



A Seller's Guide:

Key Questions To Ask Before Selling Your Business

Table of Contents

Introduction	3
1. What's My Business Worth?	4
2. How Do I Value My Business?	5
3. How Do I Know if I am in a Position to Sell My Business?	7
4. How Do I Sell My Business When I Need to Focus on Running It?	8
5. How Will I Know if Someone Can Afford to Buy My Business?	9
6. What Are the Costs of Selling My Business?	11
7. How Do I Exit ROBS?	12
8. Do I Have to Terminate My 401(k) Plan When Selling My Business?	13
9. Should I Seek Outside Counsel?	14
Key Takeaways and Summary	15
Business Valuations and Appraisals Made Easy with Guidant	16



Getting Started: Selling Your Business

Thinking of selling your business? Start by exploring these nine key questions before putting your business on the market — guiding you to a sale strategy to help you secure the best deal possible.

Here, we'll review valuing a business, finding a buyer, the costs of selling a business, exiting the ROBS structure, and more.

Follow our Complete Guide on
How to Sell Your Business
for a comprehensive step-by-step breakdown
on selling your business the smart way.



1 What's My Business Worth?

First things first: Do you know how much your business is worth? **A business is only worth what buyers will pay for it — and how you value it must align with how the buyer values it.** When it comes to valuing a business, there is a range of methods to gauge a company's financial worth.

At Guidant, we offer two distinct valuation services: [certified business appraisals](#) and [estimated business valuations](#). A certified appraisal is typically used for legal purposes and offers a comprehensive assessment. On the other hand, our estimated business valuation examines five different valuation approaches — empowering you to select an appropriate asking price.

Other considerations go into determining an asking price including intangible value, current industry trends, and the buyer's financing options. **Keep reading to learn more about how a business is valued in the next question: “How Do I Value My Business?”**

REMEMBER: Valuing your business serves as an initial step. Ultimately, the decision on the asking price is in your hands!



2 How Do I Value My Business?

When determining your business's value, you primarily have two options: business appraisals and estimated valuations. While both provide accurate information about your business's value, which method best suits your business depends on your situation.

Business appraisals are generally more expensive and comprehensive, offering a determined fair market value. They're the highest standard in valuing a company and are typically used for legal purposes.

Estimated business valuations serve as a good starting point in the business selling process — and tend to be less expensive than business appraisals. In estimated valuations, the value tends to be subjective, whereas business appraisals provide a clearer, more definitive number.

Quality estimated business valuations should include multiple approaches and methods as a part of the analysis. **Common approaches include:**

- **Asset Approach**
- **Discounted Cash Flow (DCF) Method**
- **Capitalization of Earnings (COE) Method**
- **Market Approach**
- **Seller's Discretionary Earnings (SDE) Approach**

Asset Approach

Using your company's balance sheet, the asset approach calculates the value of the business's assets. Calculating assets include tangible assets (real estate, inventory, and capital equipment) and intangible assets (brand, patents, trademarks).

Discounted Cash Flow (DCF) Method

This valuation technique estimates an investment's value by forecasting its future cash flows and discounting them back to their present value using a specific discount rate. It's an effective tool for evaluating the profitability of long-term investments by calculating potential returns over time.

Capitalization of Earnings (COE) Method

The COE method uses the current performance of the business to estimate future cash. Rather than using the discount rate, COE uses the capitalization rate.

Market Approach

The Market Approach involves analyzing businesses in the same industry and of similar size that have been recently sold to make comparisons with the subject company.

Seller's Discretionary Earnings (SDE) Approach

The SDE approach calculates a business's value by taking the industry's typical earnings multiple and applying it to the business's earnings, allowing for a comparison between the business's worth and industry performance.

Learn more in [How to Value Your Business](#) and [How to Pick an Asking Price](#).



3 How Do I Know if I Am in a Position to Sell My Business?

You'll want to make sure it's worth your time to sell your business. If your business is valued at a low amount, it might be more cost-effective to wind down your business and close it out (instead of putting time and money into finding a buyer).

You'll also want to build a thorough exit strategy and ensure it's something you're ready, willing, and able to execute. An actionable exit strategy includes a scheduled pre-sale cleanup, choosing an asking price, deciding how and where to sell your business, creating a customer communications plan, and generally making sure you're in a position to smoothly hand off your business.

Learn more in [Creating an Effective Business Exit Strategy](#).



4 How Do I Sell My Business When I Need to Focus On Running It?

Many sellers turn to a business broker if they don't have the time to properly market their business, prefer to focus on other things, or want to make sure the deal is done quickly. An experienced business broker can use their network and expertise to market your business where it's most likely to be sold and connect with potential buyers. They can also help you determine an equitable asking price.

Using the services of a business broker is very much like working with a real estate agent to sell your home.

Learn more in [How to Find a Buyer for Your Business](#).



5 How Will I Know if Someone Can Afford to Buy My Business?

Understanding the most common ways a business buyer can gain funding will give you insights into making sure a buyer is the right choice to sell your business to and can also give you a better idea of a good asking price for your business.

Ask potential buyers if they qualify for any funding options — or send them to Guidant to see if they [qualify](#) now. **Let's quickly review some of the most popular financing methods available:**

[Seller Financing](#)

Seller financing is very similar to a bank loan, but the seller holds the note for the loan, and the buyer makes payments with interest to the seller.

[Rollover for Business Start-ups \(ROBS\)](#)

ROBS allows individuals with rollable retirement funds to use that money to finance a small business, whether it's a start-up or the purchase of an existing business or franchise.

[SBA Loans](#)

The SBA doesn't fund an SBA loan directly. Instead, they encourage banks to lend to small business owners with favorable financing terms by guaranteeing up to 80 percent of the loan.

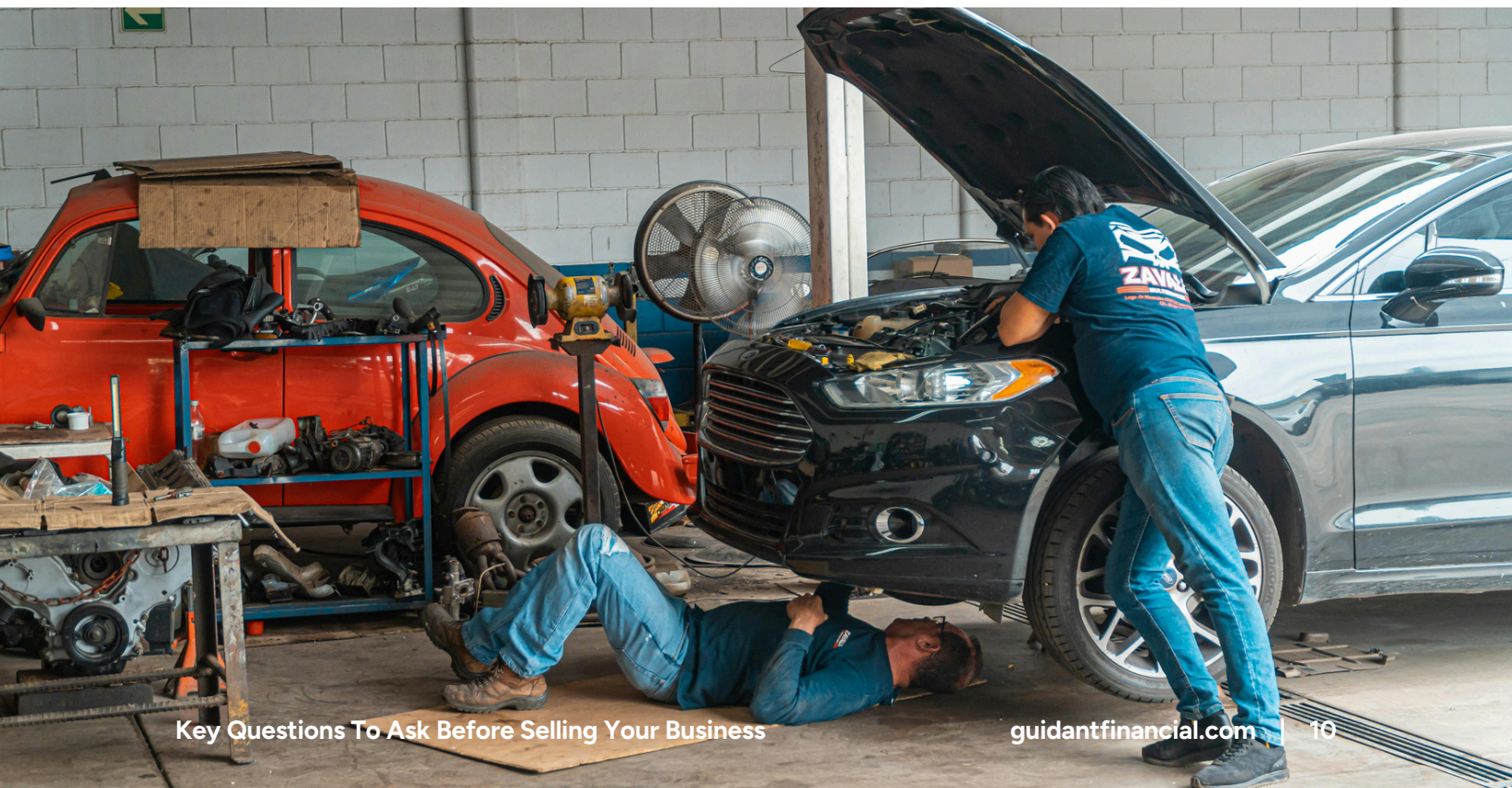
Unsecured Loans

Unsecured loans are obtained in partnership with a specialized provider who finds credit cards with high balances, no cash advance fees, and no interest payments for the first year. The third-party firm then applies for and liquidates the credit cards on the borrower's behalf. The result is an infusion of cash with no limitations on the type of business expense it can be spent on.

Portfolio Loans

Portfolio loans (also known as a Securities Backed Line of Credit or SBLOC) are available to borrowers with at least \$85,000 in securities in an investment portfolio, which trades at \$5 per share or higher.

Learn more in [Business Financing Options for Your Buyer.](#)



6 What Are the Costs of Selling My Business?

There's no set-in-stone cost to selling your business, as expenses vary based on what methods you take, what tasks you do yourself, and what you hire out for. **Some common costs include:**

Business Appraisal or Valuation

A business appraisal is typically more expensive than a valuation, with some starting around \$5,000. Valuations, depending on the methods, can be much less expensive.

Whether you're looking for a business valuation or certified appraisal, Guidant Financial offers the right tools at the right price. For a business valuation, you'll gain comprehensive reports and a supportive, dedicated valuation specialist to help you confidently understand how much a business is really worth — all for a low price of \$495. What's more, our certified appraisal fee starts at \$1,795, a fraction of the cost compared to the usual \$3,000 to \$5,000 for similar appraisals. **Lean more** [here](#).

Broker

You may want to reach out to a business broker to help find sellers for your business. Some brokers will charge an upfront fee and/or a retainer while some will only take a commission (typically around 10 percent of the total sale price) when your business is sold, similar to a real estate agent.

Listing Site

A broker will often leverage business listing sites as part of their services. Still, if you choose not to use a broker, you may want to list your business yourself. Note: Listing a business isn't free — unless you're looking at a very general site like Craigslist, which doesn't have the same audience as those specifically looking to buy a business. Listing with reputable listing sites varies, but usually costs around \$50 a month.

Accountant and Attorney

You'll likely want both an attorney and accountant to review the terms and financials of any deals made with the buyer of your business.



7 How Do I Exit ROBS?

Ready to exit your [Rollovers for Business Startups \(ROBS\) plan](#)? ROBS, also known as 401(k) business financing, lets you dip into your retirement savings to fund a business debt-free. But when it comes time to close a ROBS, how do you make a smooth exit?

Whether selling your company or purchasing the stock back early, you'll generally want to follow six crucial steps:

- 1) Call Your Plan Administration Team
- 2) Determine the value of your company's stock
- 3) Identify the buyback and termination requirements
- 4) Finalize the stock buyback
- 5) Complete required year-end documentation
- 6) Close the company 401(k) and file your final IRS Form 5500

Download our [How to Exit ROBS in 6 Steps](#) for more details on each step, or explore our comprehensive [6-Step Exiting ROBS Guide](#) now.



8

Do I Have to Terminate My 401(k) Plan When Selling My Business?

Selling your business doesn't mean you have to terminate your 401(k) plan. If the new owners want to maintain it, they can proceed after repurchasing qualified employer securities through the Stock Buyback Process.

If you decide to dissolve the plan after your buyback, both you and the buyer might need to wait before launching another 401(k) plan if you plan to reintroduce a 401(k) plan for employees. This waiting period is referred to as the Plan Successor rule, which mandates an employer wait for 12 months from the termination date of the previous plan before starting a new 401(k) plan.

The three steps to a stock buyback without plan termination generally include:

- 1) Completing your buyback**
- 2) Deciding what option you want to pick for your buyback assets**
- 3) Sending your Documentation to your 401(k) plan administrator**

For more information on the details of each step, please refer to [Three Steps to Buy Back your 401\(k\) Plan Shares](#).



8 When Should I Seek Outside Counsel?

Depending on your unique situation, you may or may not need the assistance of **outside counsel**. At Guidant, we can help answer your questions and guide you through the process of selling your business. More often than not, our in-house experts can offer quicker service, saving you time and money.

Should your situation become more complex, our team can also assist in connecting you with external counsel as needed. **Note:** *Meeting with outside counsel may require additional fees.*

If you're [closing your company's 401\(k\)](#) plan or exiting the ROBS structure, you should immediately consult your plan administration team to determine the necessary steps.

Correctly closing your 401(k) plan and keeping thorough records is crucial. Otherwise, you risk plan disqualification — which can bring about unexpected tax complications or fees for you and your employees.



Key Takeaways & Summary

Selling your business is a natural step in the entrepreneurial lifecycle, so you'll want to give it as much thought and consideration as any other part of your business journey. Check out our comprehensive [How to Sell Your Business](#) complete guide for more information and resources to sell your business successfully. **Here's a glance at what's covered in the guide:**

- [How to value your business](#)
- [How to execute an exit strategy](#)
- [Telling the story of your business](#)
- [How to find the right buyer for your business](#)
- [Financing options for your buyer](#)
- [The process of selling your business](#)
- [Mistakes to avoid when selling your business](#)

Business Valuations and Appraisals **Made Easy** with Guidant

Selling your business is a big decision and a long journey. At Guidant, our team can help you every step of the way. Whether you're looking to value your business or appraise it, we have the right tools at the right price. **We offer both business valuations and certified business appraisals:**

Business Valuations

Confidently understand how much your business is really worth with our comprehensive reports and access to your own dedicated valuation specialist — all for the competitive price of \$495.

Certified Business Appraisals

When it comes to things like taxable events, SBA loans, or making changes in your business, you might need a business appraisal from a certified expert. At Guidant, we offer a certified business appraisal at just \$1,795. The best part? You'll always have a dedicated CVA specialist by your side, offering continuous support.

Get Started Now

