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October 2020 - In This Issue:

OWNERS WHO CANNOT AFFORD TO SELL

"LIFE AFTER"... By John Zoellner & Morgan Vaive

"LIFE AFTER"...

By John Zoellner, BCA, MCMEA And Morgan Vaive

There have been more than a few times in 2020 when we have all thought of **"What will life be after"** something we're dealing with. Life After sports, Life After dining out, and for many there has been Life After going to the office every day and adapting to working remotely. Hopefully, there will be Life After wearing masks and the threat of Covid. There will always be "Life After" events.

One "Life After" business owners should consider is Life After selling their business. After a sale, almost all Owners/Sellers remain part of the Business during transition to assist the Buyer with getting to know the Business. That timeframe could be for a few months to a year, and the immediate Life After is an adjustment as the Seller is no longer the Owner. It's the first step to Life After leaving the business. Considering what Life After owning a business should be is part of deciding if it's the right time to sell your business. Yes, the financial considerations are always there,

OWNERS WHO CANNOT AFFORD TO SELL

Owners Who Cannot Afford to Sell a Business

It happens. Owners step into the process of selling their business without sufficient consideration of their personal situation, their finances, or the tax implications of a sale.

Such an owner may receive a fair offer from a qualified buyer and then come to the realization that he cannot afford to sell the business. Lack of planning an exit strategy kills another deal! It occurs way too often.

Estimate your future income and expenses

Selling your business requires some foresight. Owners who intend to retire need to determine if they can afford to sell the business. One of the first steps in making that determination is to estimate your living expenses in retirement. Depending on individual circumstances, lifestyle and expectations, some may need \$3,000/month to feel comfortable in retirement, others may need \$15,000/month. In most instances, the business sale is not the only amount contributing to retirement. There may be spousal income, Social Security, other retirement income and plans, Individual Retirement Accounts, annuities, other types of investment securities and savings, real estate holdings, life insurance cash value, etc. The time to get a handle on your personal financial situation is long before you decide to sell the business, not after you receive an offer.

Determine the realistic value of your business

Owners' expectations should be based on the fair market value of the business, not on the amount an owner feels is necessary to retire. It's important to have a business evaluation so you have realistic expectations. If you receive a fair offer and turn it down, it is a huge waste of your time and effort as well as that

but there are other aspects that might be more important. What will you do? How will you occupy your time? Where will you do it? Will you relocate? How will you adjust? Will you be bored? Will you have regrets?

We've known many - most actually - business Owners that loved Life After owning their business. They had in some cases specific plans, in some cases tentative plans, and some had no plans. But most said that they were pleased or relieved to not have the pressure of running the business any longer. We've also known some that found it hard to adjust, and fortunately those are rare. We've had a few cases, fortunately only a few, where the Owner got right to the Closing and decided not to sell. It just wasn't time to make that move and they realized it before it was too late. One of our roles as Advisors to business owners prior to committing to sell is to attempt to find out if the selling is really what the Owner wants. The one certainty is that there will always be change. If the time is right to sell, great. If it isn't, it's better to figure that out before proceeding with the sale process. One very common question business buyers ask is "Why is the Owner selling?" In regard to Life After the sale of our Business, let's have a discussion.

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of the prospective buyer. If you cannot afford to maintain your lifestyle after selling the business at its existing fair market value, that needs to be clear before putting the business on the market, and you must instead work to improve the value of the business by increasing your seller's discretionary earnings.

Owners also need to consider the tax implications of a sale

In most instances, you will owe the government a considerable amount in taxes from the proceeds of the business sale. Prior to selling the business, owners should obtain professional tax advice based on a realistic estimate of their business' fair market value to determine how much they can expect to net from a sale of their business. Don't wait until you receive an offer to make that determination.

Develop a post-exit plan

If you intend to sell but do not intend to retire, start thinking about your future plans prior to selling the business. If you are not comfortable with your future plans, the fear factor may prevent you from closing on the sale of your business, again resulting in a huge waste of time for all involved parties.

The key to a successful sale of your business is preparation. That includes having a business evaluation to determine the fair market value so you have reliable and realistic information on which to base your decision-making process.

Can you afford to sell your business? We can help you make a wise decision.

NEXT ISSUE

***C-Corporation Tax
Implications***

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