

Can you afford to sell?

- Too many entrepreneurs selling their businesses under-estimate the cost of early retirement. Very few will sell their business for enough to fund the lifestyle they want or even are accustomed to.
- If you own 50% of a business worth £6m, CGT will leave you at best with £2.65m after costs. Spending some of it on a few treats takes it down to say £2m. Investing it wisely at the Bank at 3.5%, less income tax at 40% will bring in just £3,500 monthly. Does your pension fund add that much more?
- Sounds a lot? It gets better. Remember your expenses will be higher on retirement. Running a business means you don't have time to spend your salary and you'll have to get by without an expense account.
- Don't despair, you don't have to keep working until you're 80. Why not consider selling only part of the equity in your business? Keep it as a cash cow and rely on someone else to manage it.
- If a buyer offers you 4 times earnings on condition that you stay in the business, why not continue working for yourself and at least you will still own the business in 4 years' time?
- If you still really want to sell, keep in mind that grooming a business for sale takes years. In the meantime, don't just rely on the wealth that you will create by selling the business. Build up your personal fortune whilst you are still adding value to your business it: Give yourself a pay rise, don't scrap contributions to your retirement funds.
- Repay those director loans to yourself that you made to fund this business, and, if necessary, arrange for the business to borrow so that it can afford all this. If it can't afford to then no-one's going to buy it anyway.
- If you don't fancy giving away your business after four years of working to earn the profits that the buyer will hand back to you, then talk to us about how to create your own MBO....some surprising tax advantages, much reduced transaction costs and a lot less stress than you would usually experience in dealing with an aggressive buyer.

For more contact Christopher Jenkins, Senior Partner of Wingrave Yeats at cjenkins@wingrave.co.uk

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