Choose the Right Exit Strategy for Your Business

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when planning how best to sell your family business, consider a few key factors

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Figuring out how to move on from a family business can be a complicated and emotional process. Should you sell to your employees or let your family's next generation take over the business? Or would an outside buyer offer the best chance of future success? To navigate this process successfully, consider several key factors that can help you make the best decision for you—and for your business.

Start with taxes, location and value

Before you consider anything else, you might want to think about taxes, the location of your business and what your business is worth. For instance, the tax consequences for you will vary depending on who buys your business and how the deal is structured. Meanwhile, new owners may want to keep your business local or they may choose to move operations elsewhere. And while you should know the value of your business before you move to sell it, the price you can command will inevitably vary based on the buyer.

Of course, you may not want to weigh each of these factors equally. Getting the best price for your business may be more important to you than ensuring that the business doesn't relocate once under new ownership. Alternatively, keeping the business where it is and avoiding a heavy tax burden may be your priorities, while the sale price is a smaller factor in your decision-making process. And if you are financially flexible and looking to pass a portion of your estate to your heirs, then selling to the next generation might be the best course of action.

Once you've considered the importance of these factors, the next step is to figure out the best buyer for your business, given your priorities. Consider the following options:

> **Selling to your employees**
> Selling your business to your employees as a group is most often accomplished through an employee stock ownership plan (ESOP). ESOPs can offer buyers and sellers a range of tax advantages, and are often

the best way to preserve your company's current location and staff. Selling the business to a group of employees—and not to all employees—is another option, but may pose financial challenges for the buyers as the smaller group may lack the financial means to cover the full asking price.

Keeping your business in the family

Selling to children, grandchildren, nieces or nephews can help cement your family's business legacy. But your descendants may be unwilling or unable to run the company. One option is to pass ownership to the next generation but grant actual management of the business to an outside party. Keep in mind that this arrangement doesn't have to be permanent—the outside management may only be needed for a short time while the next generation learns the ropes. While this choice also offers the advantages of continuity, it may not carry the same payoff as selling the business outright to non-family.

Finding an outside buyer

This option typically generates the highest sale value for your company. But outside buyers often have strategic and financial motives that may clash with the company's longstanding way of doing business. For instance, a buyer might integrate your business with theirs in a way that impacts your staff or the location of operations. Alternatively, a buyer may simply be focused on maximizing the return on their investment, which also could impact where the company is located or how it is run.

Ultimately, the buyer you choose should reflect your priorities. By investing the time and resources to ground your planning in a clear view of your business goals and the factors that are important to you, you can make the best choice for yourself, your family and your company's future.