



Three questions every business owner should be able to answer (the earlier the better)

Whether you're focused on growing the business, managing it efficiently, or considering a sale or transition, pausing to answer a few strategic questions can clarify your intentions and prepare you for unexpected events.

In our experience, few business owners take the time to consider their answers and, as a result, may be caught off guard when an unsolicited offer arises, there is a change in family circumstances, or shift in personal priorities. Your advisor can tap specialists who offer tools and resources to help you make well-informed decisions.

No matter what stage your business is in, can you answer these essential questions?

1. What is my company worth today?
2. Would I consider selling, and is now a good time?
3. What are my transition options, and the pros and cons of each?

Investment and Insurance Products are:

- **Not Insured by the FDIC or Any Federal Government Agency**
- **Not a Deposit or Other Obligation of, or Guaranteed by, the Bank or Any Bank Affiliate**
- **Subject to Investment Risks, Including Possible Loss of the Principal Amount Invested**

What is my business worth?

Understanding its value can help you evaluate your business and its potential, make timely keep vs. sell decisions, explore funding opportunities, and prepare for taxable events, among other things. Valuation information can (and should) be integrated into your personal financial plan, giving you a full picture of your wealth and the confidence to make informed decisions.

Three ways to value a business

1. **Market approach** Establishes a value based on comparisons with similar publicly traded companies and previous sales data from private companies.
2. **Asset approach.** This valuation is based on the marked-to-market value of your assets minus liabilities.
3. **Income approach.** This approach focuses on the company's ability to generate income, adjusted to recognize expenditures and risks.

Should I keep or sell?

Whether you are planning for a sale or receive an unexpected offer, modeling a variety of scenarios can help clarify your goals and determine a path forward.

Three factors to consider

1. **How does the risk of keeping the business compare to other opportunities?** Comparing the value of the business to an alternative asset class (e.g., cash or a diversified investment portfolio) is one way to evaluate the risk/return tradeoff.
2. **Is now a good time?** How might tax law changes, economic cycles, cost of capital and valuation trends

impact a sale? Your transaction can be significantly impacted by these factors.

3. **Who is the next best owner?** Evaluating who could take the business to the next level can help crystallize your decision.

What are my transition options?

If you're like many business owners, your business represents the single largest asset on your personal balance sheet. Determining the best way to sell or transition it can be complex and emotional. Prepare by understanding the pros and cons of different options.

Five transition options

1. **Sale to strategic buyer.** Involves a complete liquidity event for all owners and finding the right buyer.
2. **Sale to a private equity group.** Often requires staying invested and active for a while and generating a second liquidity event at resale.
3. **Management buyout.** Allows you to sell to the existing management team or employee(s). You may or may not remain involved, and owner financing is often involved.
4. **Sale to an Employee Stock Ownership Plan (ESOP).** Enables all employees to have ownership in the business and can include tax advantages.
5. **Keep and transition to family.** Preserves your family legacy and may help you to maintain ownership, control, and value creation.

Get the support you need. Decisions about your business can be complex and have a significant impact on your personal financial situation, professional future, and family. Contact your advisor, who can introduce you to business owner advisory specialists to help you answer these questions – as well as address any others you may have.

Wells Fargo Wealth & Investment Management (WIM) provides financial products and services through various bank and brokerage affiliates of Wells Fargo & Company. Wells Fargo Bank, N.A. is a bank affiliate of Wells Fargo & Company. Wells Fargo Bank, N.A. ("the Bank") offers various banking, advisory, fiduciary and custody products and services, including discretionary portfolio management. Wells Fargo affiliates, including Financial Advisors of Wells Fargo Advisors, may be paid an ongoing or one-time referral fee in relation to clients referred to the Bank. In these instances, the Bank is responsible for the day-to-day management of any referred accounts.