

Selling a Small Business and Succession Planning

FOR A SMALL BUSINESS



FDIC



SBA

Welcome



1. Agenda
2. Ground Rules
3. Introductions

Objectives

- Change ownership of a business through selling, closing, or handing to a successor.
- Establish an exit strategy for retirement including a succession plan, transfer of ownership, and taxes.

What Do You Know?

What do you know or want to learn about selling a small business and succession planning?



Why Sell?

- Business or Professional reasons include
 - An advantageous job offer from another company
 - A promising offer to buy your business or business assets
 - Sales and profits are not enough to meet your needs
 - Market or industry changes

Why Sell?

- Some personal considerations include
 - Ready to retire
 - Burned out working for yourself
 - Personal issues such as health or family needs
 - Desire to go in a new direction

Discussion Point #1: Reasons for Selling the Business

What is the main reason for selling your business?



Steps to Selling a Business



Determine If Business is Saleable

- Strong profits
- In an attractive industry
- Potential buyers
- Good assets
- Quality inventory
- Transfer to another person
- Healthy balance sheet



Determine Your Price

- Valuing the revenue stream
 - Net profit over time
- Valuing the assets
 - Cash
 - Receivables
 - Inventory
 - Equipment
 - Real Estate



Prepare For Sale

- Resolve Problems
- Accounts receivable can be collected
- Prepare financial statements
- Provide business plan
- Secure relationships
- Sell old inventory
- Office equipment is in good order
- How will you be compensated

Look for Prospective Buyers

- Employees
- Customers
- Business owners
- Competitors



Negotiating the Deal

- Qualifying your buyer
- Lump sum versus installments
- Non-compete clauses
- Management assistance
- Down payment
- Collateral



Discussion Point #2: Challenges of Selling the Business

What are some of the challenges of selling your business?



Closing a Business

Steps for closing a business

- Follow instructions in founding documents
- Sell business assets
- Cancel permits, licenses, lease agreements
- Comply with federal income tax laws
- Resolve outstanding issues with customers, creditors, and suppliers
- Maintain records
- Get professional help

Planning Succession

A plan for someone to either own or run your business after you retire



Discussion Point #3: Benefits of Selecting a Successor

What is the most important reason for selecting a successor?



Issues to Consider in Succession Planning

- Start early
- Identify successors
- Train successors
- Plan for tax exposure
- Get legal advice



Planning Retirement



Retirement Plan Benefits

- Employer contributions are tax-deductible.
- Assets in the plan grow tax-free.
- Flexible plan options are available.
- A retirement plan can attract and retain better employees, reducing new employee training costs.

Employee Benefits

- Reduce current taxable income
- Not taxed until distributed
- Easy to make through payroll deductions
- Compounding interest over time
- Retirement assets can be carried from one employer to another
- Opportunity to improve financial security in retirement

Retirement Plans

- Common Retirement Plans
 - SEP
 - SIMPLE
 - 401K
- Make regular contributions
- Get professional advise



Top Three Key Points to Remember

- Plan for the possibility of selling and closing a business
- Start making plans as soon as possible.
- Create a retirement plan you and your employees



Conclusion

- You learned about:
 - Reasons for selling and closing a business.
 - Steps for selling or closing a business
 - Steps for succession planning
 - Benefits and steps for creating a retirement plan.

Summary

- What final questions do you have?
- What have you learned?
- How would you evaluate the training?

