



## MAKING CENTS

### KNOW THE VALUE OF YOUR BUSINESS

-John P. Napolitano, CFP®, CPA, PFS, MST, RLP®



**W**hat would you do if you owned stock in a company where the CEO wasn't doing what was in his or her power to maximize the value and potential of the company? If you're a small-business owner, have you ever looked in the mirror and asked that question?

You may have no intention of selling your business, but you still need to listen up. As the chief stakeholder, you are a fiduciary to any other stakeholders, such as heirs, partners or dedicated employees - and therefore have the obligation to do the best you can to maximize the value of that business.

Remember, many small-business sales occur because they have to. Owners die, become disabled or simply burn out and need to move on. Whether you're still in the thinking stages or prepared to negotiate a sale, there are several elements to consider to maximize your firm's value for your heirs or for the next owner.

Merely adding up the assets, liabilities and profits won't accurately reflect your company's value. You need to evaluate your industry: Is it an emerging growth industry like online retailing or is it a dinosaur like video rental stores?

What about your community and industry reputation, your staff and key employees, your unique value or selling proposition that keeps customers loyal? Often, a prospective buyer is interested not only in the purchase of the assets of a company, but also in the "purchase" of all of the intangibles, such as the team that helped make its owner succeed.

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How is the market for what you do? If you own a mortgage brokerage business, today is not the time to be selling. There aren't many people willing to pay

good money to be in that industry today while it is in such a state of chaos. On the other hand, if you own a business teaching people how to protect their credit or identity, this could be a great time to seek a buyer.

Regardless of market conditions, earnings are probably one of the most significant factors affecting your company's value. Your history of earnings can establish the baseline for the monetary worth of a company.

The sooner you start thinking about the value of your business, the better off you'll be - whether you intend to sell or not.