

Selling a business

THINGS TO REMEMBER

Congratulations! The due diligence is done and you and the buyer are satisfied with the deal. You're getting ready to schedule a closing date where you and the buyer, along with your advisors and other professionals, will dot the i's and cross the t's. So what should you expect before crossing the finish line?

BE PREPARED FOR SOME EMOTION

By this stage, you've met and approved a buyer and settled all the major terms. You may even have had a few deals fall apart along the way, making you anxious to see the sale through. But now the transition comes into focus and becomes more real. The business you've nurtured for years will officially belong to someone else once all necessary documents are signed. You may alternate between elation and sadness, a sort of bittersweet feeling as you start a new chapter in your life.

TAKE ANOTHER LOOK

Before you complete the deal, you'll need to review the final documents, such as a bill of sale, closing statements, non-compete agreements, leases and other legal documents. There may be some last-minute negotiation regarding price, payment structure and possible tax implications in order to reach the final deal, but once you and the buyer approve the documents, you can schedule a closing date.

It's important for you to understand exactly what's in a sale of business agreement so you'll know what to expect, when to negotiate and how to potentially maximize after-tax proceeds and minimize future liabilities. Having trusted advisors, like your business broker, financial advisor and attorney, by your side is essential to getting to the finish line.

The process

- ▶ **Work through business transfer agreements.** These agreements include the bill of sale, assignments of leases, contracts and intellectual property, and stock transfer, among other details.
- ▶ **Decide how the closing will occur.** Will each party meet with their respective team to sign the documents? Will you use an escrow agent?
- ▶ **Make last-minute adjustments to reflect closing-day valuations.**
- ▶ **Ensure your name is no longer on any business-related accounts** and that the new owner knows the usernames and passwords to any financial or online accounts, including business-specific social media profiles.
- ▶ **Walk through the business with the buyer** to review the equipment and inventory that will convey upon the deal. Be aware that some last minute price adjustments may be needed.
- ▶ **Exchange money and keys.** The buyer officially takes the reins as the new owner.

AFTER THE CLOSE

Even after the final close, you may not be completely done. You'll still need to file tax paperwork, and a qualified CPA or corporate accountant will be invaluable here. You may have also decided to stay on as a consultant to the business during a set period of transition. If so, be open and share how you communicate with employees, evaluate them, run the daily business – anything and everything that it takes to keep the business successful.

TIP

Remember that selling costs, such as legal fees and commissions, are deductible expenses.

Then there's the question of what to do with the proceeds. We can work together to decide how the payments will fit into your overall financial plan. We may want to earmark that money for life insurance, long-term care, investments or retirement income. It all depends on your needs now and in the future.

TIP

You may have decided to stay on for a few weeks or for a longer-term training period, but keep in mind that this transition period can be trying for everyone involved. You'll still be attached to the business, and your employees will need some time to get used to new management and a new way of doing things. Do your best to keep matters civil and positive during this stressful time.

HELPFUL HINTS



The Small Business Administration has a wealth of resources for business owners. **Visit [sba.gov](https://www.sba.gov) to learn more about selling or transferring a business.**

Essential information

You'll need to pass along some important information to the buyer to make the closing easier.

Don't forget about:

- ▶ Alarm codes, computer access codes and safe combinations
- ▶ Asset allocation statement (IRS Form 8594) to file with tax return
- ▶ Bill of sale or transfer documents for license, real estate and vehicles
- ▶ Keys to file cabinets, premises and vehicles
- ▶ Cashier's check
- ▶ Consent of entity owners to sale of assets
- ▶ Consulting contract (independent contractor agreement)
- ▶ Covenant not to compete (non-compete agreement)
- ▶ Customer lists
- ▶ Employment contract
- ▶ Escrow agreement for post-closing adjustments
- ▶ Insurance certificates for the policy covering secured assets
- ▶ Mortgage or deed of trust
- ▶ Owners' manuals for business equipment
- ▶ Promissory note
- ▶ Security agreement
- ▶ Statement regarding absence of creditors
- ▶ Supplier lists
- ▶ Title insurance commitment
- ▶ UCC financing statement
- ▶ List of all assets included in the sale, including fixtures, equipment, inventory and accounts receivable
- ▶ List of assets excluded from the sale (i.e., cash accounts, vehicles)

We can help

The sale of a private business is usually a once-in-a-lifetime type of event, but the implications affect your lifestyle, your financial future and even your family. Expert guidance can help you make important decisions based on objective analysis not emotion. We're available to work with your sales team to ensure your interests are well represented and that your bases are covered as you move on to the next stage of your life.

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