Management:** Develop a robust management team that can operate independently of you. This reduces perceived risks for buyers.
- **Document Processes:** Create detailed documentation of your business operations, including key customer relationships and day-to-day procedures. This smooths the transition for the new owner and makes your business more attractive.

4. Explore Exit Options

Consider the various exit strategies based on your business structure, market conditions, and personal goals:

- **Third-Party Sale:** Selling to an external buyer is a common option but requires substantial preparation to maximize value.
- **Management Buyout (MBO):** Selling to your management team can ensure continuity and preserve the company's culture.
- **Family Succession:** If you wish to pass your business to the next generation, careful succession planning is essential to address governance, management training, and family dynamics.

Build your team

Preparing to sell your business requires careful personal financial planning, business improvements and understanding your exit options. Your team should include a Certified Exit Planning Advisor, a CERTIFIED FINANCIAL PLANNER™, your banker, a valuation expert, business consultants, a business broker or M&A advisor, and a CPA and attorney who are experienced in buy-sell transactions.

Disclosure

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.