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## Looking to sell your business? Seller financing can help

Katrina Loftin, 1/26/2009

With doom and gloom grabbing the headlines daily, most business owners I have encountered think it's not a good time to sell their company. But fortunately for owners looking to sell, that's not necessarily true. There are some excellent qualified buyers out there looking to buy businesses immediately.

Consider the many employees who have been laid off in recent months or fear they may be laid off in the future. Many of those out of work executive and entrepreneur types are looking to take control of their destiny and buy a business. And, yes, thankfully banks are still funding a portion of the purchase. However, most lenders are asking the seller to carry back a portion of the purchase price. With bank financing, they will typically expect the seller to finance somewhere between 10 and 25 percent and in almost all cases the seller would be in second position to the bank in the event the buyer defaulted.

If I were a seller in today's market, I would skip the banks and offer seller financing to qualified buyers. The return on investment you can earn financing the business is far better than what you can earn virtually anywhere else right now. Offering financing also gives the seller an edge over sellers who won't consider financing. Most prudent buyers look at more than one business. If one is offering terms and the other is not they may buy the one offering terms for a number of reasons. First, there is less paperwork and they do not have to deal with a bank that may charge additional fees for a loan. Second, the buyer and seller both appreciate that the deal can close quickly. Last, but perhaps most important, financing a portion of the business sends the buyer a strong signal that the seller believes in the business and thinks it will survive the slowdown. Most buyers will pay more for that level of comfort. Regardless of the capital structure or finance considerations, professionally crafted and creative deal structure is the key during a difficult economy.

A good portion of businesses in northern Nevada have been affected by the economy and for some, right now may not be the best time to sell. The best thing a business owner can do is have a competent, licensed business broker review the business annually and detail what the company is worth in the current market. A good broker will not charge for this or try to push you into listing the business for sale if the time is not right. All business owners should know what their business is worth both in good times and in bad. I have seen far too many owners faced with an illness or some other life-changing event that left them no choice but to sell. Usually the end result could have been improved immensely through better planning. A good broker will want to establish a long-term relationship with you and assist you in planning for a sale. Keep in mind when the time is right to market a company, the process can be slow and challenging and yet another very important reason to plan, plan, and plan. The worst thing that can happen is a business owner decides not to sell on their own terms. Katrina Loftin is the vice president and broker of BTI Group Mergers & Acquisitions in Reno. Contact her at 828-5400, ext. 310

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