



THE PRIVATELY HELD BUSINESS

Selling your business outside the family?

Three issues to consider when transitioning your business to a third party

The decision of when and how to sell a privately held business is often based on three factors: economics, emotion and need. When a business owner eventually decides to exit the business and sell to a third party, the future can suddenly become very uncertain. Yet, once the decision is made, the seller often moves in haste—a tactic that can be less than ideal in the long term. If you're thinking about selling your business to a third party, the following considerations can help you position yourself for success, both pre- and post-sale.

1) Selling is a long-term process

Ideally, you should allow at least three years to plan, prepare for and implement the sale of your business. During that time, you'll want to make sure key business areas are in order, including:

- Cleaning up the company's balance sheet, if necessary
- Considering whether key employees should be retained
- Organizing and solidifying contracts, business records and other important documents

TAKEAWAY: Take the time to put your best foot forward to maximize the value of your business.

2) How you structure the sale matters

How you structure the sale of your business can have far-reaching implications. There are many approaches to consider, including:

- Asset sale vs. stock sale
- Cash sale vs. earnout sale
- Installment sale

TAKEAWAY: Consult your team of trusted business, wealth and tax advisors to optimize the sale of your business.

3) Dealing with liquidity can be an adjustment

A large liquidity event is a significant life development for business owners—one that may require both emotional and financial preparation, as well as a major shift in mindset. Managing wealth differs from business ownership and involves additional considerations, including:

- Moving from a concentration in the business to a diversification of assets
- Defining risk for the newly diversified assets
- Setting realistic return expectations for the new liquidity

TAKEAWAY: Managing wealth often requires more structure, more delegation and a different type of management than running a business.

Although selling a business can be wrought with uncertainty, as a successful business owner, you have likely surrounded yourself with expertise. Similarly, a team of advisors who specialize in the various aspects of selling a business—from preparing for and structuring the sale to developing a plan for your wealth—can help guide you to ensure a successful transition. **For more information, visit our [The Privately Held Business](#) resource page.**

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