

## **What Every Seller Should Know**

Selling your business is a major decision! You have devoted your time, money and energy to building, running and operating your business. It may well represent your life's work. You have decided that now is the right time to sell, and you want the very best professional guidance you can get. This is when working in tandem with a professional business broker can make the difference between just getting rid of the business and selling it for the very best price and terms. Following are some of the most common questions asked by sellers -- and if you are contemplating selling your business, these are questions you should be asking, too.

### **1. What Can -- and Can't -- A Business Broker Do for Me?**

Business brokers are the professionals who will facilitate the successful sale of your business. It is important that you understand just what professional business brokers can do -- as well as what they can't. Business brokers can help you decide how to price your business and how to structure the sale so it makes sense for you and the buyer. They can find the right buyer for your business, work with the seller and the buyer in negotiating, and coordinate every step of the way until the transaction is successfully closed. They will also help the buyer with all details of the business buying process.

A business broker is not, however, a magician who can sell an overpriced business. Most businesses are salable if priced and structured properly. You should understand that only the marketplace can determine what a business will sell for. The amount of the down payment you are willing to accept along with the terms of the seller financing can greatly influence not only the ultimate selling price, but the success of the sale itself.

### **2. Why Is Seller Financing Important To the Sale Of My Business?**

Surveys have shown that sellers who ask for cash receive, on average, only 75 percent of their asking price, while sellers who accept terms typically receive 86 percent of their asking price. In many cases, businesses that are listed for all cash just don't sell. With reasonable terms, however, the chances of selling increase dramatically, and the time period from listing to sale greatly decreases. Most sellers are unaware of how much interest they can generate by financing the sale of their business. What's more, seller financing tells the buyer that the seller is confident about the ability of the business to -- literally -- pay for itself.

### **3. How Long Will It Take To Sell My Business?**

It generally takes, on average, between three to four months to sell a business. (Keep in mind, however, that an average is just that.) The sooner the business broker has all the information needed to begin the marketing process, the shorter the time period for selling should be. It is also important that the business be priced properly right from the start. Some sellers, operating under the premise that they can always come down in price, overprice their business, not understanding that buyers often will refuse to look at an overpriced business

## What Every Seller Should Know, cont'd

It has been shown that the amount of the down payment may be the key ingredient for a quick sale. The lower the down payment, generally 40 percent of the asking price or less, the shorter the time to a successful sale. A reasonable down payment also -- as in the case of seller financing -- sends a message to a potential buyer about the seller's confidence in the health of the business.

### **4. What Happens When There Is A Buyer For My Business?**

When a buyer is sufficiently interested in your business, business brokers will help in the preparation of an offer or proposal, which may have one or more contingencies. Usually, contingencies call for a detailed review of your financial records and may also include a review of your lease arrangements, franchise agreement (if there is one) or other pertinent details of the business. The buyer's proposal will be presented to you for your consideration. You may accept the terms of the offer or you may make a counter-proposal. You should understand, however, that if you do not accept the buyer's proposal, the buyer can withdraw it at any time.

Business brokers will submit all offers to you for your consideration. At first review, you may not be pleased with a particular offer: it may be lacking in some areas, but it might also have some pluses to seriously consider. Remember the old adage: "The first offer is generally the best one the seller will receive." This does not mean that you should accept the first, or any offer -- just that all offers should be looked at with thought and care.

When you and the buyer are in agreement, the business broker will work with both of you to satisfy and remove the contingencies in the offer. It is important that you cooperate fully in this process; otherwise, the buyer might think you have something to hide. The buyer may, at this point, bring in outside advisors to help them review the information. When all the conditions have been met, final papers will be drawn and signed. Once the closing has been completed, money will be distributed and the new owner will take the possession of the business. Your business broker professional will work with you throughout the entire sales process.