

SelfInformed

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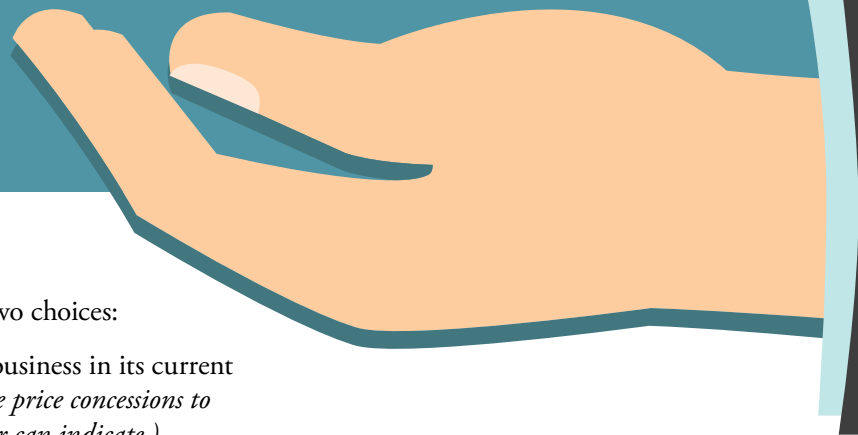


NASE Member
Susan Sharman



SELLING YOUR BUSINESS—

A NASE Guide



The minute you decide to sell your business, you face two choices:

1. Will you proceed immediately and offer your business in its current condition? (*Realizing that you may need to make price concessions to account for unaddressed weaknesses that the buyer can indicate.*)
2. Will you delay your sale or extend the process to involve investing efforts and funds necessary to overcome its weaknesses and improve its attractiveness to prospective buyers?

Your answers depend entirely on your personal motivations, and your own goals and objectives. These will aid you in creating an in-depth profile of your prospective buyer; understand how they will gauge your business; valuing your business; and pricing it right before listing it for sale.

This short NASE guide will aid micro business owners (aka small business owners) and entrepreneurs properly prepare their business for sale. Let's start with a brief on personal motivation and goal setting for your sale.

YOUR PERSONAL MOTIVATIONS FOR SELLING YOUR BUSINESS—

A Checklist

Why do you want to exit?

Answer the following questions and state the urgency of your exit timing. (*Are you willing to transit out of the business over time or immediately?*)

- You are no longer passionate about your business
- You are feeling burned out
- Your business is geo-centered and you want to move to a different location
- You believe your business has hit its revenue potential
- Problems with partners
- You want to diversify but the business has tied up your entire net worth
- Overwhelming financial problems
- You want to retire
- Other

While answering questions keep in mind that an immediate exit can dramatically affect the sale price of your business. The following are the prime reasons:

1. You eliminate the opportunity to strengthen the attractiveness of your offering by overcoming weaknesses identified by the prospects
2. A prompt departure eliminates the possibility of a transition period during which you can strengthen the business and overcome various weaknesses as identified by the buyers and agreed upon during negotiations. Hence, you reduce possibility of receiving higher offers in line with a negotiated agreement.

3. An immediate sale/payoff makes it impossible to offer any seller financing that are known to allow buyers to offer higher selling prices.

Next, select and resolve conflicts in your priorities, which can include one or several from the following:

- An immediate departure
- The highest price possible
- All-cash payoff at closing
- Post-sale involvement with your business
- Post sale priorities such as little or no disruption to clients or staff
- Pre-sale preparation followed by future sale

YOUR GOALS AND OBJECTIVES FOR SELLING YOUR BUSINESS—

A Checklist

Set Your Sale Goal

What do you hope to achieve from the sale?

- Sell your business in full while remaining involved in its operation
- Sell your business in part while remaining involved with its operation
- Sell your business in full and end involvement with its operation
- Other

Set the Timeline

Decide the time during which you hope to complete the sale process e.g. (0–6 months, a year, etc)

The primary motivations for buyers to pay more than what you had actually valued your business for are MONEY, MARKET and COMPETITIVE EDGE.

Set the Financial Goal/Expected Outcome

What are your preliminary financial expectations from the sale of your business? This includes setting the price for your business. We will discuss how to properly value your business in the next section, but here's a preliminary on pricing:

For now, consider the following questions to arrive at a preliminary pricing multiple for your business sale:

- My business is in strong condition and likely to command a high sale multiple
- I'm prepared to accept a lower pricing multiple due to the current condition of my business
- I'm willing to commit time and effort to strengthen my business condition and therefore to improve its likely pricing multiple

Next decide on the form of payout you are looking for:

- Will you provide a seller-financed loan for a portion of the sale price?
- Do you require an all-cash payoff at closing

The answer can affect the net sale price the buyer is willing to pay, and in case of presence/absence of seller financing capable of paying.

Whose You're Prospective Buyer?

When you began your business, you must have created a customer profile for your target audience. Now you have to create one for your buyer. Here are a few primers to create your prospective buyer's profile:

- I prefer or am obligated to sell to a partner, key employee, employee group or family member. (If so, you won't need to list or market your business for sale. Instead, you'll work with legal and financial advisors as you pursue next steps.)
- I intend to pursue a sale to a targeted business such as a supplier, competitor or strategic business buyer? (If so, you won't need to list your business for sale. Instead, you'll work with legal and financial advisors as you strategically market your business to select targets.)
- I seek to sell to any buyer who has the financial and managerial capability to buy my business. (If so, proceed with the following parts of this guide as you prepare to prepare, list, market, and sell your business.)



AFTER-SALE OBJECTIVES

Your Personal Departure Objective

- I want to stay involved with my business in a managerial capacity after its sale.
- I'm willing to remain involved over a post-sale transition period of 3-12 months.

Your Post-Sale Objective for your Business

- I prefer to sell to a buyer who plans to retain employees and therefore cause little disruption in their lives.
- I'm willing to sell to a buyer with plans to merge, move or significantly alter the business.
- Once you answer these questions, which may take some soul searching and careful consideration, you'll be clear about what you want from your business sale. You may end up adjusting some of your objectives along the way, but the outcome of this step puts your sale goal into words and sets your sale effort in the right direction.

Hence, we believe that you must consider the need for an immediate exit as a perceived need.

Valuing Your Business, or What Matters to Your Buyers

The fact of the matter is that simply "being profitable" can never make you scalable.

The Pricing for Your Business

How much should you ask for, making sure that it is neither too high nor too low?



The answer to this primarily depends on the pre-sale condition of your business. A rule of thumb, applicable for most small businesses, is to sell at a multiple of 2–4 times annual multiple based on business condition and attractiveness to buyers.

Here are the primary motivations for buyers to pay more than what you had actually valued your business for:

MONEY — It is true that cash opportunity drives purchase decisions but buyers are looking for more. It's called a recurring revenue, or the revenue that they can expect with high predictability. These include things like subscriptions or long-term contracts.

A quick way to value your what your recurring cash stream are worth and then to divide them by the rate of an investment of comparable risk.

Example: if a business is able to put away \$40,000 every year in the bank knowing that if they had invested it in the business they would have a predictable and total going rate of return of about 4%, then the cash stream of that business is worth (estimated) $\$40,000 / 4 \text{ percent (i.e. } 0.04)$ is \$1,000,000.

MARKET — The next thing the buyer wants to know is the market share of customers your brand has. Call it your brand position, your customer base, or simply the market share, it is the one thing that lets the buyers estimate how long it will take for them to gain back on their investment. Take the example of Yahoo buying Facebook in 2006 when it had around 20 million users. Yahoo bid it at \$1 billion. Divide that with Facebook's customer base and it comes to \$50 worth of ads to each user to make good on that investment. For Yahoo, at that time, it would have taken 2 years to earn the whole investment.

COMPETITIVE ADVANTAGE— the buyer will take into account the competitive edge your business has over others in the same niche. Things such as trade secrets, talent pool, technology etc. This can be hard to quantify, but a good estimate can be gained from how much it would take to hire the same talent pool or to make the same thing on their own, or how much your competitor is willing to pay for the patented knowledge you have.

ESTABLISHED METHODS OF VALUING A BUSINESS —

A Checklist

Important considerations, and established methods of valuing your business include:

- The asset valuation method to value a business.
- Minority discounts, and how they affect the money you get.
- How your deal structure can affect the 'real' value you get for your business.
- Reasons why people sell a business
- Tax advantages of selling your business.
- Planning your exit strategy: how it can help you get a better value for your business.
- How much it costs to sell your business.

PREPARING YOUR BUSINESS FOR SALE —

Your Pre-Sale Checklist

- Bring your financial statements in order
- Estimate the value of all tangible assets of your business
- Prepare your statement of Seller's discretionary earnings
- Estimate multiples, based on:
 - o Performance evaluation of revenues and profit growth over the past ears
 - o Brand and reputation (customer base)
 - o Ease of transition for the new owner (staff, lease, referred clients, etc)

- o Accuracy and completeness of records
- o Product competitiveness
- o Portfolio/Cientele
- o Recurring revenue
- Do the math on your own — arrive at an estimate of purchase price
- Compare prices with recent listing your business category and other comparable businesses

Final Words — When Should You Sell

“Now might and might not be a good time to sell your business” is the adage that has plagued self employed individuals and entrepreneurs for decades. The recent report by the BizBuySell Insight Report found that the number of deals that closed in 2013 had increased by 41.7 percent in the third quarter relative to the same quarter the year back.

This healthy selling climate is expected to continue. That’s good news for those eager to retire or cash out and start another venture.

A survey conducted by Dykema, a law firm headquartered in Ann Arbor, Mich showed that the market for acquisitions and mergers are expected to pick up by 68 percent. Furthermore, the experts claim that the low interest rates also allow affordable financing to be had and hence increase the closing sale price.

But the market for small business has always been unpredictable and so owners shouldn’t simply sell because there’s momentum in the market. It is crucial that you spend time and effort in understanding your motivations, and properly valuing and preparing your business for sale.

Sources:

www.bizbuysell.com/news/media_insight.html

www.dykema.com/assets/html/documents/MASurvey.v2.10.2013.pdf




Request a HEALTH QUOTE





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- Get Protected with the best Anti-Virus Software - **Trend Micro**.
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Call NASE Tech Support
877-546-0789
 or email
nasesupport@xtechgrp.com

NEW NASE Member Benefits

Visit www.NASE.org to learn more about the following benefits!



Constant Contact:

We're happy to announce that NASE has partnered with Constant Contact, the leading provider of email marketing tools, to help you to stay in touch with customers to sell more, grow your customer base, and increase your bottom line.

Your new easy-to-use marketing tools help you communicate effectively, frequently, and safely. The result? More repeat business and referrals! [Click Here](#) to start a free, no-risk 60-day trial of Constant Contact now through the NASE partnership.

As a NASE member, you will receive benefits like:

- Easy-to-use products and access to over 400 fully customizable templates!
- Special discounts for signing up through NASE: Pre-Pay for 6 months and get 20% off or Pre-Pay for 12 months and get 30% off. Plans start at just \$15 a month!
- Access to a personal coach to help you get started and answer any technical and marketing questions.
- An industry-leading delivery rate. Your emails get delivered into in boxes--not into spam or junk folders.

Questions about getting started?

Constant Contact offers marketing coaches to help you get started with your first campaign. You can call them directly at (888) 606-7313 or send an email to coach@constantcontact.com. Reach out to them today to ensure your first email is a success!

Already a Constant Contact Customer?

If you're already a customer and looking to have your account moved under the NASE partnership, please call (855)854-8609 or email partnersupport@constantcontact.com.

Let them know your existing account user name, as well as, the partner name you'd like to be moved under: NASE



HostGator:

Another NEW and EXCITING NASE benefit is HostGator, a leading provider of webhosting and related services. Founded in 2002, HostGator currently has offices in Houston and Austin, TX, with additional international branches throughout the globe. Whether you are a small business looking to start up a website, or a Fortune 500 company dominating your industry, HostGator can meet the demand on your online presence.

HostGator Website Hosting--Start Your Website Today!

- **Unlimited** Disk Space, Bandwidth, and Email
- **Free** Site Building Tools and 4,500 Website Templates
- **Free** Shopping Cart Software
- **Free** Forums, Photo Galleries, Membership Scripts
- **24/7/365** Technical Support
- **45** Day Money Back Guarantee

[Click Here](#) to start saving

Business Benefits



QuickBooks:

Save up to 20% on best-selling financial software.

The NASE has teamed with Intuit®, the makers of QuickBooks financial software. QuickBooks gives you the power to manage your business more effectively by providing you with fast, easy and integrated solutions to meet the needs of your business. Whether you're looking for financial, customer or retail management software, QuickBooks has a solution for you!

QuickBooks Products are #1 Rated, #1 Best-Selling!



Turbo Tax On-Line:

Save 15% on the No. 1 online tax

preparation program. NASE Members receive a 15% discount on the #1 online tax preparation program. TurboTax Online makes filing your taxes easy...and it's quick and affordable, too.

- Prepare your taxes for free and pay only when you're ready to print or file
- No software to install
- File electronically and get your refund faster
- File before April 1 and take advantage of "Early Filer" pricing



BizFilings:

professionally forms corporations, limited liability companies (LLCs), and nonprofits faster than anyone else. BizFilings is committed to helping entrepreneurs and small-business owners learn about incorporation and its benefits, as well as helping them easily and affordably undertake this important business step without sacrificing quality.

- Incorporation Services
- Doing Business As (DBA) Registration
- Business License Application Package



LegalZoom

Provides:

- Last Will - A personalized legal document.
- Legal Forms - Save time and money with LegalZoom's online legal forms.
- Power of Attorney - A durable power of attorney allows someone to act on your behalf.
- Living Trusts - Create a living trust to protect your property and your beneficiaries.
- Divorce Overview - An uncontested divorce can help you divide property.
- LLCs - Forming an LLC can protect your assets.



UPS:

Save up to 32% on UPS Overnight Delivery Services with the NASE/UPS Savings Program


How to Access this Benefit:

For more information or to enroll, please: Enroll online at: <http://www.savewithups.com/nase>; or contact the UPS National Association Hotline at 800-325-7000. Assistance is available for enrollment from 7:00 AM to 7:00 PM (Central Standard Time). Please refer to the National Association for the Self-Employed Program when calling.

Take advantage of special pricing discounts through UPS under the NASE/UPS Savings Program. Through this program, UPS offers special shipping rates for NASE Members on overnight, international, and ground delivery services.

5 Media Tips For Small Businesses

By Brad Luna and Kristofer Eisenla of LUNA+EISENLA media



A key component of any businesses' strategic plan should be investing and executing a media program charged with raising its profile. While word of mouth and excellent customer-service are smart ways to generate business, the public also needs to know you, your company, and the services you have available.

Many small businesses dedicate a substantial amount of their budget on paid advertising - the purchasing of advertising space in newspapers, radio/TV, online or other forms of media such as billboards, etc. However, earned media – publicity gained through media outreach efforts not involving paid advertising – is too often neglected.

Building an outreach program to garner the attention of and engage key media can be a powerful way for a small business to grow and expand public awareness around their services or products.

Regardless if you are a Fortune 500 company or a small entrepreneur, here are five things every small business should remember when building a media program:



KNOW YOUR MEDIA LANDSCAPE

Any media program will require you to know what media is available and active in your area. This includes your local newspapers, radio and television stations, and online blogs and/or websites. Knowing this will help you craft a media program that meets your needs and goals.



HAVE SOMETHING TO SAY

A reporter once told us, "If you want to get attention, you have to have something to say!" This is true; if you want to get coverage in your local media, you need to know what you want to say – this can range from commenting on local issues, policy initiatives or even new consumer offerings by your company. Before you engage with the media, outline your top message points around your announcement that you want to ensure is conveyed to the reporter.



KNOW HOW TO ENGAGE

When you know what you want to say and who to say it to, the next step is to figure out how to engage with them – does your local media prefer fax correspondence or do they prefer to receive news items via email or twitter? With these details, you can build a targeted media list of all the relevant media in your area. Using this media list, the first step is to reach out and introduce yourself and your company, letting the media know you are there. Remember, as with any other aspect of your business, building long-standing, strong and trusting relationships with the media is essential.



MAKE TIME TO DISTRIBUTE CONTENT

Do you have an announcement to make? New product or initiative? With your message points in hand, develop a press release or news announcement that contains your contact information and your message with background information on your announcement. Send the press release or news announcement out to your media list and follow-up with personal phone calls, as appropriate. While being careful not to spam the media, be regular in your announcements and engagements with them.



MUST HAVE A SOCIAL MEDIA PRESENCE

Do you have a website, are you tweeting? Once your news announcements go out to the media, we suggest posting it on your website and Facebook page while also tweeting it. The majority of the public spends lots of time online looking for businesses, and you will need to play on that turf. Build a simple and clean website that includes your contact information, brief outline of the work and/or services you provide, and samples your work. Also consider using other social media platforms, from Facebook to Twitter, to help promote and advertise your business and announcements. Your earned media efforts can be the “fuel” to help provide content for your social media and online presence.

No media program is cookie cutter; in fact, it should be unique and characteristic of the work and services you provide. Every business benefits from a true investment in a media program aimed at raising not only the visibility of their services, but the small business itself.

While we have outlined what-to-do when it comes to the media, we thought you should also read about what-not-to-do: [click here to read about PR mistakes made by entrepreneurs.](#)

Luna and Eisenla are the owners of LUNA+EISENLA media, a strategic media communications company aimed at tackling the leading political and policy issues of our day. You can learn more at www.lunaeisenlamedia.com.



**Good
Luck!**

Designing Self-Employment

Susan Sharman, Owner of Sharman Studios, based in Martinez, California has been a NASE member since 2012. Like many members, Susan joined for the access to health insurance but has come to appreciate many of the other benefits the NASE provides. Sharman Studios specializes in crafting visually pleasing and vibrant graphic design and marketing solutions for small to mid-sized businesses.

What inspired you to enter the field you are in?

I fell into the graphic design field after graduating from art school with a BFA in printmaking. I had school loans and needed a job! My first job was paste-up artist (a job that no longer exists in the design industry) for a wine importer. I also had knowledge of print processes which was helpful in understanding how to prepare artwork files for commercial offset printing. The skills I had were a good match for entry level work in the design field but once I got into it I loved the work. I love the smell of ink on paper! One of my favorite project tasks is conducting a press check for a client project.





When and why did you start your business?

After working as an in-house designer and art director for about nine years in the wine industry I was ready to be my own boss. I was tired of “working for the man” and I launched myself into the freelance world in 1993 with one client, a Mac, and a fax machine! I will admit that I made a lot of mistakes in the early days but I was very committed to being self-employed so I stuck with it. Along the way I discovered I had skill sets that were uniquely suited to running my own business such as good organizational and project management skills.

That must have been a big leap of faith, how are your clients now and what equipment do you have?

My client base has grown exponentially and now extends nationally with current clients here in California, on the East Coast and in the South East. I got rid of the fax machine about four years ago and transitioned to a web-based fax service. I now have state of the art equipment in my office including a scanner, several printers including an Epson color printer and additional computers. A number of years ago I invested in custom designed and built cabinets and work area for my design office which includes flat files and a central “work island” with room to spread out my projects.

What challenges have you faced in your business? How have you overcome them?

The past two decades have seen radical changes in the graphic design industry, especially with technological advances and changes to the process of implementation of digital files. Additionally, the marketing avenues and choices now available to the small business owner have changed and morphed and we now work in a global economy with potential to reach beyond our local neighborhoods. This was not available a mere ten years ago.

I view the challenges as opportunities to learn something new to both advance my own business as well as for my clients! I keep abreast of new trends through my involvement with professional organizations; participating in seminars or workshops and through a great deal of reading.

I also have established partnerships with fellow entrepreneurs who may serve the same industries I do but offer a companion resource. These are my trusted referral partners and I bring them to the table for projects as needed for my clients. For instance, I may create a design for a direct mail campaign that will include traditional print and snail mail methods but to be truly effective

the campaign should populate across multiple marketing channels including social media. I'll bring on a social media expert to the project to advise and implement. I am proud that I can provide work for other small business owners such as myself.

I'm sure the other small business owners appreciate it too, how do you market your business?

The majority of my work comes via word of mouth. My website is the base for all my marketing efforts and outreach. The strategies I use to drive people to the website include networking, content creation for my blog and articles, and social media. Via the website potential prospects can see my work, learn about my process and capabilities and read my e-newsletter and blog posts. I also send the e-newsletter out to my database on a regular basis. I network within various organizations both to meet potential prospects but also to develop referral partnerships.

You mentioned you were determined to be self-employed, what's the best thing about it?

I am master of my own time and direction of my life. I get to choose how I will spend my days and what type of creative work I will take on. I have the opportunity to meet and work with some amazing people! I can leave my studio and take a walk in the middle of the day if I need to recharge my creativity.

And conversely, what is the most challenging thing about being a self-employed designer?

What is most challenging about being a freelance designer is keeping current with the software and hardware necessary to conduct my job. It requires a substantial financial investment on an ongoing basis.

What's the best compliment you've ever received from a client?

That I am a trusted member of their team! I am a firm believer that the best design solutions come from an open and collaborative process between designer and client.

What's the most important piece of advice you would give to someone starting their own business?

Spend the time and money to market the business properly from the start so that you will always have a flow of customers or clients coming through the door. I also recommend finding mentors who can help guide and answer questions as you grow and develop the business.



Learn More in the NASE Small Business Locator

Learn more about Susan Sharman, **Sharman Studios** and other Self Employed businesses in the **NASE Small Business Locator directory**. You can add your own company to the NASE Small Business Locator in up to three categories at no charge – it is a free benefit to NASE members.



2014 Mid-Term Elections

On November 4, 2014, voters will head to the polls electing a potential majority busting group of new U.S. Senators and all of the U.S. House of Representatives, impacting the legislative landscape for the self-employed in state and federal governments.

U.S. Senate

The 100-person deliberative body of the United States Senate is unique for several reasons, members seek re-election every six years and unless one party holds a “super-majority” (60 of the seats), it is by nature the chamber of bi-partisan efforts and legislative compromise. This cycle, there are 36 Senate races, eight open seats due to retirement or primary loss and 28 incumbents seeking re-election. Of the 10 Senate races categorized as “toss-up” races by Real Clear Politics, seven are currently held by Democrats and three by Republicans. With the Senate evenly divided at 45-45, those 10 seats will either maintain the majority for the Democrats or swing the

majority to the Republicans. The ten must watch Senate race: Alaska, Arkansas, Colorado, Georgia, Iowa, Kansas, Kentucky, Louisiana, New Hampshire, and North Carolina.

House of Representatives

Much like 2012, it would be almost statistically impossible for the Republicans to lose their majority in the U.S. House of Representatives. Of the 435 House seats, the Republicans hold 230 non-competitive seats (218 seats needed for majority) and the Democrats hold 188; even if the Democrats won all of the 17 toss-up seats, they will still fall short of re-capturing the majority. 12 of the toss-up seats are currently held by Democrats, leaving the Republicans with ample opportunity to expand their majority in the House, while certainly maintaining it.

Congress will have a short time table to address key issues including, tax reform, immigration, and government spending, before the 2016 presidential campaign swings into full gear.

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