

How Do You Decide the Timing of Selling Your Business?

I had a business that was doing extremely well when I was 55 years old. I was financially ready to retire, but thought I had a few good years of business in business cycle I was in.

It's funny today...but I got letters from business brokers about selling my business and filed them for later never taking action.

Little did I know we were headed for the worst recession in current times.

My point here is the best time to sell is when you are at or near the top of your game.

All businesses have cycles and there is an ebb and flow which creates a business cycle too. Of course there are some businesses that continue to grow with no end in sight....Google, Amazon, Netflix, etc.

While you cannot time a business top any more than you can a market or stock top you can often get a sense intuitively of where you are at in the cycle.....don't wait for the absolute peak because it may never come.

A true entrepreneur starts or buys a business, builds it up as quickly as possible and then turns it over to someone else to manage it. That can be an employee, partner or new owner.

If it's a new owner , the seller can sometimes fund a retirement but that is seldom the case. Usually the seller is able put some funds aside for a rainy day, make a passive investment or add to their retirement fund using the balance to start or buy another business.

For me this is the way I keep fresh, engaged and excited while moving forward.

Selling a business requires a plan and time.

You will need to prepare your business in a way to make it attractive to the greatest number of buyers. In real estate they call it curb appeal and it goes a long way to reducing time on the market and increasing value for businesses too.

You have most likely been running your business in a way that maximizes the money you receive and minimizes the taxes you pay.....some owners take this concept to extremes by under reporting cash sales. This income cannot be used when calculating the value of your business for a buyer. Every dollar you can show and prove in cash flow can result in 2-3 dollars and in some cases more.

I highly recommend reporting all of your income and paying all of your taxes if you want to receive a fair market value for your business...if you are not doing it now and you are planning on selling, start for 2017 and you can offer your business for sale in the first quarter of 2020.

If you want to sell your business before then, expect to receive less money than it is worth.

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