



**Talking Points for Business Owners: Why Now Might be the Right Time to Sell**  
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On average, privately held companies are sold every seven years and it is generally accepted that 20% of all privately held firms are for sale at any given time. Thus, it is important for business owners and their advisors to be aware of the issues that will affect private business sales.

At this time, we feel that over the next several quarters there are several macroeconomic factors that will have a material impact on business owners who are considering the sale of their businesses. We have outlined them here for you and your clients to determine what, if any, action should be taken to minimize their exposure while maximizing the net retained proceeds from a business sale if such course is taken.

Neither ENLIGN Business Brokers nor its brokers are licensed attorneys or accountants. While ENLIGN is committed to continuing education and voluntarily maintaining certifications from the International Business Brokers Association and American Business Brokers Association, care should be taken in selecting business brokers as there is no regulation or oversight of the industry within North Carolina. We strongly advise all clients and prospects to also retain qualified transaction professionals for legal and accounting/tax matters.

***Business Transaction Statistics:***

Business Brokers reduce the average time required to sell a business to 9-12 months. Thus, planning and preparation for the sale of a business should commence at least one year in advance of the desired exit with longer being preferable.

Attempting to sell a business without the assistance of a qualified transaction attorney, accountant, and business broker often results in improperly documented agreements, poor valuations, breached confidentiality and unnecessary tax burdens. Further, records show that businesses marketed by a qualified broker are three times more likely to result in a sale. Selection of a qualified team is the first item on the transaction-planning checklist.

***Current Issues affecting Business Owners in 2008:***

Barack Obama, the President elect has stated he will support raising the Federal long-term capital gains rate to 28% from the current 15% rate. What this means for business sellers is that monies allocated to goodwill will be taxed at 28% rather than 15% - an increase of 46% being paid entirely from the seller's proceeds. Those considering a sale in 1-2 years might elect to move up their timeline to retain more of the proceeds from closing by selling before such an increase can be enacted. Some financial analysts are predicting an increase to as much as 35%, although most believe 28% is most probable.

In 2006 the oldest of the baby boomers started turning 60. Of the approximate 83 million of them, many are business owners and many will be looking for exit strategies over the next 5-10 years. Supply and demand will surely apply to the market for businesses for sale. As supply increases, demand will likely remain consistent with prior periods. Business owners who list their businesses earlier in the cycle should receive higher multiples as a result of being on the favorable side of supply and demand curve.

The sub-prime meltdown has affected everyone. Its impact on business sellers is being felt as banks tighten credit lending standards and fewer buyers are able to obtain financing. The mid-term forecast is that fewer qualified buyers will create additional pressure on business values.

Fuel costs have dropped substantially leading up to and immediately after the US election providing some relief to business operators and American families. Now that prices have dropped and the election is over business buyers are once again beginning to gain confidence in the economy and their ability to profitably operate a business. We are seeing that businesses with sound financials and buyers with reasonably strong credit are being financed.

### ***Final Considerations:***

Experienced advisors should be considered to manage the process of selling a business to insure confidentiality and allow the business owner to remain focused on operating the business.

Business Brokers are an effective resource to value, market, negotiate and advise business sellers. They do not take the place of attorneys or accountants; rather they work as an intermediary by and between the parties to assist in completion of a transaction.

With the likely increase in Federal capital gains tax, the retiring of baby boomers, tightened credit markets and currently low fuel costs and buyer confidence now is an ideal time to consider selling privately held companies.

Should you wish to discuss any of these issues in more detail please contact Jeff Snell, ABI, CBI, Principal Broker and Founder of ENLIGN Business Brokers at 919-341-1100 or [jsnell@enlign.com](mailto:jsnell@enlign.com).

Additional white papers are available at the firm's website, [www.enlign.com](http://www.enlign.com) to attorneys and their clients without charge.

ENLIGN Business Brokers works with transaction attorneys and accountants representing profitable privately-held, NC companies for sale with gross revenues in excess of \$1,000,000.00. We deliver the highest market value in the shortest amount of time™, with complete confidentiality.