



10 POINTS TO CONSIDER

WHEN SELLING YOUR
BUSINESS



WealthAdviser

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Before you get started

This digital handbook contains general and factual information only, and is part of the Wealth Adviser library, published by:

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Before acting on any information contained herein you should consider if it is suitable for you. You should also consider consulting a suitably qualified financial, tax and/or legal adviser.

Information in this handbook is no substitute for professional financial advice.

We encourage you to seek professional financial advice before making any investment or financial decisions. We would obviously love the opportunity to have that conversation with you, and at the rear of this handbook you will find information about our authorised representative and how to go about booking an appointment.

If ultimately you decide not to meet with us we still encourage you to consult with another suitably licensed and qualified financial adviser.

In any circumstance, before investing in any financial product you should obtain and read a Product Disclosure Statement and consider whether it is appropriate for your objectives, situation and needs.

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Letter from the Wealth Adviser Library

Dear Reader

Welcome to the Wealth Adviser Library

This library was built specifically to facilitate the provision of sound financial information to everyday Australians.

Our mission is to build an accessible, comprehensively supported team of members who share our vision and commitment to providing tailored financial advice and a new foundation of financial understanding and security for everyone.

With a national network of likeminded experts, we have the potential to provide the financial building blocks for future generations.

Knowledge gives you a huge advantage

We believe that knowledge gives you a huge advantage in creating and effectively managing wealth; in planning to reach your goals; and in being prepared for whatever unexpected twists and turns life may present.

That's why our team of experts has created this series of digital handbooks and manuals that seek to inform you of not only the benefits but also the potential risks and pitfalls of various strategies and investments.

We trust you enjoy this publication and find it informative and professionally presented. Of course, your feedback is always welcome as we strive to continually offer content in a format that is relevant to you.

Take the next step

Wealth Adviser (a division of WT Financial Group Limited) supports more than 400 privately owned and operated advice practices around the country. We invite you to engage with one of our advisers to discuss what it was you were hoping to achieve when you obtained this handbook, and to establish if they can help you achieve your goals and objectives.

At the rear of this handbook you will find details on how to book an appointment.

Wealth Adviser Library

When?

The timing of your sale is likely to be crucially important, both in terms of the market in which you are selling as well as the ramifications on you personally, emotionally and financially.

In terms of your business being the most attractive to potential purchasers, the best time to sell is when sales earnings are trending upwards, in a growing market.

Before placing your business on the market, the implications of the timing of taxation ramifications and personal implications need to be weighed up carefully.

Determining what date to sign the contract, when a successful negotiation has been reached, and when that contract should run its course to its end also needs to be considered and all implications assessed. an insurance strategy that may suit your particular circumstances. Our advisers will, however, be more than willing to assist you with specialist advice and recommendations should you require it.



What Price?

Be wary of 'rules of thumb' of valuation, as homogeneity across similar businesses, rarely exists. All businesses are unique in their own way, due to location, management, staff, local demographics, just to mention a few factors.

You may be guided by your broker, your own personal research of similar businesses, or a professional adviser, to determine in what range the value of your business falls.

To support your asking price, your purchaser will be looking for reliable past financial reports to verify history, as well as confidence building forecasts, to help him determine that this business will also be successful for him.

Unfortunately, financial reports prepared to minimise tax, rarely attract high business sale prices. The reports have opposing goals to those for selling a business, as accounting methods are used to maximise tax deductions by decreasing taxable profits.

Accordingly, if you want historical financial reports which will sell your business, you need to plan well in advance, so that these historical reports support the premise that yours is a healthy profitable business. You may need to forego some taxation benefits for a year or two, in the interests of obtaining the maximum selling price based on higher profits, which will compensate you for any lost income tax deductions.

Your accountant is in the best position to assist you with determining final asking price as well as preparing final supporting documentation together with reputable verification of your records, to support that price.

Owners

The new owners are likely to be keen to get stuck into your business and implement their plans.

In most cases the contract will involve some period of handover by you, to assist the purchaser to get to know your customers and familiarise themselves with other parts of your business. Do you wish to provide vendor finance? Do you want to stay on to assist the purchaser? If yes, for how long? Consider the circumstances and ensure the contract covers various scenarios. Often the new owner will want to fly solo, earlier than the contract states, sometimes before he is ready. That is his problem, not yours, unless it has the potential to affect a retention clause of the contract.

Be very clear with your lawyer to ensure that all your interests are protected as often the contract will have a retention clause related to continued custom, by your current customer base.

Suppliers

Suppliers are a crucial part of your business and your purchaser will seek assurance that the current arrangements have flexibility and transferability. This is likely to be a big selling point to your prospective purchaser.

Staff

Will the new owner want to retain some or all of your current staff? Are you worried about the future of any staff members? Will your current staff move easily to a new owner? How integral to the ongoing success of the business are your staff members? When do you tell your staff of any impending sale? The answers to all these questions have implications on the ease of sale and transfer of your business.

Employee entitlements will need to be paid out or transferred to the new owner. This value will be assessed and effect your sale price so you will need to take this into account, when assessing the final net proceeds of your sale proceeds.

For confidentiality reasons, and in the

interests of staff continuing to feel secure, it may be preferable to meet with and show prospective purchasers through your business after hours, when staff are not on the business premises.

Customers

The sale of your business is, for obvious reasons, crucially dependent on your current and potential customers. Any reliance on one, or few customers, is unlikely to be attractive to a business purchaser, so focus on spreading your customer base as much as possible as you prepare your business for sale.

Are your contracts with your customers transferable to a new owner? Will your current customers be willing to transfer their custom? How attached are your customers to their personal relationship with you? When will you tell your customers of any potential or actual sale? As with your suppliers, however even more so, you need to consider the answers to these questions and plan to manage these situations to your best advantage.

Competitors & Confidentiality

Be prepared to answer questions by your purchaser regarding your competitors. They will be looking for assurance that your business holds its own in the market place and will continue to do so. As in all cases of purchase, it is a buyer beware situation, however if you have positive information to support your business sale in terms of competitors, promote it.

Your purchasers will be looking for your edge over the competition. Think about what this may be, and point it out in your documentation and discussions. Your purchaser will be looking for potential they can exploit in your business.

However also protect this vital information. Information about your business, particularly that regarding customers, is integral to the success of your business and therefore highly valuable to you, so protect this information right from the very early stages of negotiation onwards. Ensure that

all those with access to your business information sign and adhere to a confidentiality agreement.

Tangible Assets

Will you be selling the real property, plant, equipment, furnishings? Are current leases with third parties transferable?

If retaining ownership of any asset after sale, determine how best to lease these assets so that your interests are protected and the arrangement is attractive to a new business owner.

The purchaser will want security to maintain 'location goodwill' in most instances and continued use of equipment so there is no hold-up in business processes, on purchase, so ensure that any ongoing leases results in a win-win situation for you both.

Your purchaser may not want to purchase all your assets. Where does this leave you? Will it be costly for you to dismantle, sell, or discard and what tax effect in these situations?

Your accountant is best placed to assist you with assessing the impact of sale, retention or disposal of tangible assets.

Records

Your records will be a great source of reliance for any potential purchaser, so consider how best to present your records, particularly the following:

- Financial Statements
- Forecasts
- Customer Lists
- Debtors Aging
- Suppliers
- Asset Registers
- Tax Returns (in some instances)

The Capital Gains Tax Implications of the Sale

If you are a business owner your insurance There are numerous taxation implications on the sale of a business including income tax, stamp duty, GST and in most instances the most material is capital gains tax.

With proper forethought and planning, you may be able to reduce or eliminate your capital gains tax, through the general CGT Discount together with the Small Business Tax Concession provisions, by:

1. CGT Discount of 50% for individuals for assets held for more than 12 months
2. Small Business 15 Year Exemption for business held for more than 15 years.
3. Small Business Active Asset Reduction
4. Small Business Retirement Exemption
5. Small Business Rollover
6. The timing and other contractual arrangements can have enormous effects, both negative and positive, on your capital gains tax bill. Your accountant will be able to advise you with regard to minimising all taxes on the sale of your business.

With proper forethought and planning, you may be able to reduce or eliminate in total your capital gains tax.



The Importance of Proficient Advisers

You are the expert in your business, and will have knowledge and expertise, which allows you to achieve optimal results in your business.

To ensure you achieve optimal results, throughout the sale of your business, have equally proficient advisers to assist you in those areas of their expertise, such as:

1. Broker

Assist with finding buyers and following this through to successful sale

2. Commercial Lawyer

Assist with optimal terms & conditions and other legal advice

3. Accountant

Ensure your financial statements and other records are presented in the best light to your purchasers throughout the sale process, ensuring best possible outcomes with regard to cash flow, income tax and capital gains tax.

Appointment booking request form

About the Adviser

Please complete the Appointment Booking Request below and scan and email to:

Appointments are available Monday-to-Friday.

Please nominate your preferred day, date and time to meet with us. One of our client services representatives will call you to confirm your appointment.

Our services

Preferred appointment day and time

Day

Date

Time am/pm

Contact details

If you would like us to contact you via email to confirm your appointment or to answer any questions you have, please provide a valid email address for our records.

Email

Your Details

Title

First name

Last name

Mobile



Wealth Adviser

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