

How Boomers can prepare to sell their businesses

Denice Gierach, Daily Herald 02/21/2022

There have been quite a few baby boomers who are either thinking about selling their businesses, or actually selling their businesses.

Sometimes the reason for this is that their friends are retiring and moving to a warmer climate like Florida. Many boomers are finding that running their businesses has become very unpredictable due to the political climate and other recent factors. While their business provides them with good income, they are finding that they are working harder than they ever did before.



Regardless of the reason for this trend, it is apparent that many business owners do not know what the steps may be to sell the business. Many have no idea of what their business is worth. Many do not know how to increase that value before the business is sold.

Because of this, it is a good idea to allocate a three-to-five-year runway to have things in place to be ready to sell the business.

Here is a shortlist of some items that the potential seller needs to do, in order to have a successful sale:

- **Have a valuation done by a professional valuation company.**

You don't need an elaborate 40-page valuation report done. What you need to know is what the "rule of thumb" valuation is for your business in the industry that you are in. This may be a multiple of sales or a multiple of EBITDA.

You need to know where you are now. You also need to have conversations with that valuation person regarding what you can do to increase that value. Why are other businesses that are sold in the industry you are in selling for a higher price than your valuation?

Most business owners are surprised to learn that their businesses are worth a lot less than they thought but never take the time to work with a valuation expert to find out why and what they can do in the next three to five years to improve it. A good business attorney can arrange this for you.

- **Make sure that you don't wear too many "hats" in your business.**

What that means is that the only hat you should be wearing is that of CEO and visionary. You need to have the proper team members in place to do all the other jobs.

If you handle all the jobs yourself, a potential buyer will likely offer less money in the sale. This is because the buyer will need to add people to take over the positions that you are filling, which reduces the potential future income to the buyer. Remember that buyers pay for businesses based upon what future earnings that they expect to see.

- **Review your financial statements with your CPA in line with the potential for a sale of your business.**

You may not have paid attention to your financial statements, but you want to have your statements be clear and transparent to a potential buyer.

- **Set out your vision and have the team buy into that vision, so each team member can repeat it to a potential buyer if you have a serious buyer.**

It is important for the team to be able to be excited about the future of your company.

- **Grow your business.**

This seems counterintuitive if your plan is to sell the business, but it is usually necessary. Find ways to increase your sales. Have your team develop or find new products that are compatible with your existing products. Find a business that is similar to yours and compatible with your company and consider a purchase. Look at your business through the eyes of a buyer. What are they looking for?

If you do all the above, you will find that you have a greater ability to sell your business at a higher multiple and either reinvest your proceeds in another business, if you are a serial entrepreneur, or go live the "good life."

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