

Selling a Family Business

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With a wave of baby boomer business owners thinking about retirement, selling a business can allow founders to keep the company running while converting their ownership into funds for their future. Many times, owners have been do-it-yourself types, working hard to make their business a success on shoestring budgets. They haven't worked with M&A lawyers, consultants or bankers, but usually have long and trusted wealth advisers or accountants. These advisers should be working with their clients to have the business ready for any planned transitions to maximize the value in the business while minimizing the pain points of a sale.

Advisor involvement on the front end can dramatically improve the process and outcome. The working relationship and trust between the owner and advisor can translate into the owner being willing to consider planning choices they would otherwise dismiss as too costly or too time-consuming.

An initial topic for discussion is what is the owner's timeline and how involved will they remain in the business. Do they want to sell everything and fully retire in a set number of years, or simply take some money off the table while continuing to run the business for some time? Would they be comfortable selling to an insider or family member or an outsider? Would they want to stay with the company to help transition after a sale, or even stay on in a subordinate role for a longer period? Does their desired plan prove a sufficient cash flow for their retirement? There are many different ways to structure a sale or transition and knowing on the front-end what an owner hopes to do, and wants to avoid, means less wasted time on deals that won't bring about that result.

The next stage is to line up the other advisors an owner will need to get ready for a sale and to do internal reviews before going to market. It helps to have some idea of the value of the company on the market – this will ultimately fall into the bucket of a banker or broker if the business is listed for sale that way, but there are other sources of valuations, including industry association, appraisers and accounting firms. Attorneys who have experience in business sales should be interviewed and hired and given the opportunity to look at the types of company records that will be reviewed by potential buyers. Many potential legal issues that can lower sales prices can be addressed and remedied if given attention in advance. Similarly, have accounting specialists who review financials for sales look at the company's financials, particularly if they have not been audited in the past, can allow for work to be done to anticipate what financial information buyers will need to see. Specialized industries may merit other advisors, and it is also important to consider identifying an employee or outside advisor who can be specifically tasked with helping the owner during the sale process and

who can be trusted to keep confidences before a sale is complete, but can shoulder part of the load so that the owner can continue to operate the business.

On the personal side, advisors can also help the owners prepare for how the sale will impact the owners personally. This ranges from the time and cost of preparing for and getting through the sale process, to the post-sale change in work focus. It should also include personal tax and estate planning with the owner's accountants and attorneys.

As business owners shift to transitioning their companies through a sale, wealth advisors can be an indispensable guide. It's a process most business owners will only go through once in their lives, so even the most accomplished owner will need experienced advisors.

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