

# Sell It Before You Start It!

*(Fail to Plan, Plan to Fail)*

## Every Business Should Be Designed To Sell

When you start a business you don't think about selling a business but you should! You plan to sell at the beginning (not with all the small details) but with the mindset that one day you have to let your baby go, how would you want it to be sold, do you want it to be bought and closed, or bought and grown? What about your employees? Having some if not all of these questions answered at the beginning sets you up for the purchase / acquisition of your company before things get really complicated.

## What do I need before I sell?

You start a business, what steps do you need to have set up from the beginning so you can sell it down the road? 3 Must haves!

1. Have your **Articles of Incorporation** done by a professional (not something you find online) but have an attorney draw it up. **This Charters the Existence of your business** with the Secretary of State. Soul proprietorships are less likely to be purchased over a LLC or Corporation
2. Have a **Buy Sell Agreement Set up** (This is for partnerships or acquisitions) – This is for when or if a partner leaves, dies or forced to leave, or an owner is staying on as an advisor for a specified period of time to help with the acquisition. Usually this has a life insurance policy attached with it.
3. **Financial Documentation** (Taxes, Payroll, Bank Statements and Clientele Details) when you go to sell a “true” buyer or a savvy purchaser will have an accountant, attorney and business broker to thoroughly evaluate your businesses net worth.

## Alternatives to an outright sell...

Not all businesses are “buyable” it's hard to find buyers sometimes and if you find yourself in this position you have a couple of options

- Set up an **Employee Stock Ownership Plan** (ESOP) this will allow for the ownership of the business to transfer from you to your employee's.
- **Merge**, allowing a business maybe in a stronger position to acquire the business while helping you maintain financial equity in the business or maybe just a dividend payout as the business does well
- **“Going out of Business”** there are companies that will assist in the “going out of business” process which helps the business step down it's responsibilities to creditors, vendors, location lease, equipment purchases and ultimately letting you liquidate your inventory

## Preparing to Sell...

What will be needed from me as the Owner to prepare for my sell of the business?

1. **Is my business sellable or ready to sell?** (You can't piece-mail this together and one day just say "Ok I'm ready to sell", you have to have a plan, not a month before but years before when applicable). I say for **every year in business you need 1.5 months of planning for a sell**. Example; if my business was in business for a year I would start planning a month and half out but if it was in business for 5 years I'm going to start 7.5 months out before I am ready to sell it!
2. **Market Analysis**, what is the current market saying about your business and is this a good time, or in some cases is this a good location to be selling my business? Just because the business worked for you at your current location or in the current market it doesn't mean that the future looks the same (you are stepping out of it, and a new owner is stepping in so their new 5 year projections will look different than yours which might have just been maintaining the business).
3. **Transparency**, being completely transparent with a potential buyer (typically through an attorney) is going to be key for protection down the road. Many businesses that are sold have vulnerability if not sold correctly and are subject to legal action taken against them, which could include but not limited to freezing up all assets. Get legal advise, have an attorney you grow in a relationship with as the business grows this way they know you from the beginning to the end.

## When is the right time to sell?

First there is no "perfect" time to sell or buy, but you can make some educated estimates of when is the best or right time to sell. My best advice is you don't sell while going down you sell while on top!

- **Seasonal Business**; selling a seasonal business might be best to sell right before their season is about kick into high gear because the buyer can see an immediate return on his/her investment vs. buying during a down time which would require them to offer less because of no return on investment till later. I would think selling during peak time would be too difficult for all parties involved
- **Residual Based Businesses**; you sell this type of business when the wind in your sail is getting less and less. When you aren't passionate anymore about the "growth" of your business, you might want to consider selling it because when someone buys a business they want to see growth, if they see decline that might concern a buyer and ruin a deal from happening

Each business is different, it's smart to get legal help/advise or find other "like" businesses you can get advise from. Remember the saying "A smart man learns from his own mistakes, but a wise man learns from the mistakes of others". So learn from someone who has done it before!

## How much is my business worth?

There are 3 different ways to figure out the “worth” of your business. No it is not a random number you think of off the top of your head and no it's not what you make per year off of it. There are true ways of knowing the actual value of your business, but always remember the **“True” value of anything is what someone is willing to pay to acquire it.**

1. **Price Multiples;** This is usually the quickest way of determining the value of the business, it takes things like Revenue (Sales), Cash Flow (putting together taxes, interest, depreciation & amortization) along with discretionary earnings of the seller. Putting all of that with the correct multiplier you can come up with a cost of the business net worth.
2. **Comparable** – Simply find a like business of like premium intake or side of business and see what that sale/purchase was. This will give you a strong basis for the value of your business.
3. **Appraisal & Evaluation** – You will get this through an attorney & business appraiser.

## Now that my business is sold what's next?

### The Best Is Yet To Come!!!

Books that have helped me as an Entrepreneur

1. The Shark and the Gold Fish (By Jon Gordon)
2. Eat That Frog (By Brian Tracy)
3. How I Built a 37 Million Dollar Insurance Agency in Less than 7 years (By Darren Sugiyama)

Quotes (unknown authors) that I live by;

“Live these years like no one else will, so later in life you live like no one else can”

“You only live once, but if you do it right once is enough”

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