

December 2018 - In This Issue:

50 POINT ACTION PLAN

INDUSTRY KNOWLEDGE

DETAILS & DISCLOSURE

WHAT IS MY BUSINESS WORTH

DETAILS & DISCLOSURE

My Father-in-Law passed away in October. He was age 81 and for the past two years his health had declined. He's in a better place - not suffering any more R.I.P.

My wife is an only child. This makes me the guy that is looking through records to see what he owned, what he owed, and how to deal with it. What am I finding? A lot of things that were not known to my wife and me. Why? Because he didn't tell us because he was never open about many things, specifically financial things. We also share the blame because we didn't ask! As his health declined, we SHOULD have pushed harder for more information as it would have made the current "discovery" of the details a lot easier. What we've found is a number of things like annuities, investments, retirement fund opportunities to recover medical costs, and I

PREPARING TO SELL YOUR BUSINESS 50 POINT ACTION PLAN

The last seven issues of our newsletter were devoted to preparing to sell your business. Those seven newsletters contained a total of 50 action items which are summarized below:

Preparing to Sell Your Business - Planning Considerations

- Learn the realistic value of your business - obtain an informal business valuation
- Learn the realistic value of your commercial real estate (if applicable) - obtain informal valuations
- Understand the reality of your existing personal financial situation
- Determine your ultimate transition goal (transition to a family member, co-owner, employee or third party)
- Estimate the timing of your desire to sell
- Project your future living/lifestyle expenses as well as future income

Preparing to Sell Your Business - Minimizing Buyers' Risk

- Understand the need to have Seller's Discretionary Earnings (SDE) in excess of \$100,000
- Understand the reasons it's best to have consistent and reliable SDE
- Understand the need to have key employees (second-level management)
- Understand the need to minimize customer concentration
- Understand the importance of reliable financial information
- Understand the business sale process (including the importance of confidentiality, non-compete agreements, the need to provide training, the need to consider seller financing and the need to address obstacles and disclose negative issues)

Preparing to Sell Your Business - Improving Accounting Procedures

expect we likely will find other things that will come to light in the next weeks and months. The financial value of everything is not large at all - but it is what my wife's family worked for and should be recovered for my wife. What's the relevance of this? A suggestion and maybe a warning. The financial matters in our personal lives need to be kept track of and made available to our families. Details are important! The financial matters of our Businesses are equally important - so if something happens to us, our families know what is there and hopefully have a plan to deal with it. Business ownership is often the largest Asset in an Estate - and we as Owners have an obligation to protect that value for our heirs. Disclosing details is a huge step in the process. By the way, if we keep good records of things that we benefit from as business owners and can substantiate those benefits to a buyer when it's time to sell, the value of the business goes up. Buyers can't rely on things we can't specifically identify. Document the details and have them available to disclose to those that have a need to know - family and possible buyers. You might ask yourself and also "What are your loved one's wishes?" Even if you or they haven't thought a lot about it, it's important to **Document & Disclose Details** - both personal and business - it's the right thing to do.

WHAT IS MY BUSINESS WORTH

- Replace tax minimization policies with profitability maximization policies
- Eliminate cash-basis accounting and switch to accrual-basis accounting
- Stop running personal expenses through the business
- Stop skimming unreported cash transactions
- Stop recording capital asset acquisitions in expense accounts
- Stop understating inventory (which overstates costs of goods sold)
- Improve your inventory accounting system
- Track key business metrics on a monthly basis

Preparing to Sell Your Business - Improving Profitability

- Increase your gross margin percentage
- Increase your sales and marketing efforts
- Develop (or improve) your website
- Consider marketing automation to significantly increase your revenues
- Identify opportunities to cut unnecessary costs
- Eliminate under-performing employees
- Collect on overdue accounts receivable
- Concentrate on your successful niche - discontinue unprofitable (or marginally profitable) services/products

Preparing to Sell Your Business - Systemize and Document Your Business Operations

- Systemize and document your business operations
- Identify opportunities for increased efficiencies
- Develop second-level management to minimize your importance to success of the business

Preparing to Sell Your Business - Identifying Assets

- Develop a list of assets and verify their existence
- Identify assets to be excluded for a sale of your business
- Learn the value of your commercial real estate (if applicable)
- Sell non-productive assets no longer used in the business
- Sell excess, old or obsolete inventory
- Identify and document intellectual and intangible assets such as patents, trademarks, copyrights and exclusive agreements

Preparing to Sell Your Business - Writing the Buyer's Business Plan

It will cost you absolutely nothing and there is no obligation in giving us a call or an email to request a simple valuation of your business. Relying on a professional that understands your industry is important. It is also wise to work with someone who is aware of current trends; and that is working with both buyers and sellers daily. This approach insures you plan for and receive the maximum return on the transfer of your business.

NEXT ISSUE

35 REASONS OWNERS SELL THEIR BUSINESS

CONTACT US

- Develop the "sizzle that sells the steak" to streamline the sale process
- Concentrate your efforts on the qualitative aspects of the business plan
- Identify opportunities for growth and increased profitability
- Anticipate and answer due diligence questions within the business plan

Preparing to Sell Your Business - Housekeeping

- Eliminate clutter in the business. Try the "four-box" method
- Sell or discard non-productive assets and inventory
- Remove personal assets and mementos that will not be included in the sale
- Clean the facility (consider a comprehensive cleaning by a commercial cleaning company)
- Clean the restrooms and replace toilets and sinks (if applicable)
- Repair signs, replace lights and stained ceiling tiles
- Consider painting where necessary
- Clean up exterior landscaping (if applicable)
- Consider upgrading computers

The sooner you begin taking these action steps, the greater the likelihood of selling your business at maximum valuation. Don't wait, though. It's never too early to start! As a side benefit, many of these steps will result in more take home pay for you during the years you continue to own the business.

INDUSTRY KNOWLEDGE & ACCESS TO BUYERS NATIONWIDE

Our presence as a Professional Business Broker is extended nationally as a result of being associated with associates located nationwide. We also bring decades of experience and functional expertise in all the popular market segments as a result. Nothing takes the place or value in that of experience.



We partner with our clients to deliver solutions that help solve their most complicated needs prior to, during, and at the conclusion of the selling process. Our services are designed specifically to help small/medium size businesses and at a small business price. We go beyond the norm to develop new insights, prepare, market and drive results in the sale, thus insuring you receive the most value at closing.

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