



So You Want to Retire and Sell Your Business

by Melissa Sayer

When it comes time to retire, some business owners just lock the door and walk away, having saved enough to cover the golden years. But for most, the business that they have spent years building represents a major asset that they expect to sell to fund their retirement. Sound succession planning has many other benefits, but it is crucial if you want to sell your business at an attractive valuation. Entrepreneurs are accustomed to being the irreplaceable "x factor" in their business; but for someone to buy your business, whether it is an existing employee or a new party, the business must be capable of running without the founder. A few key steps in that process:

Identify talent: Are there employees or junior managers who can advance to the next level? A strong team is more valuable to a buyer than a great, but soon to be departed, individual. In particular, search for a person to groom for overall management.

Mentor: Does your would-be successor have all the training, certifications, professional licenses and qualifications needed for credibility with customers, partners, lenders and her (soon-to-be) employees? Has she had the chance to make important decisions or manage key relationships? Your success is dependent on her success.

Retain: Once you've decided on a successor, begin to bring this person into your "inner circle". You want to bind this person to the organization and make her feel like an integral part of the team. Give her expanded responsibilities, titles, and compensation to match her new role. You want to retain this person, and you also want her to be ready and able to manage under the new owner or buy you out when the time comes.

Protect yourself: Sometimes no matter how well you trust or think you know your heir apparent, she jumps ship to a competitor or sets up her own shop. BEFORE you disclose any of your trade secrets and connect her to your customers, have her sign a confidentiality agreement.

Do not finance: When buy-out time comes avoid carrying a loan if at all possible. It is all too common to meet businesspeople back in the game, postponing their retirement dreams, because the business floundered without them. If they had sold for cash, they' would still be writing the next great American novel or on the links at Lake Havasu. But with the business in trouble, their note is worthless, and they either have to come back and take over the business or get nothing. Part of the reason for grooming a successor is to give them the operating history to succeed under a new owner or make them an attractive risk to lenders as the potential buyer.

Remember, your business is only valuable to someone else if they can replicate your success. Like anything having to do with retirement planning, thorough, thoughtful and early planning makes all the difference.

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