6 Questions to Ask Yourself Before Selling Your Business

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Owning a business is a big decision and choosing to sell it can be just as significant.

Selling your business comes with many considerations, including the value of it and any financial prospects, what a potential buyer is looking for, if you're actually done with your business and what you'll do after it's sold. If you're considering selling your business, ask yourself these six questions to assess your options and identify the next best step.

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1. Am I ready to sell?

Start by outlining your reasons for selling. What's driving your decision to sell? Maybe you're burned out post-pandemic and you need to get a fresh perspective. Maybe you feel stuck, like a hamster on a wheel who can't find its way out. In these cases, selling may not be the answer. Consider your goals for the sale and what a positive outcome would look like. It can be helpful to write down your thoughts or list the pros and cons.

Once you answer these questions, seek an opinion from someone you trust. Selling your business is not just a financial consideration, but it's also an emotional one. Take time to get to the bottom of what's fueling your feelings and then get into how it's done (if you still want to sell).

2. What is the value of my company?

As a business owner, you should have an excellent (and realistic) understanding of what your business can get in the open market. My experience with many business owners has been that they value their business at least 50% higher than the actual value. It’s essential to get a third party to evaluate your business.

You can look into programs that provide a back-of-the-envelope calculation or you can go to a professional business valuator. A back-of-the-envelope estimate typically focuses on the return on investment (ROI), a quick, practical way of reaching a selling price. Although it is universally utilized, an ROI calculation overlooks factors such as time, capital appreciation, risk, potential and inflation, among other factors.

Utilizing a professional business valuator will provide a more accurate number, which can result from different approaches and considerations (including assets, market comparison, income, etc.). The challenge with this route is finding the right valuator for your business and industry who will charge a fair appraisal price.

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3. Is knowing the value enough?

Understanding the value of your business includes more than just how much you should sell it for. To prepare for business transfer ownership, you should organize your finances, including your tax filings, licenses, deeds and profit and loss statements.

It would be best if you also took inventory of your tangible and intangible assets and any liabilities. Taking the time to outline your business plan and model will benefit you and

potential buyers, so they understand the full context of the company and how it generates revenue.

4. Who will I sell to?

It's likely that you will have many alternatives to choose from. For example, you can sell your company to your employees through an Employee Stock Ownership Plan (ESOP), which has many advantages but some hoops to jump through; or maybe you have family members that are capable and want to take on the responsibility of running the company. If you are looking outside your circle, consider an individual investor, private equity firm or strategic buyers.

5. What professionals will I need?

It takes a village to sell a company. There are many components and complexities to each deal. The team of professionals you'll need will depend on the specifics of your business, such as the industry, size and nature. Here are some professional's business owners will want to have on their exit planning team:

- **A Certified Public Accountant.** Look for one experienced in dealmaking to help ensure the sale and transfer are done correctly. There are several tax-related aspects to selling a business and you want to help ensure you're up on the latest regulations and opportunities for saving money.
- **A Certified Exit Planning Advisor (CEPA).** They can help ensure you're getting the maximum benefits when you sell, and they'll consider your personal and financial objectives.
- **A Certified Financial Planner (CFP).** They can help with the financial aspects of the deal, including what your financial future looks like.
- **A business attorney.** They will create legal plans to

carry out the sale and look to keep you out of trouble.

- **An estate attorney.** There are very big advantages that you can take advantage of in your pre-liquidity planning.
- **A business valuation expert.** They can give a more accurate idea of what your company is valued at. That's if you don't want a back of the envelope number.
- **M&A advisors.** They will look for strategic or financial buyers of your business. They will generally help mid-market and above companies.
- **A business broker.** They will contact potential buyers and can screen interested parties for financial ability or other qualifications. They generally help the lower middle market.
- **An insurance professional.** They can review your insurance and make alignments based on your needs.

Some professionals may assist in overlapping areas, but it's best to use a team approach to help ensure you've got the necessary support. Working with the right people will help achieve a successful outcome and a seamless transition.

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6. What will I do after I sell?

Preparing and understanding what you want to do post-sale is essential for your mental well-being, primarily since most small business owners I know (myself included) are defined by their business.

They are only looking at their business, growing it and looking to sell the company for the best offer. I ask them what they will do with all the extra time they will have. I get surprising answers such as "I haven't thought about that," and "I guess I'll spend time with my grandkids." While it's great to spend time with family, they have their lives and soon you will be looking for other things to do.

Asking yourself these six questions will likely raise additional questions. Taking time to consider your answer to each question is an excellent opportunity to explore the next steps – whether that's selling your business or not. Answering these questions honestly and engaging the right professionals at the right time will help ensure that you get the most value for your life's work.

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