

■ FINANCIAL FOUNDATIONS

LEVERAGING YOUR BUSINESS ASSET

Plan now to sell your business later—whenever that might be.

— BY TIM SKARDA

Small business owners are entrepreneurial, adventurous and inventive. The success each achieves over the years becomes a source of pride for the owner. The reality of the business world, however, is that no one can, or wants to, stay in it forever.

With that in mind, every business owner should develop an exit strategy. That strategy will be the key that leverages your business to help unlock your best possible personal future. While you may not implement that exit strategy for years to come, prior planning will ease the process when you're ready to retire.

With the aging boomer generation, many business owners will reach retirement age in the next 10 to 15 years. Some will transition closely held private businesses to their children, and the next generation will retain control and continue to manage or build the family business. Others may arrange for an existing manager or management team to purchase the company. But many business owners will find themselves without a clear succession plan, either because their children are not interested in the business or because their existing managers don't have the financial resources or desire to take over.

In these situations, business owners may want to consider selling to an outside buyer. This leaves business owners asking, "What's next?" Your business probably is one of your most valuable assets. If word of your business being for sale reaches the wrong ears, it could spell death for your company and the elimination of the fruit of your hard work and financial investment.

BUSINESS BROKER

Tapping into appropriate resources is a skill that business owners generally lever-

age pretty effectively. To sell your business without announcing your intentions to the world, one option is to retain a respected and successful outside representative. Such advisors often are referred to as business brokers, merger and acquisition intermediaries or investment bankers—all terms used to describe the dealmaker who helps connect business buyers and sellers.

Many professional and reputable dealmakers across the country work hard to sell the businesses they represent. They range from the sole practitioner broker who focuses on smaller enterprises, to larger investment banks that specialize in a particular industry. Many of these companies charge modest up-front fees for performing a business valuation or initiating a marketing campaign but these companies still earn most of their fees after successfully completing a sale as a commission, rather than asking for the money up front with no guarantees.

If the company you're talking to sounds like it has good resources and a solid track record—and you've confirmed it with people you trust—you likely are dealing with a reputable organization. Such an organization will honestly assess your business' value as part of your retirement plan.

NO BROKER

Business owners do have the option of not going through a broker, as well. This option has proven effective for some, as long as the business owner seeks a certified business appraiser to determine the real worth of their business and knows which prospective purchasers they should approach and what kind of sale they should be making.

If the do-it-yourself option appeals to you more than working through an out-

side broker, there are two major factors to consider: time and confidentiality.

Ensuring you get all you can out of the sale of your business requires solid research, marketing and walking the fine line between being available and being preyed upon. Be sure that your time is spent effectively and as productively as possible when you are in the middle of a sale. If your time is taken away from your company's productivity, it may decrease the value of your business and cost you more as a result.

Likewise, it is important to maintain strict confidentiality with any prospective buyers. Be sure to have them sign strict confidentiality agreements before sharing confidential information with them.

No matter which direction your exit strategy takes—turning the business over to the next generation, selling it to an existing manager or management team or selling it to an outside individual or company—be sure to turn to your trusted advisors through the process. The process can be extremely complex and time consuming, and the professionals you rely on, such as your attorney, accountant and banker, likely will prove invaluable. With them helping you make good decisions, you can turn your business into the best asset for your personal future.

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