

Selling Your Business Nest Egg

The time to start thinking about selling your business begins in the start-up stage and throughout the life cycle of your business. If the business is your retirement nest egg, consider every major decision and how it will add value to your company's exit plan.

The process of building company value to prospective buyers should begin at the start-up stage of the company. At the very least, plan on spending a year or two on strengthening the business.

Selling Your Business-Add Value:

- Create a strong brand image in the marketplace. A brand is worth more than the business.
- Develop an operations manual and system. Make the company run smoothly without your presence.
- Build competitive barriers to entry. Obtaining exclusive rights, trademarks and patents to products & services will add a higher price to your small business.
- Keep detailed books.

Bring in the professionals and ensure your financials are audited.

Even during these post-Enron days, audited financials cast a polished, professional image for selling your business. Audited financials can bring a quicker close to the sale with limited investigation. Three years of audited books are the best.

What will your business be worth?

The going price of your company will depend on the value in the marketplace. Valuation of your company can be determined by three basic methods.

Asset Valuation: based on the value of company assets, such as equipment and inventory.

Industry Valuation: based on the sale of similar businesses in your industry.

Cash Flow Valuation: based on future cash flows of your company using less historical data approach.

These methods are only a few of many. Consider working with a business appraiser or business valuation expert to best determine the method and value of your company.

Negotiating the Best Price

After years of sweat and toil in creating your business, it all comes down to the negotiation of the selling price. Because you have spent all this effort in building the company, the negotiation can become very emotional.

It is vital to keep hush about the selling your business with employees and suppliers. Any leaked information can have an impact on the business for sale and your operations.

Go into the deal-making with a minimum figure you can accept and a price to walk away from. If you are not in a tough situation and can walk away from buyers offers, you will control the negotiation process.

Selling your business often comes down to timing. Industry and economic conditions can play a large role in the price you get. If your industry is in a cyclic low, it may be best to wait for the market conditions to improve.

For the vast majority of small business owners, the business is the retirement nest egg. Carefully, plan the final exit stage of your business. And above all, work closely with professional advisors: a lawyer, an accountant, and a business broker.

Reprint from Darrell Zahorsky, "Your Guide to Small Business Information".