

Who is the Right Buyer for Your Business?

What a great question, a question which many business owners would like to know the immediate answer to. However, it's not necessarily the first question a business owner should ask. Instead, business owners should be asking themselves about their motivations and goals for a business sale, and determining the best sale route to take.

Find the Approach that is Right for YOU and Your Sale Motivations

As a business owner, you are obviously going to have motivations to sell, but which are the most important? Top motivations could include an immediate sale for retirement or to pursue other interests, getting the best possible sale price, or even a transfer of business ownership after which you remain involved with the company. No matter what your motivation for your business sale, it is important that you find the best sales strategy for your needs and goals.

Business Sale Approaches

Sell your business to a partner – full or partial sale

As many partnerships are started with documents which include a buy-sell agreement outlining how a partner will sell to other owner(s), this maybe a convenient route to take as price and procedure are already in place for selling your part of the business ownership. Situations vary, but selling ownership to a partner may cause the least disruption to your business during a sale and ownership transition.

Sell your business to a supplier, competitor or other business currently involved in your business – full or partial sale

When looking at a strategic sale or a sale to a Private Equity Group, you have to consider their motivations along with your own. These types of sales are done on the basis that the buyer's goal is to integrate the purchased business into their existing business or platform in order to grow and expand. This type of business sale can be beneficial for immediate payoff with a good selling price. Just keep in mind that sale terms generally require the existing business owner's continued involvement with the business.

Sell your business to an outside individual (someone that is not currently involved in your business)

Oftentimes, an individual sale is completed when a buyer is looking to be the owner of an established business instead of building their own. There are many benefits to the buyer in this type of sale, including established clientele and reputation. If your business is in good condition and an attractive sale opportunity, an individual buyer can provide an opportunity to accomplish a wide range of objectives to align with your motivations.

Transition your business to family members

A transition to a family member or family members is a widely popular sale approach as it applies to around one third of small business owners. Selling to a family member involves a lot of advance planning

and a generous timeframe. This type of sale does allow for the business owner to determine future involvement and allows for minimal disruption for clients and current staff.

Sell your business to key employee(s)

Selling to an employee who is capable of taking over the business can be similar to transitioning to a family member in the sense that it allows for the business owner to be flexible in determining future involvement and usually allows for little disruption for clients and staff

Selling to employees is a bit more complex as it involves a tax-qualified, defined employee benefit plan, called an Employee Stock Ownership Plan (ESOP), via which the employees buy shares of the business over a period of time which is determined by how the transition plan is structured. While this business sale approach takes a lot of planning and advice, it has tax benefits and proceeds may be tax-free. With this sales approach, you can phase out business owner involvement while empowering the employees with future ownership of the business.

Liquidate your business

Want to leave the business behind completely? Liquidation could be an option. This approach involves selling assets, collection of outstanding receivables, payment of debts, addressing contractual requirements, the release of employees and finalizing any legal or financial obligations to close the business. If your business has issues and you want an immediate exit, liquidation can be a faster, easier way to recover some value while investing no further time or money into the business.

Other Options for your Business Sale

Along with the above options, there are a couple of other options for your business sale. Going public or being involved in a business merger are some more complex options that require significant legal and accounting assistance.

If you are looking to exit your business or establish a transition plan, please [contact United HealthCare Capital](#) to inquire as to how we may help you meet your goals.

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