

Exit Strategies

There are various reasons why a person could want to get out of business. If you do want a change, there are essentially three ways to go about it:

- 1) Liquidate the assets of your business.
- 2) Sell your business.
- 3) Pass the business on to someone else.

Liquidating the assets of the business

This is the simplest exit strategy. You would probably only choose this option if your business has not been very successful because by using this method you will exclude the possibility of receiving money for goodwill. All that is involved is determining what the fair market value is for your assets and finding someone who is willing to pay that. Depending on what the assets are, to get a fair market value you may want to talk to an appraiser or auctioneer.

Selling your business

The first step is to place a value on your business. The best way to determine a fair price is to consult an accountant. The accountant will be able to tell you, based on earnings or market value what you can expect to get for your business. The next step is to find a buyer. Most people choose to place an ad in the newspaper to accomplish this. Once you find someone, schedule a meeting. You will want to determine fairly quickly if the potential buyer: is serious, has the resources to make the purchase, and whether the buyer is the type of person that you want to sell the company to. The first meeting is usually a “feeling out” process with not too much emphasis on the selling price. Only when you both decide that is what you want to do, do you enter into negotiations. After you are both satisfied with the terms of the purchase, a letter of intent will be drawn up outlining those terms. This would be a good time to include a lawyer in the process. Now the purchaser will enter the process of securing financing for the purchase. You will be asked to provide financial statements for your business as well as a listing of all assets to be purchased. Once all of these steps have taken place and all documents have been signed, the transfer of the business will take place.

Note: make sure to consult an accountant early in the process to make sure that any tax implications have been addressed.

Passing the business on to someone else

This would normally come about when a business owner wants to pass the family business down to one of the children. The process consists of two main parts: transferring the power and transferring the assets. Because of the serious legal and tax implications of passing the business on to a successor, it is strongly advised that you consult both an accountant and a lawyer to discuss what is involved in the process.

For More Information:

Internet: http://www.toolkit.cch.com/text/P11_2000.asp
<http://strategis.ic.gc.ca/SSG/mi06520e.html>