

8 Important Steps When Planning to Sell Your Business

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1. Planning for Success

Work "on " your business, not "in" your business. Achieving higher profits and a higher sales price takes planning time. Delegate tasks that do not move your business toward higher profits. An owner should be working on the big picture. Where is your business going and what critical things activities will get you there. Are you doing \$10 or \$15 per hour jobs?

Even in a small business you can move items from your "to do" list to an employee. An employee will never do it as well as you but, they just need to be good, not great. Make a list of what you can delegate. Pick a couple of tasks, train one or more employees and then, supervise them. Once they are trained, you just need to have a brief weekly meeting to keep them on track. Yes, it will take longer to train them than doing it yourself but, in the long run you will save hundreds of hours.

Some typical objectives which increase value are: Establish managers or shift supervisors, document job duties & systems, cross-train staff, create a clean attractive environment, control expenses, systematically increase revenues & profits and plan with your accountant to pay the least possible taxes.

2. Determine Your Personal Goals

Are you still passionate about your business? How much longer do you want to be actively involved in running your business? Do you want to sell your business or hire someone to replace the duties you perform? How much will you need to sell your business for to accomplish your goal of retiring or doing something else?

3. Get a Valuation

Find out what your business is worth. There are many reasons for a valuation. A few are: Selling, partnership buyouts, divorce, estate planning and, gifting stock to family or employees. A business valuation is well worth the price. In addition to learning the current value on your business, it helps you understand the factors that can increase your business value (in addition to increasing profits, of course). The valuation expert can also give feedback on profit targets to meet your goals.

4 Have a Contingency Plan

Have an employee trained to perform your functions for the short term . Have life insurance payable to the business to pay off debt and hire someone to keep the business operating until it can be sold. This preserves

the value of your business in a worst case scenario. Seek advice from your attorney, accountant and insurance agent.

5. Market conditions

The national and local economies can affect value and the number of potential buyers. Interest rates affect the amount of financing a buyer can get for a purchase loan. Also, the year before and after the Olympics are ideal years to sell. Consider the current market: Currently we are in the Olympic year, interest rates are extremely low and the "perception" is the economy improving. 2016 and 2017 are rare selling opportunities.

6. Using Professionals

The questions to ask yourself are: 1. Do you have the time to sell it yourself without taking time away from your business? 2. Do you understand the sales process? 3. Can you effectively negotiate the price without getting emotionally involved? and 4. Can you market your business and maintain confidentiality that your business is for sale?

Most home buyers and sellers use professionals but, a few choose to represent themselves. This is a personal decision. In most cases, a professional can save you time, money and frustration. In either case, you will need a team to advise you including Your Accountant, a Lawyer and, if you choose, a Professional Broker or Consultant.

7. Timelines

Recognize where you are as an owner. Sometimes you just get tired and want out. If you have lost the passion for your business, it is past the time to sell. Renew your dedication to the business for the next 6 to 9 months and list it today.

If you are nearing retirement or getting ready to move on, remember that the typical business takes 9 months from listing a business until closing. It could go faster or slower depending upon the profits, location and finding the right buyer. Businesses with little profits or in very small towns generally are slower to sell than the average.

8. The Typical Sales Process

Prepare now to sell in 3 years (if possible), especially if you want to make improvements to profits or systems.

Decide when to sell and move forward.

Organize your financials, an equipment list including the office and a summary of where the profits are (including all owner benefits).

Have qualified buyers sign a Confidentiality Agreement prior to learning the name and city of the business.

Provide the buyer with a Confidential Business Review (CBR) giving an overview of the important business information.

Set a date for a buyer facility visit (visiting owner or friend).

Buyer submits a non-binding Letter of Intent outlining Price offered, Terms (down payment & financing, Due Diligence, etc Choices for the seller are Accept, Reject or make a Counter Offer.

If you need to make a counter offer, negotiate to find what both the Buyer and Seller can agree on.

Complete and sign the final Letter of Intent and/or any Counter Offer(s).

Buyer makes a deposit. Normally, the check is held un-cashed or deposited in an escrow account until Due Diligence is completed.

Buyer finalizes financing.

Buyer completes and Signs off on Due Diligence which includes the landlord's approval of the Buyer and lease terms acceptable to the Buyer.

Lawyer prepares all needed documents

Closing documents are signed and purchase is completed

Additional notes:

Put a high value on your time and delegate tasks that can be done cheaper by someone else.

The more documented your business is the more comfortable a buyer will be. If everything is in your head, the information leaves with you.

Do you have one or more employees that are possible buyers? If yes, there is a way to sell to a trusted manager over 5 - 7 years - tax free - and, with a minimal down payment from the employee.

Lawyers in trying to protect you can kill deals. Make sure the lawyer you hire protects you but, understands you need a balanced contract that is fair to both sides.

Website Link:

<https://3rdlevelconsulting.com/what-we-do/services>

About Ron: Ron Competed at the University of Pittsburgh back in the dark ages when Floor routines were still performed on wood basketball floors. He was the Head Coach at Oregon State University from 1975 to 1985 and, owned Twisters gymnastics in Mountain View, CA with his wife, Nancy Kludt from 1985 to 2006. Currently, Ron heads up the Valuation and Sales Division of 3rd Level Consulting.