



SEPARATING FACT FROM FICTION

MYTH BUSTING

By Brendon Falk

MYTH - *My business is my superannuation.* Unfortunately, this is not always true. In order to make a super contribution with business sale proceeds, the business must first be saleable! Don't take your business as your superannuation for granted.

MYTH - *You can't get Goodwill anymore.* Absolute rubbish. Anyone that says this I guarantee knows nothing about selling a business and what goodwill actually represents. Business sell every day of the week and they can include a substantial component of goodwill in the asking price. Asset price is only for businesses generating a low profit. Higher net profit businesses command goodwill based on their ability to generate income from their assets as well as non-financial factors such as reputation, location, client satisfaction and exclusivity.

MYTH - *My accountant said my business is worth \$500,000.* Valuing a business is cannot be done from behind a desk based on the profit and loss statement alone. There are many other considerations such as market demand, location, presentation, lease, documentation, staff capability, owners involvement, asset quality, stock level and so on. Most importantly, anyone that is willing to provide you a reliable value on your business, must have extensive and recent sales experience otherwise its going to be highly dubious.

MYTH - *My accountant said I will pay Capital Gains Tax upon sale.* Sometimes this is true but with careful financial planning, you can legally reduce the amount of capital gains tax payable by offsetting gains with losses, deferring gains, seeking concessions or exemptions and timing the sale favourably. It is always advisable to seek personal financial advice from a Certified Financial Planner (CFP) in addition to your tax accountant.

MYTH - *Someone will eventually buy my business so there is no need to worry.* This is also wishful thinking. Many business in fact do not sell as a result of poor marketing, poor financials and documentation or a general lack of buyer demand for the type of business.

MYTH - *The tangible assets of my business are worth \$300,000 so I should get at least this for my business.* Maybe yes, maybe no. The value of a business is determined by how well the assets are leveraged (utilised). Buyers are more concerned about how much profit these assets can generate.

MYTH - *My business has a million dollar turnover, so I will get a good price for it.* Income is the only true reliable indicator of the value of a business. Buyers want to know what they can walk away with.

FACT - *By putting together an exit strategy, I am more likely to sell at a higher price.* From my experience, a well crafted and well implemented exit plan definitely can make a significant difference. Those sellers who are prepared to put in the effort early may avoid a protracted sale or even business closure.

Should you require any further information or assistance on this topic, I invite you to contact me on my landline (07) 4124 4677, my mobile 0412 311 803 or by email bfalk@foresightbusiness.com.au.

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