Timeline

A valuable succession plan isn't just for retirement planning - it can be a way to grow and improve your business while you're still there – and to secure your legacy. General information about what you would like your life to look like and investigating ways you might want to sell your business is a great place to start.

There are many nonprofit business supports and advising organizations that help small businesses at no cost to the owner. They can inform on when to bring on paid advisors. The Small Business Administration, Detroit's Economic Growth Corporation, and Michigan Center for Employee Ownership have professionals on staff or technical assistance providers for general guidance and are a good place to start.

General Steps to Prepare for a Sale

1 —

Define the owner's goals for post-sale and potential exit strategies.

2 —

Determine a range of value for the business.

3 —

Enhance value prior to the sale by boosting your sales and, getting business contracts in order.

4 —

Gather financial information that investors will want to see.

5 —

Compile due diligence iInformation.

6 —

Target buyers and hire a business broker if needed.

7 —

Qualify potential buyers to make sure they're truly interested and can afford to buy your business.

8 —

Negotiate the deal.

9 —

Sign Indications of Interest, Letter of Intent and Transaction Documents.

10 —

Transition the business to the new owner(s).

5 years out from potential sale checklist

- ☐ **Consult with a trustworthy business advisor to help you understand the process and to recommend when to bring in an attorney and an accountant.**
- ☐ **Brainstorm your business and personal financial goals.** (See Owner's Goals Worksheet, Appendix A)
- ☐ **Identify potential leadership successors by matching the skills and experience needed for each position with employees who have or could develop those qualifications.** (See Succession Needs Planning Worksheet, Appendix B)
- ☐ **Learn about the business and personal tax implications of your possible choices.**
- ☐ **Begin to document job descriptions and how the business is run.**
- ☐ **Decide whether a change in business entity structure is necessary.**

Questions to consider:

Is income for you and your family the top priority?

Do you want to preserve jobs for family members or key employees?

Do you know your potential successors' strengths and weaknesses?

Would training help your potential successors assume key roles or should you hire from outside the company?

What are the five most important roles in the company?

Does the business have any debt?

2 years out from potential sale checklist

- ☐ **Estimate how much you will need to live on after a sale.** (See Post-Sale Future Income Needs form, Appendix C)
- ☐ **Find out how much your business is worth.** (See Income from Business Form, Appendix D)
- ☐ **Organize your company's financial information like sales, costs, etc.** (See Business Fact Finder form, Appendix E)
- ☐ **Finalize documenting job descriptions and how the business is run.**
- ☐ **Begin to look for a buyer, internally and externally.**
- ☐ **Make sure the plans you set in motion in the last couple of years are still valid.**

Questions to consider:

Do you plan to fully retire or do it gradually?

What can you do to increase the value of your business?

How will your estate be taxed after the sale?

Do you want to sell to your family or to employees?

1 year out from potential sale checklist

- ☐ **Make sure you have financial and operational information ready.**
- ☐ **Continue looking for a buyer.**
- ☐ **Revise plans that have changed.**
- ☐ **Update company organizational chart and biographical information.**
- ☐ **Begin to consolidate any debt arrangements.**
- ☐ **List your major clients and contracts.**
- ☐ **Consider your lease terms if greater than one year.**

Questions to consider:

Do you or your accountant have reports that can be sent to potential buyers?

Do you need to investigate more ways to find a buyer?

Have any key employees left the company?

90 Days Out Checklist

☐ **Consider what could change between now and closing the deal.**

- **Sample Business Sale/Purchase Agreement Sheet** (See Appendix F)
- **Samples of templates for bylaws/operating agreement** (Democracy At Work Institute from DCWF website) (See Appendix G)
- **Other sample articles and bylaws** (Appendix H)
- **Sample Operating Agreement**

☐ **Make sure you respond quickly to information requests by the buyer.**

☐ **Obtain a certificate of good standing from the state.**

Questions to consider:

Have bonuses been paid since the last documents were sent?

Are key employees still planning to stay?

Have you lost any important contracts?

30 Days Out Checklist

- ☐ Update financial statements.
- ☐ Ensure Purchase Agreement has correct terms and conditions.
- ☐ Document any changes in accounting methods.
- ☐ Ensure all accounts are up to date.
- ☐ Provide agreed upon permits and licenses needed to conduct the Company's business.