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Overcoming Common Objections

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One of the biggest obstacles in exiting your business is overcoming your objections, many of which tend to be based on misunderstanding the "facts."

The objections that tend to hold back owners from selling their businesses are usually based upon some combination of the following perspectives:

- The business isn't worth enough to meet my financial needs.
- The employees (or customers) will leave when they discover I'm trying to sell.
- I will be required to work years for a new owner.
- The sale process will take too long and cost too much.
- Given the tax bite on sale proceeds, it makes more sense to stay, enjoy the cash flow and get paid over time.
- What will I do after I sell and leave the business? This business is my life!

Today, let's look at these objections that can create roadblocks for your timeline of cashing out of your business today and moving on to the next stage of your life.

The Business Isn't Worth Enough To Meet My Financial Needs

You can't know whether your business is "worth enough" unless you know what it is worth, and what value is needed in order to meet your financial needs. That's why obtaining a valuation range for your company based upon current market conditions can be very important. Use a transaction advisor, preferably an investment banker (for companies with a likely value of more than $5 million), business broker or other transaction intermediary (for smaller businesses) familiar with what your business can fetch in the M&A marketplace. It is important to not simply depend on the historical valuation performed by your accountant or the "rule of thumb" used in your industry. Both "rules of thumb" and traditional valuation approaches tend to rely on what has happened, not on what businesses — businesses just like yours — are selling for in *today's* market, and tend to overlook the importance of current deal activity levels.

To illustrate this point, let's look at Sam Reed, a hypothetical business owner who was thinking about selling his business a number of years ago — near the last peak in the M&A cycle.

When Sam Reed started thinking about selling his business, he asked his CPA for an estimate of value. After some investigation of historical valuation multiples, the CPA ventured an estimate of $14 million. The owner needed significantly more than that just to pay off business debt.

Although inclined to give up the idea of selling, at least temporarily, Sam asked his attorney what he thought his business was worth. The attorney's response was, "I have no idea. You need to work with someone who knows what your type of business is selling for in today's marketplace."

At that point, Sam hired an investment banking firm to answer the question of what his business was worth in the current market. The firm returned with a baseline (or minimum value) sale price estimate of almost $30 million for Sam's business. With that information, Sam chose to proceed with a sale and eventually sold for more than $40 million.

The point of this story is that to determine the value of your business, in today's marketplace, ask an experienced professional who makes a living working in that market.

Another way to determine the value of your company is to hire a valuation specialist, even if you are a few years (or more) away from selling. Doing so is also helpful if you plan to sell or gift part of your business before the sale in an effort to meet your Exit Objectives (such as transferring wealth to children, charity or employee/s).

The Employees (Or Customers) Will Leave When They Discover I'm Trying To Sell

While this is a legitimate concern, when properly handled, no one should find out about the sale process until you inform them. Typically, a potential buyer does not even set foot in your business until you have made a tentative decision to sell the business to that buyer. When conducted by experienced professionals, the sale of a business is highly confidential, and the likelihood of anyone discovering you are selling your business before you inform the public is minimal.

I Will Be Required To Work Years For A New Owner

If one of your Exit Objectives is to leave the business as soon as possible, it is important to make that objective known to your Exit Planning Professional and it will be a prerequisite of any sale. That objective will determine which type of buyer you should seek. There are categories of buyers who typically do not require the former owner to remain with the company beyond a short transition time period — usually no more than a few months — provided your management team is strong.

The Sale Process Will Take Too Long And Cost Too Much

Cost, of course, is a matter of perspective. But the only way for you to make the determination whether the sale process is too expensive or not is to discuss costs and expenses with your advisors *before* you hire them. It usually takes from six to eighteen months to sell your business. The more you know, the better prepared your company can be for sale. Better preparation on your part can mean less time and expense on the part of your advisors.

Given The Tax Bite On Sale Proceeds, It Makes More Sense To Stay, Enjoy The Cash Flow And Get Paid Over Time

With proper tax planning, Uncle Sam's cut of the sale proceeds can be minimized so that you are in a better position to meet your financial and personal objectives upon your exit from your business. But planning — and implementation — can take years to be fully effective. Delays in beginning to plan works to reduce time available and can increase taxes.

What Will I Do After I Sell And Leave The Business? This Business Is My Life!

For many business owners, the old "fire in the belly" is gone, but there is nothing to replace it. So many hang on to their businesses, willing to accept what they know because they fear that the unknown may be even worse. Yet, many owners don't know what they will do when they exit. In the words of a real-life business owner who faced this dilemma; however, exiting a business can end up uncovering new and exciting opportunities for owners to pursue after the sale.

"Doing the same thing every day was getting old. I wanted to do something new and different and the buyer I chose (one of six) presented that new and different opportunity," said Wayne Berger, former business owner whose story of cashing out of his business is shared in the book ***Cash Out Move On***, by John H. Brown, published January 2008.

Final Thoughts

Certainly, the decision to sell the business you created and nurtured is an intensely personal decision. No one is more qualified to tell you what to do with the rest of your life than yourself, especially when it comes to the decision to sell your business. The fear of the unknown is natural, but you do not have to venture on this journey alone. Our office is available to help guide you through the process of preparing for the biggest financial event of your life. We can help you review all of the factors associated with exiting your business and work to help remove the common roadblocks you may be facing, while addressing all of your personal and business objectives.

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