TEN REASONS TO SELL YOUR BUSINESS IN 2012

By Grover Rutter CPA/ABV, CVA, BVAL, CBI

The refrain of Kenny Rodgers’ popular song “The Gambler” may hold a smattering of advice for business owners who have been thinking about selling their businesses:

You got to know when to hold’ em, know when to fold’ em,
Know when to walk away and know when to run.

In this article I will present ten reasons why 2012 might be the very best year for you to cash in your chips and walk away.

Reason # 1: Positive Signs in the Economy

There have been increasing signs of growth in the economy. Business buyers have much more confidence about acquiring businesses when there appears to be an upward trend in economic conditions. Savvy business owners must realize there is also the possibility that the current appearance of an improved economy may be short-lived. Business sellers who sell during an upswing will fare far better than those trying to sell if the economy should take a dive.

Reason # 2: Industrial Segments Project Annual Growth for Five Years

A great time to sell a business is when the extended economic future looks bright for a broad array of industries. Business buyers must look to future revenues and profits to service business acquisition debt and provide a return on the buyers’ investment. Many industry segments are projecting positive growth each year over the next five years. For example, domestic demand for material handling equipment manufacturing, an indicator for wholesalers, is forecast to grow at an annual compounded rate of 5 percent between 2011 and 2016.1 Favorable projections for long term industrial growth enhance the marketability of your business.

Reason # 3: Current Interest Rates are at an All-Time Low

The cost of capital competes with the price buyers are willing to pay for a business. The higher the cost of borrowing money, the fewer dollars buyers are able to pay for businesses. Interest rates for business acquisition are at a historical low. There is at least one SBA acquisition lender that I know of who is offering a low fixed interest rate over a ten year payback period. Selling a business is much easier when interest rates are low.

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1 Materials Handling Equipment report by First Research Industry Profiles as of October 2011.
Reason # 4: 2012 Tax Rates are More Favorable than 2013 Scheduled Tax Rates

Governments the world over are looking for ways to fund the cost of an aging population. In the U.S., capital gains tax rates are set to go up after 2012. Some business owners experiencing large gains from selling a business may anticipate a doubling tax dollars paid out in tax years following 2012.

Reason # 5: Your Tolerance for Risk is Lower

Younger people have a higher tolerance for taking risks. Mature business owners have already faced and overcome a number of business challenges. Hopefully you have built a comfortable nest egg. If economic conditions sour, you may not be willing to give up more of your nest egg. Now might be the time to sell.

Reason # 6: You Worry about a Downturn in Your Luck

Maybe yours is a business that actually benefits from a down economy. If this is the case, then you have likely just enjoyed three very good years. There is no business cycle that will last forever; right now may be a great time to take some chips off the table.

Reason # 7: You Suffer from Business Owner Burn-out

Business owner burn-out (BOB) is one of the major reasons why businesses ultimately fail. It can be almost impossible to make clear and rational business decisions while you are mentally exhausted. And, don’t expect help from the federal government; it continues to burden business owners with regulations from agencies such as the EPA, OSHA, IRS, FTC, SEC, SBA, the DOL and many others. If you are tired of fighting the battles, taking what you have gained and leaving the game might be a smart out.

Reason # 8: Now is a good time to be liquid

You have control over when to place your business on the market in order to take advantage of a higher sustainable price. Consider whether this is the right time to be sitting on considerable cash that you can invest wisely. For example, the stock market has been swinging wildly lately. With cash in the bank, you may be able to take advantage of a fire sale on the stocks of good quality companies in the event the market sinks.

Reason # 9: You Missed Boat (to sell) in Earlier Years

When the economy turned down in 2008 and 2009, did you wish that you had sold your business before the downturn? Are your revenues and profits trending upward? The very best time to sell is while revenues and profit are trending upward. 2012 may be presenting the window of opportunity you missed before.
**Reason # 10: The Coming Glut of Business Sellers**

As a business owner, national demographics are not your friend. Baby boomers (those born between 1946 and 1964) are beginning to retire; there will be a glut of businesses coming on the market. Good news for buyers...but not so much for sellers. *An increased supply of businesses for sale will drive sales prices lower. Should you be getting out ahead of the flood?*

It is never too late to have a business sales plan in place. *Did you know it takes between 9 to 13 months to sell a business?* 2012 might be your window of opportunity. Call your business advisors and discuss your situation.

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