You've Decided to Sell Your Family Busiess. What's Next?

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SUCCESS BUSINESS OWNERS KNOW how to *run* their business, but typically, not how to *sell* their business. Selling a family business takes a great deal of forethought; even if you are planning to sell well into the future, you should start planning now. And it requires high-level thinking and professional skills to avoid costly mistakes; so part of your planning should include assembling the right team of advisors.

Here are some things to think about if you are considering selling your family business:

- **Maximizing the value of your business.** Is your business still growing? Or is it in decline? How is the economy? What types of multiples are being assigned to businesses in your industry?
- **Family Dynamics.** Have you planned to pass the business down to the next generation or sell it?
- **Team of Advisors.** Do you have experienced professionals in place to help you with a sale? Do they collaborate? Do they offer insight and expertise? Do they understand your goals and your business's finances?
- **Buyers.** Have you identified a person or company to buy your business? If not, do you know how to seek out a ready and capable buyer?
- **Getting Ready for a Sale.** Do you know what steps to take leading up to preparing for a sale? Is selling appropriate given your personal financial plan?
- **Financial Planning.** Have you worked with your financial planner to determine if the sale will produce the desired retirement income? Or will you need to remain in the business?
- **Estate Planning and Gifting.** Have you completed a proper estate tax plan? What steps do you need to take after the sale? Is your personal estate subject to taxation?Are you gifting or planning to make gifts for estate tax purposes? Do you have charitable giving aspirations? Have you found the right experts in estate tax planning and charitable giving?

As a business owner, you know the success of your closely held business demands time and sacrifice.

TIMING IS EVERYTHING

Imagine you needed to sell your business in 2008 or 2009. If you were lucky enough to find a buyer, you probably would not have gotten a premium price. Today offers a much better economic backdrop. Mergers and acquisitions are up. Private equity firms and corporations have compiled record levels of cash. Well-positioned, closely held businesses are selling for higher multiples.

A HAPPY FAMILY

As a business owner, you know the success of your closely held business demands time and sacrifice. Your family can benefit by status, wealth and even a sense of familial heritage. Passions can run high when choosing to transition or sell a business, so managing family dynamics is a critical component of a successful sale.

When the sale is handled with thoughtfulness, your family relations can be preserved and enhanced.

You may decide to groom a family member as your successor or bring in outside professionals to manage your business. If you don't have a successor and an outsider is out of the question, your business should be sold.

When the sale of your business is treated with transparency and is properly communicated to family members, your family dynamics are given the same priority and respect as other aspects of the sale. When the sale is handled with thoughtfulness, your family relations can be preserved and enhanced.

ALL THE RIGHT ADVISORS

A large sale should include expertise from many professionals including your CPA, specialized attorneys, an investment banker or business broker, a qualified appraiser and a financial planner.

Your CPA probably understands your business and its structure, and is familiar with the day-to-day operations. Since many businesses sell for millions of dollars — or tens of millions, or more — the sale could generate a substantial tax burden. Your CPA should help you minimize the amount of tax from the sale while working with your other advisors to ensure the sale is handled with utmost thoughtfulness and care.

An estate planning attorney can help you establish trusts and other legal documents necessary to plan your estate and minimize estate and gift taxes. Given the top estate tax and gift rate in 2019 of 40 percent, utmost care should be taken when planning your estate, especially if you will exceed thresholds. In 2019, the estate and gift tax basic exclusion amount is $11,400,000 for individuals and $22,800,000 for married couples who use portability and the unlimited marital deduction. There are many strategies to employ to minimize estate and gift taxes, so an estate planning attorney should be brought in early in the sale process.

A corporate attorney can help you structure your deal. Their job is to properly execute the sale. The corporate attorney should collaborate with your other advisors. Given the size of the transaction, all your professionals should work together as a team.

The sale of your business may also include an investment banker. For larger businesses, you may want to consider bringing in the investment banker to maximize your sales price. An investment banker who specializes in your industry will help you identify buyers and work alongside your corporate attorney to negotiate the deal. Smaller business owners may want to consider using a business broker instead of an investment banker.

The advisor you choose should have an in-depth understanding of business succession planning.

Qualified appraisers are critical for tax purposes. Their valuations will be used as the basis for irrevocable gifts to trusts, family members and charities. The tax code allows for valuation discounts applicable when transferring shares in the business to family members. Their specialized knowledge, in combination with your other professionals, can help you greatly reduce or eliminate estate and gift taxes.

Your most important advisor could be your financial planner. An experienced financial planner may carry more than one designation such as a Certified Financial Planner®, Chartered Financial Consultant®, or Chartered Life Underwriter®. The advisor you choose should have an in-depth understanding of business succession planning. A good advisor will help you understand your big picture because they have the broadest understanding of your financial condition and objectives. They are the one professional who combines expertise in the fields of investment, tax, business valuation, estate planning, insurance and retirement planning. Your financial planner can also help you determine if there are enough after-tax proceeds from the sale to invest to achieve your lifestyle goals.

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