

## HOW DOES ONE DETERMINE IF NOW IS THE RIGHT TIME TO SELL?

Answering the question, “Is now the time to sell?” can be a tricky one, as it depends on a wide variety of complex factors. Many studies are pointing to the fact that as baby-boomers retire there will be a dramatic spike in the number of businesses for sale.

In general, the view is that as the baby-boomers retire, they will be selling their businesses. In one study, an eye-opening 57% of business owners noted that age was indeed a factor in their decision to sell and move on. Additionally, another study found that 75% of owners with revenues between \$1 million and \$150 million wanted to sell their business in just the next three years. Added together, it becomes clear that there will likely be a lot of businesses for sale in the near future.



There are both good reasons to sell now as well as some reasons to consider holding off. Let’s first take a look at some of the most important variables and begin by looking at the key reasons to sell now.

### **Why Sell Now?**

The issue of capital gains tax rate is one to discuss with your accountant, as this rate may impact whether now is the right time to sell. A second reason to consider selling now is very straightforward: you’re burnt out.

Burn-out is very real and if you are burnt-out, then selling may be a good idea for many reasons. If you’ve simply had enough, your business will suffer as a result, as you will end up putting less creative energy and effort into the business. Maybe you’re losing customers or are paying a supplier too much and you simply don’t care or feel like investing the time to remedy the situation. This is a bad sign. The ultimate result of these decisions may be a decrease in the value of your business as you lose market share, customers, and momentum.

When you’ve “had enough” selling is usually a good idea.

### **Reasons to Wait**

Currently, the economy is growing, and that is yet another reason to consider selling. But there are also reasons you might want to wait. Let’s consider the flipside of the issue.

But what if your business had a down year but you know that next year will definitely be better and prosperous? Let’s say you’ve landed a new large client, or an existing client is boosting spending. In these scenarios, waiting a year to sell is likely an excellent idea.

In such a situation, you will likely achieve a much better final sales price for your business. However, waiting a year does come with some risks even if you have a new client or new contract.

For example, what happens if a new competitor enters the market or there is a major economic downturn? We can never fully hope to predict future movements in the market or market trends, and that means there is always risks associated with waiting to sell.

Another factor to consider is whether or not there could be a tightening of credit. Most buyers will need to finance a significant portion of the purchase of your business. If lending requirements tighten, selling your business could be much more difficult as a result. Even if your businesses financials improve dramatically while you are waiting to sell; if credit tightens, then it could end up being more difficult to sell.

Remember that the time to plan your exit strategy is when you start your business. The simple and undeniable fact is that your business owners, no matter how savvy, simply can't outgrow factors such as aging, interest rates or capital gains.

In the end, the time to sell is when you are ready to sell. That stated, tax implications should be weighing heavily on your decision to sell during the next two to three years. Working with an M&A Advisor can help you gain clarity as to whether or not now is the right time to sell!

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