

Why Sell Your Business Now?

Many business owners are considering exiting their business but are concerned about the current recession and believe it might be better to wait rather than try to sell their business now. However, if the owner has been thinking about selling their business it is likely for very good reason such as retirement, lack of capital for growth, strategic reasons, partnership issues, burn-out, health or family reasons or a myriad of other reasons that make exiting the business a smart move. Unfortunately many business owners make excuses not to act or act years after they should have. A tough economy is often not a reason to delay a sale. Here's why:

Low Capital Tax Gains Rate

It is not what you sell for that matters, it is what you KEEP. At only 15%, capital gains tax rates are at the lowest levels in 30 years. In the late 70's the highest effective capital gains tax rate reached 49%+ and as recently as the early 1990's the highest capital gains tax rate was still at 29%. The Obama administration has already stated its desire to raise rates, so it is not a question of if but when and how much.

Demand

There are more potential buyers right now due to massive corporate layoffs. Displaced middle managers and executives want to be their own boss but don't want to start from scratch. They are ready to buy and have 401K money for down payments and good credit for loans. Strategic buyers are also in the market, seeking to grow through acquisitions. Even Private Equity Groups (PEG's) are still buying as they have capital they need to invest.

Supply

Because some owners mistakenly believe they should wait to sell there is not enough supply to meet all the buyers. The business owners who do sell now stand out and can often have multiple bidders, even if company sales are down, as long as their price and terms are realistic.

Minneapolis, MN
(612) 455-0880

Saint Paul, MN
(651) 484-2677

Milwaukee, WI
(262) 901-0086

Chicago, IL
(773) 243-1603



Low Interest Rates

Interest rates are at historic lows. Low interest rates mean that buyers can afford to pay more for a business. Whether it is a “sophisticated” buyer using discounted cash flow analysis, or someone calculating “how much can I afford a month” the same math holds true; lower interest rates mean lower debt service payments and higher cash flows from the business. Debt payment levels and cash flow drive value.

A business owner can wait for things to change but in so doing they will likely miss a tremendous window of opportunity to sell at an attractive price. Now is perfect time to have a professional business broker or M & A Advisor review your company and see if now is the right time for you to act.

Minneapolis, MN
(612) 455-0880

Saint Paul, MN
(651) 484-2677

Milwaukee, WI
(262) 901-0086

Chicago, IL
(773) 243-1603