

### **Don't Wait – Sell Your Business Before Tax Increases**

At some point, virtually all business owners will come across an opportunity to exit their business. Hopefully for them, the opportunity to exit means selling the business for a significant price to the right buyer. However, choosing when to sell remains a million-dollar question for which the answer evades most people. Time this wrong and you could pay more in taxes, get a bad multiple, not close, or sell to just any buyer instead of the right buyer – one who shares your values and vision. Just as important as choosing when to sell is having a robust plan in place when you go to sell and exit your business. While a good exit plan takes time to prepare, it will make the transition much easier for you. One of the key parts of any exit plan in business is to account for your taxes. The goal is to limit how much tax you pay whilst playing by the rules of the game.

Taxation is at the center of any of company upon its formation and, quite frankly, through the years of operating the business. However, it becomes even more important as you exit. After years of sleepless nights and challenging days, business owners want to know one thing, "How much am I walking away with?" As an entrepreneur, you know the effort it took build your business and now you deserve to reap the benefits.

Let us look back to 2012, when we faced a similar situation regarding taxes. There was a good amount of uncertainty surrounding business owners during this time. The Affordable Care Act caused uncertainty with regulatory complexity and an increased tax burden on business owners looking to exit. According to GF Data, the amount of middle-market deals from Q3-Q4 of 2012 nearly tripled from 30 deals to 89 deals in expectation of 2013 tax increases for sellers of businesses. This push for liquidity came at a price with the average EV/EBITDA multiple decreasing from 6.9x to 5.9x over this period.





This year we have another situation where we know that taxes will need to be increased from a fiscal standpoint. The need to increase taxes is clear given the recent deficits in the budget and the increased need for spending. Owners selling their businesses are likely to be targeted again as, over the past 5-10 years, it has become more palatable to tax business to foot the bill. What does this mean for you? Although it is uncertain to what extent that taxes will go up on sellers in the next 18 months, it is likely to affect how much you walk away with if you risk selling later. If you have thought about selling your business and were looking for a sign from the market to sell, this is it.

When you go to exit, you need someone who understands your goals, your years of hard work, and the difficulties of selling a business. As an investment bank for entrepreneurs, Strategic Exit Advisors gets it. We help owners achieve their ultimate exit by focusing our process on strategic buyers willing to pay higher, strategic multiples. The first step to your ultimate exit is just a phone call away! Give SEA a call today.

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