Mesirow Wealth Management

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Setting a new course: Best practices for selling your business

"The real voyage of discovery consists not in seeking new landscapes, but in having new eyes."

—Marcel Proust

Building a thriving business is a proud achievement for anyone. But for many, a time comes when they feel an urge to tackle new challenges. There can be a number of reasons for this. But while it may be a bittersweet decision, it can mark the beginning of an exciting new phase of your life.

If you've made the decision to sell your business, either now or in the future, our goal is to make your journey as efficient as possible. This brochure is designed to help you understand what's involved and to ask the right questions.

Start preparing early… it's never too soon

Business owners don't typically start their company knowing when they will transition away from it. That can be especially true for founders, who nursed an idea into a thriving business that may still have a lot of growth potential. But at some point, the time comes to think about the next phase. If there are no family members stepping into management and succession planning is not possible, how do you transition the business?

While every sale is different, there is one truism: the earlier you can start to prepare for your exit, the better. Ideally, years in advance. More time allows you to be more deliberate and strategic in your approach. The process of selling your business can be complicated, time consuming and planning intensive. Time brings with it the flexibility to position your company for an optimum sale. You can also align other assets for your next phase, be it retirement, a new business opportunity or something else.

Having a flexible time frame also helps you maximize other factors: Could waiting make the economic or banking climate more favorable? Are there ways to make your company more attractive to potential buyers?

Three phases of selling your business

Selling your business, like most major journeys, involves three key steps:

1. **Know your destination** | What are your intentions for the transaction?
2. **Assemble your crew** | Build an experienced team of advisors who will facilitate the transition.
3. **Ready your vessel** | Prepare your business in advance

1. Know your destination

It's no longer about your business. It's about you.

If this is the first time you've pondered selling your business, it can be tough to know where to start. For many business owners, it's more than a transaction. It's an emotional decision that affects not just you but also your family, your management team, close business associates and your employees.

Before you can start to take actionable steps, it's vital to identify *exactly* what you are trying to achieve with the sale. Is it financing your next venture? Setting the stage for a comfortable retirement? Cementing your legacy? Something else?

To answer these questions, you may need to do something you aren't used to doing: putting yourself first. Often, business owners' lives revolve around what's best for their business. Now you need to think about what's best for you. It's not always an easy transition. That can be especially true if your business has your name on it. What do you want your post-owner life to look like? How much direction do you want to give to your business before you transition out of it? Do you plan to retain a stake in the business or to sit on the board?

Much as a sailor can't plot a course unless they know their destination, a business owner can't make the most of a sale if they don't know what they hope to get out of it. It's worth taking a lot of time to be sure what your goal is, because everything else keys off that.

Despite the importance of planning for the next phase, owners often fixate on the financial aspects of the sale and neglect what comes next. One survey of business owners notes that "75% of those who exited their business 'profoundly regret' the decision within 12 months of exiting."[1] That suggests that many owners haven't adequately prepared for life after the sale. Don't be one of them.

Try visualizing what your post-sale lifestyle will be. What would a day in your life look like? Discuss your transition plan with your family well in advance of the sale to help make sure everyone is on the same page. Those who know you best may be able to offer some valuable perspective that you can't get on your own.

What will your life look like post sale:

- Move to a new home?
- Spend more time with family?
- Pursue your hobbies?
- Engage in philanthropy?
- Start a new business venture?
- Travel?
- Start building your legacy?

Many business owners haven't adequately prepared for life after the sale...don't be one of them. Try visualizing what your post-sale lifestyle will be.

2. Assemble your crew

Gather the team of advisors you'll need based on your goals

After you have identified your personal goals, the next step is to engage the professionals you'll need to make your plan happen. First, you'll want to construct a comprehensive personal financial plan—the framework to finance those goals, both pre-and post-sale. Your most important ally in this aspect of the sale is your **wealth advisor**. They can help you map out a detailed, integrated strategy that identifies how much wealth you will need to best pursue your post-sale objectives. More importantly, they can help you incorporate the proceeds of the sale into your overall portfolio in a holistic way.

Beyond your wealth advisor, you'll probably want to assemble your "A team"—A for Advocates. Like a long maritime voyage, you will likely need a skilled crew whose expertise you can rely on to deal with the unexpected. Preparing to sell a business is a complex endeavor that involves finding a buyer, evaluating bids and writing contracts to close the deal. It's crucial to have a team of trusted advisors to lean on.

Typically, your core team will include your **wealth advisor**, **accountant(s)** and **attorney(s)**. These could include both a business/corporate accountant and attorney as well as potentially a trust and estate attorney. Depending on your personal, financial and business goals and the complexity/size of your business, this team may expand to include additional professionals. For example, if your business is not appraising at the sale price you are looking for, you may need to bring in a value advisor who can help you get to your target multiple. In addition, you may need to partner with an **investment banker** or **consultant**.

Your wealth advisor can help lead the advocate team in order to make sure that the sale is aligned with your comprehensive wealth plan. This plan should not only outline the personal objectives you have identified, but also include different scenarios from the sale of the business. Your wealth advisor will look at the tax impact and timing of the sale and work with your personal accountant and **estate planning counsel**. This will ensure that you have a plan that meets your liquidity needs for future ventures, whatever those may be.

Your wealth advisor will also make sure to include financial planning strategies such as charitable giving and generational wealth planning, based on your objectives. In particular, generational wealth planning should be included in the transaction conversation. You may have the option to gift shares of the company to other family members, which can remove the asset and any capital gains taxes of the sale out of your estate. The combination of strategies used for wealth transfer—such as tax deferral/minimization and charitable gifting in advance—is an opportunity that may not be available once the sale of a business is imminent. So, again, advance planning matters.

It can't be stressed enough that timing is key and that partnering with a wealth advisor will help make these transactions go as smoothly as possible.

Your "A Team" for selling your business may include:

- Wealth advisor
- Accountant
- Attorney
- Consultant
- Investment banker
- Estate planning counsel

3. Ready your vessel

Preparing your business for sale

Finally, you need to make sure your business is shipshape. This is the most complex part of the process, because so many variables can affect the outcome. Key questions include:

- **Is my business worth what I think it is?**
- **Do I have a current valuation?**
- **What improvements or value enhancements can be made to position the business for the best possible sale price?**
- **Do I want to remain on in some capacity with the business post-sale?**
- **Am I leaving the business in a good position to be prosperous once I've stepped away?**
- **How will a transaction impact other stakeholders like employees and clients?**

These are just examples of some of the most important questions you'll need to address; the team you assemble will make sure that you revisit your personal, financial, and business goals throughout the process to make sure they remain in alignment.

Get the price you are looking for

Your advocates can help you uncover an array of factors that impact the value of your business. Red flags to potential buyers that may impact your valuation include:

- Customer concentration
- Dependence on the founder
- Quality of the financials and reporting
- Brand awareness
- Growth trajectory

The discovery process with your investment banker, advocate or consultant will lay out your options, and help you identify which type of buyer might make the most sense for your business.

Find the right buyer

The goals and objectives you set will help determine which type of buyer may be best suited for your business. There are many different types to consider:

INSIDE BUYERS

- A current partner
- Management team
- Employee Stock Ownership Plan (ESOP)
- Intergenerational/Family transfers

OUTSIDE BUYERS

- **Strategic buyers** | These are companies that may want to acquire your firm to enhance their own businesses. They may be looking to buy your company to increase their own capabilities, build their product line, expand their geographic footprint, or other strategic factors.
- **Financial buyers** | Typically, these are private equity companies looking to increase cash flow and grow the business with the intent of selling it at a profit or taking it public down the road. A financial buyer may also be interested in buying a portion of the firm, allowing you to stay engaged.

Ultimately, your goals may determine the type of buyer who ends up buying your business; it's a balancing act. That's why it's so important to revisit your key objectives. If, for example, your business valuation is less than you had expected, you could decide to delay retirement for a few years and work with a consultant or value advisor to help you grow your business to achieve a higher valuation. You may want to bring on an additional investor to help grow the business. Or, your business could be worth more than you thought, and you could opportunistically make a deal sooner then you expected.

The voyage will likely be filled with unexpected developments. The key to finding success is to prepare well and remain flexible.

Make your next journey a great one

Navigating the complexities of selling a business is no small feat. But if you start early and get a great team on your side, it can be a fulfilling experience.

At Mesirow, our knowledgeable wealth advisors have extensive experience helping business owners like you manage this transition. We can assist you in clarifying your intentions for the transaction, building an experienced team of advisors who will facilitate the transition, and making sure the sale remains aligned with your core long term goals.

And importantly, once the sale is complete, your Mesirow wealth advisor, accountant and estate attorney will still be with you after everyone else's work is done. We'll revisit your comprehensive financial plan frequently and ensure you remain on track to successfully meet your goals and objectives.

If you are considering selling your business now or in the future, contact us today to learn how a Mesirow wealth advisor can help you set sail for your next great adventure.

To learn more, visit mesirow.com/wealthmanagement, call 847.681.2300 or email wealth@mesirow.com.

About Mesirow

Mesirow is an independent, employee-owned financial services firm founded in 1937. Headquartered in Chicago, with locations around the world, we serve clients through a personal, custom approach to reaching financial goals and acting as a force for social good. With capabilities spanning Private Capital & Currency, Capital Markets & Investment Banking, and Advisory Services, we invest in what matters: our clients, our communities and our culture.

Mesirow Wealth Management is the firm's founding capability. We are the initial namesake business of Norman Mesirow, whose vision was to serve with purpose, applying the highest standards of professionalism in advising individuals and families on their most important life goals.

We look forward to having an opportunity to serve you and your family.

1. Source: Walking to Destiny by Christopher Snider.