Tips for Maximizing Value and Minimizing Emotion When Selling Your Business
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Exiting a business is a momentous and exciting milestone for many business owners. A highly personal and emotional experience, it provides entrepreneurs with pride and satisfaction but also can induce stress and anxiety. Any transaction is bound to create mostly positive impacts, but sometimes those closest to us, like family, employees and stakeholders, may be negatively impacted. The sale of your business also inevitably comes with complexities that are unpredictable, out of your control and out of your depth of knowledge. However, we believe with deliberate, purposeful planning and guidance from professional advisors, you can successfully exit on your own terms and aim to minimize negative outcomes and emotions.

1. Define Your Goals

Exiting a business is often a difficult decision, but one that breeds opportunity. It is up to you as the owner to decide the direction of your next steps. Define what you wish to accomplish and outline the long-term goals for both your business, employees, stakeholders and family. If your business has a significant ownership from another party or family member, they should also be involved to some degree in these early discussions.

2. Know Your Options

Transactions are often ignored or delayed simply because of inherent complexity or a limited understanding of your options as the founder. It's often perceived that the only option is just an outright sale and exit. With that being said, we believe there may be alternative routes to obtaining your goals that are more flexible and tax efficient. These options may include having continued control and involvement in the business, protecting your employees and stakeholders, and/or using tax-efficient family and philanthropic gifting. The process begins with forming a knowledgeable group of specialists to lead you through the intricacies of a deal and laying out those options for you; decisions, that must align with your best interests and values in mind. Potential advisors to consider may include, exit planning specialists, accountants, wealth managers, attorneys and others.

Consideration should be given to both philanthropic intent and next generation wealth transfer strategies. It is important to determine prior to the transaction whether your family will be involved, and to what extent, as beneficiaries of the transaction or not. This is crucial to identify early on as there may be many tax efficient strategies a family can deploy prior to the transaction date.

3. Build a Plan

Once you have identified your goals and selected your team of advisors, it is time to begin planning. Key decisions that will shape your entire experience can be made as early as five years prior to a sale. Being properly prepared and advised will keep you on track toward achieving your goals in a more coordinated and organized fashion.

When you are three to five years out from a transaction, begin establishing your exit strategy and identifying the various options for exiting your business. Take this time to form a clear understanding of the value of equity in your business, determine whether or not there is a specific sale price you are seeking and identify your financial needs and goals for your family in your next chapter.

Roughly one year prior to a sale, establish a transaction team. Be sure to use this time to consult your tax advisor to understand the implications of a sale. As a sale approaches, ensure your estate plan is updated and be transparent with your family and close stakeholders regarding the potential sale. You should also consider what your future financial situation may be and identify what your goals are for this wealth. Make time to speak with several wealth advisors or consultants to gain better insights into how your future wealth will be managed and who or what firm might be the right partner to guide you on this journey. In the instance that a sale is not successful, it is important to have a contingency plan and communication protocols in place.

4. Complete the Transaction and Manage Communication

During the transaction process, be sure to evaluate offers you have received. Some common questions to consider:

- Does it matter who the acquiror is?
- Is there more value or is this a fair deal?
- Are there any surprises in the offer or earn outs to consider?
- What are my cash flow needs in the short term?
- Am I prepared to potentially be out of the business?

In addition, be sure to establish a clear communication plan for all stakeholders. Transactions of all dollar values gain attention, so be prepared for potential media exposure following the sale and have a response plan.

Selling a business is a lengthy process with several crucial milestones leading to a successful transaction. By following these recommendations and seeking thoughtful guidance from experts, you will be well-positioned to achieve your transaction goals in a seamless manner.

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