

5 Things You Need to Know to Sell Your Business for **Maximum Profit**



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Good News for Sellers Hoping To Exit Their Business

Survey shows seller confidence is rising as the previously buyer-friendly market begins to move back towards a more balanced state.



Recognizing the Signs: Is It Time to Sell Your Business? An Insightful Guide

For many entrepreneurs, their business is not just a source of income, but a labor of love—a culmination of dreams, hard work, and dedication. However, there comes a time in every entrepreneur's journey when they must evaluate whether it's the right moment to sell their business. This decision should not be taken lightly, as it can have significant financial and personal implications.

If you're finding yourself hitting the snooze button more often or daydreaming about new beginnings, perhaps the universe is signaling a significant shift on your horizon.

Before you place the 'For Sale' sign, it's crucial to recognize the signs indicating that it's the right time to exit. These clear indicators are not just gentle nudges but could be significant steps toward ensuring your financial stability and peace of mind.

You're Dreaming of Your Next Big Masterpiece or Adventure

Feeling the itch for something new? Craving the thrill of a fresh venture? Selling now means you're transitioning at your prime, charged with energy and brimming with ideas.

Example: "I realized I had become the ceiling. I knew that driving my business to the next level would need less of the other work I'd started to love. Why I sold my company"

Feeling Stagnant or Uninspired

One of the most common signs that it might be time to sell your business is feeling stagnant or uninspired. If you find yourself going through the motions and lacking the drive and passion that once fueled your entrepreneurial spirit, it might be a sign that you're ready for a new challenge.

Financial Considerations

Financial considerations can also play a significant role in the decision to sell your business. If you're looking to free up capital for a new venture, pay off debts, or simply cash in on your hard work, selling your business could be a viable option.

Action: Curious about what your business could enable next? Start by getting a valuation—this insight is not just empowering for a potential sale but pivotal for strategic planning and growth.

Life's Curveballs Are Coming at You Fast

Facing health issues, a divorce, or a move? Sometimes, selling is not just a choice but a necessity for your well-being.

Expert Insight: So many owners wait to sell until they are burned out and have no interest in their business anymore. I have never heard a business owner say “I started to plan my business exit strategy too soon”

Your Kids Aren't Into It

If passing the torch to the next generation isn't in the cards, selling could safeguard your legacy while you explore new adventures.

Managing Employees Has Lost Its Charm

Do you dread the thought of another team meeting, or hiring and training a new employee? Remember, you pursued this passion not for the HR headaches but for the joy of creation.

Your Industry's On A Downhill Slope (Or Your Heart's Not In It Anymore)

When growth turns to survival, or the passion fades, it's a clear signal. Selling before a downturn can prevent financial loss and heartache.

Retirement Is On The Horizon

Dreaming of more leisure time or new hobbies? Selling your business could fund a comfortable and fulfilling retirement.

The Takeaway: Sell When You're Ready, Not When You Have To. If you're nodding along to any of these signs, it might be time to consider selling. The trick is to exit your business on your time, terms, and conditions, and you're still passionate about it. This way, you're likely to land a better deal, ensuring your business continues to thrive under new ownership while you set off on your next adventure.

Selling your business isn't the end. It's a strategic move towards whatever comes next—be it retirement, another exciting project, or just the freedom to explore life's possibilities. Remember, it's about making the right move at the right time, for the right reasons. Let's make sure your exit is a positive life-changing event. Don't wait until something or someone makes the decision for you!

Why Every Business Owner Needs an Exit Plan

Why then, is the exit plan often the last thing a business owner thinks about? Everyone is going to exit sometime... it's just a matter of when and how.



The 5 D's...

(Death, Disability, Divorce, Distress, and Disagreements) can happen to anyone at any age. My advice is to follow the guidelines: if you're human, if you have a heartbeat, and if you own a business... well, then you need an exit plan.

Exit planning is the process of maximizing enterprise value, not just revenue. It is the process of de-risking your business so that if you decide to sell it is more attractive to a potential buyer. It is the process of preparing your business and yourself for the possibility of the 5 D's. (A frightening statistic: 50% of businesses fail after the death of the owner.)

Improving Your Image

One other reason that an exit plan is important — competition among buyers is fierce, as baby boomers retire and try to sell 4.5 million businesses for a combined \$10 trillion. There is nowhere near that amount of equity in the market to close so many deals. Only the best deals will get transacted and those that are well marketed. The rest will languish.

So how does your company look to a potential buyer? With a clear exit plan, it could look a lot better, with a lot less risk. It can also be ready for sale at a moment's notice — whether because of an unsolicited offer or one of the 5 D's.

Crafting a “Master Plan”

So how does the business owner go from working in the business to working on the business? Think of it as a process that has 3 phases, each dependent on one another —much like a 3-legged stool. The stool cannot stand without all the legs.

Phase 1: Get an evaluation

The first phase starts with getting market valuation for your company — what a willing buyer will pay a willing seller would pay/accept for the business. It does not need to be an expensive multipage document; this is just a starting point.

The best way to do this is to hire an advisor with experience in the process

Phase 2: Maximize company value

You can develop a profile on where you stand compared to what buyers are looking for. Then you can act to improve any weaknesses and emphasize your strengths. Everyone operating a business needs to know the factors that add to business value and the factors that are dragging down business value. Studies show that working on these things can significantly improve the value of a business.

The three key drivers to focus on to help drive the value of your business up are cash flow, risk, and demand. First, to maximize the value of your business you need to increase cash flow. Second, you want to decrease the risk of those cash flows, and third, you want to create competitive tensions among buyers of your business if and when selling.

Phase 3: Get your personal financial plan in order

The final phase is personal financial planning. This may include working with financial planners, estate planners, and tax advisors.



There's a Perfect Storm Approaching for *Exiting* Business Owners

On January 1, 2011 about 8,000 Baby Boomers turned 65 years of age. Every day for the next 18 years, others will turn 65 at the same rate.

3rd



While many may know about this trend, a lesser known fact is that, according to the US Census Bureau, 70% of all businesses (with more than 1 person on the payroll) or 4.5 million businesses are owned by people over 53 years old.

What are the prospects for transferring those businesses when the owner is ready? The need to liquidate ownership will impact all of us, young and old, as the boomers try to capture the wealth that they have created over their lifetime. But there is good reason to believe, the elements of a perfect storm are brewing.

If every owner in this age group is depending on selling their business to fund the next stage of their life (be it retirement or something else), the amount of capital required to close all those transactions is over \$10 trillion dollars. Where is the money going to come from to fund those acquisitions?

There has been a stock market bubble, a housing bubble, and a dot-com bubble, but never before have we seen an owner demographic bubble. This “age wave” is coming like a tsunami.

There is currently about \$535 billion in funds available (“private equity overhang”) to acquire businesses — nowhere near the amount of equity needed to do even 10% of the transactions that will be up for sale. Even if fresh investment capital becomes available, the amount of supply will drive values down significantly.

There is a Market Transfer Cycle and every ten years there has been some kind of recession. It is currently a seller’s market but the bull has had a long run and it will get tired sometime over the next three years. It always does. ***When it does, it will become a buyer’s market of major proportion and only the strongest deals will get transacted.***

There are 3 major forces at work and together they are impacting the owner's situation exponentially:

1st **Many businesses for sale.** In addition to those businesses owned by retiring baby boomers, there are over 7,700 companies in inventory that are currently owned by private equity firms that will become available. Furthermore, there are owners less than 65 years old who will be seeking capital for growth initiatives. There will be lots of competition for the retiring business owners and all of it will drive prices down.

2nd **There are not nearly enough funds to satisfy all the sellers** looking to transact. Private equity fundraising won't be able to keep up. Limited funding will make buyers very selective and only the A++ deals will get done and even they will have reduced purchase price multiples.

3rd **The economy goes in cycles and there are only about another two to three years left to the current seller's market.** Can an owner really afford to wait it out until the market cycles back? It may take significantly longer than at any time in the past.

What's the result? Only the best deals — maybe the top 10% — will get transacted. If owners miss this current cycle, they will have to wait at least eight years until the market starts to turn in favor of doing deals again, all the while, the boomers are flooding the market with their companies up for sale.

If in the future you feel you need help in finding a buyer for your business, please contact Affiliated Business Consultants. In today's competitive world, the services and company you choose to help you can spell the difference between failure and success.

The professional services provided by ABC are far reaching and span today's ever-increasing demand for visual marketing and high-tech advertising.

I have never heard a business owner lament that he started his exit plan too soon...

but I have heard dozens complain about how they waited too long.





Tax Cuts & Jobs Bill

It has been 30 years since there has been a significant tax reform, and the **Tax Cuts and Jobs Bill** that recently passed is certain to impact everyone -- from individual taxpayers to business owners.

If you have been in the accounting business for more than 30 years, you might notice the similarities between today's climate and President Reagan's **Tax Reform Acts**. The changes were so broad that it became known as the "Accountants' Full Employment Act of 1986."

Much like the previous sweeping tax reform, this new tax act is likely to drum up a great deal of business for accountants.

How The Business Owner Is Impacted

This new tax code was intended to provide benefits for the middle-income class and the business owner, according to the Trump administration.

Speaker of the House Paul Ryan was **quoted as saying**, "Typical middle-class families will see bigger paychecks" in an attempt to "deliver relief to the American people" in the face of recent economic hardships. So how exactly will this bill affect the American business owners?

If you are a business owner (especially a small business), the biggest change that impacts you will most likely be the new deductible rate of **20%** for pass-through businesses such as S Corporations, partnerships, and sole proprietorships. This differentiates them from the well-known C Corporations that pay a flat rate of 21%.

The new reform is organized to reward your business if you have a lot of employees and it incentivizes other companies to go out and hire new employees. While many small businesses can benefit from these tax code changes under the Trump administration, your business may not, depending on its classification (for example, S Corporation versus C Corporation). So now is the time to hire and expand your small business as a result of the new tax law. Make sure you stay educated on these changes and the ones that can directly impact your business.

All this could change in the near future

If your company uses a substantial amount of equipment and property, you need to be aware of the considerable increase in the dollar limit for equipment purchases. This is due to the changes made to Sec. 179 of our tax code. While previous tax years offered a maximum deduction of \$510,000, **the changes made through the TJCA** mean that "For qualifying property placed in service in tax years beginning in 2018, the maximum Sec. 179 deduction is increased to \$1 million, and the phaseout threshold amount is increased to \$2.5 million." When it comes to property, the bonus depreciation will now be 100% (instead of 50%) for the property purchased and placed in service after September 27, 2017. But **after 2022**, the deduction percentage is reduced and then eventually goes to zero, with exclusions that apply to certain properties.

Changes To Tax Code In 2018

Just like any new year, there are changes to tax law. But with 2018 and the Tax Cuts and Jobs Act (TCJA), many new tax provisions are in full effect.

The most significant changes introduced by this new tax reform include decreasing the maximum tax rate and reducing the number of tax brackets from 14 to 2. Here is a brief list of what changes you will need to look for in 2018:

- Income averaging for most taxpayers has been eliminated.
- Unemployment income is now fully taxable.
- **The new Kiddie Tax** intends to dissuade parents from reducing their taxes by moving investments into their children's name.
- IRA contribution deductions are now limited.
- You are now required to list dependent Social Security numbers on personal returns to reduce fraud.
- The Investment Tax Credit has been discarded.
- The TCJA has repealed the dividend exclusions.

It is worth noting that other aspects of the TCJA that aren't mentioned here can affect your business. However, the changes outlined above are the ones that will have an effect on the vast majority of small businesses.



Do you know your business' value ?

Why have your business evaluated ?

Remember that every successful deal requires a satisfied seller and a satisfied buyer. A "win-win" deal is the best situation for everyone. A favorable sale is achieved when the seller obtains a fair price for the business and the viability of the business is preserved such that the business can continue to prosper after the sale.

Business owners sell their businesses for a variety of reasons, including a reduced tolerance for risk, lack of challenges, health reasons or plain old fatigue. Other owners are motivated to sell by a changing marketplace, technological advances, spousal pressure or a desire to start a new chapter in life. Often, owners, if they are to take the company to the next level, opt to sell rather than incur this added burden.

Even though the business is the greatest asset in the owner's portfolio, he or she tends to undervalue it. Before making their decision, business owners know little about the sale process itself. They only know that they want a "quality" buyer, one with whom they are comfortable with and who will treat their employees and customers well.

The key to reaching the selling or buying decision is knowing what the fair market price for a business is in this era of corporate downsizing and entrepreneurial growth. Here's an important fact: You'll sell or buy a business just once. If you do it right, you'll get or give a fair price and enjoy the financial rewards. If you make a mistake, you could lose more than money you leave at the negotiating table.

There is no simple formula or rule-of-thumb for computing the value of a business. Even if two businesses have roughly equivalent cash flow, their capacity, the markets in which they operate, the competition, and numerous other factors can make all the difference in the world when it comes to value. Each enterprise must be valued as a unique entity.

The fair market value of your business is the value it would have to a prospective buyer - someone whose primary concern is its profit potential. By investing in an evaluation, you can save yourself a great deal of time, money, and grief.

If you are serious about selling or buying a business, ABC provides a sophisticated evaluation service to help pinpoint the right selling price for a business. Using years of experience (since 1980) with all types of businesses, ABC has developed a unique evaluation approach that combines many factors and techniques.

Without it, you run the risk of either underestimating your business worth, accepting too low a price for it, and leaving money on the closing table that should be yours, or overestimating its worth and wasting valuable time trying to reach an unrealistic goal.

In valuing your business, we recast past financials to determine the business's maximum earning capacity. Owners of privately held businesses often utilize a wide range of operating styles, from aggressive to conservative, producing wide ranges in earnings. In recasting these numbers we show more accurately what a prospective buyer could expect the business to generate as profits. **Recasting provides an economic view of the company and allows meaningful comparison with other businesses for sale.**

When a buyer has this information on your business it can mean the difference between buying your business or someone else's.

Numbers will ultimately be analyzed according to well-established disciplines but determining those numbers - formulating the assumptions for the calculations - is a matter of professional judgment. That includes judgment about the past performance, current capacity, and competitive situation of your business, as well as the demographic and market trends that will affect its performance.

An accurate valuation puts you in an excellent position to negotiate the sale of your business on the most advantageous terms. It will also be critical if you intend to execute a buy/sell agreement or develop a plan for your estate. The decision to exit your business is one of the most difficult decisions of your life. Your business is an extension of your personal life, and in most cases, your personal net worth is tied to the business value. We understand the importance of this decision and know the stakes are high.

Good business decisions can only be made based on accurate information.

When it comes time to sell your business or plan your exit strategy, there are many offering to help you. Teaming with **Affiliated Business Consultants** provides you the advantage of years of experience working with all sizes and types of businesses, nationwide, while maintaining your confidentiality.

Reasons why you need to have your business evaluated.

It is critical if you are:

- Selling a business
- Have a current buyer/offer
- Purchase a business
- Estate Planning
- Divorce Proceedings
- Buy/Sell Agreements



What customers say

Thank you very much... **Your services provided a buyer for our business** that we would not have found any other way — Dennis A.

You did a **fantastic job in finding a buyer** for my business — Vic

I would like to take this opportunity to thank ABC for your successful effort, **we sold our business** — Jim J.

I want to thank you for helping me, you were always willing to answer all my questions. **Your service was invaluable to me.** Thanks for a nice job in helping us from beginning to end — Jeff R.

I would like to express my appreciation to you and your company.. The business was unique. It was very difficult for me to find a buyer after my husband had passed away. **I do not know if I would have been able to find a buyer without your professional help** and support.-- Blazena C.

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