

How to avoid five common regrets after selling your business



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Key takeaways:

- For most business owners, selling your business can be the biggest financial event of your life, and your financial security — and personal happiness — may depend on getting it right.
- More than 75% of business owners who sell their business experience profound regret within a year after the sale.¹ We outline the most common reasons owners have regrets after selling and characteristics of owners who exited successfully.

What this may mean for you:

- While preparing for a business sale can be complex, exploring your options and developing a transition plan in advance may help facilitate a successful business transition or sale.

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Ideally, selling or transitioning your business will result in financial reward, security, and a sense of achievement. Unfortunately, **more than 75% of business owners who sell their business experience profound regret within a year after the sale**, according to a report by the Exit Planning Institute.¹

Why do so many owners have regrets? More importantly, what did the successful ones do to create a good exit?

Answers to these questions can help guide you in crafting a successful business transition. There are countless reasons owners have regrets or remorse after selling, but here are five of the most common:

1. **Selling but later wishing they had not.** Some realize too late that what they loved most in life was owning, running, and being a part of their business and wished they had not sold, at least not yet. This regret is tough because there are rarely any chances for a do-over.
2. **Loss of identity and purpose.** For owners who spend years or decades building a life and identity around their business, it is very common to feel a loss of purpose and identity after the sale. If you plan to golf and relax but what really excites you is the thrill of entrepreneurship, you're not going to be happy. The day after your transition, a new challenge arises. People are no longer in need of your guidance and decision-making. For many, this results in a period of grief and depression.
3. **Leaving money on the table — or worse, having a forced sale.** It is common for former owners to second-guess whether they could have gotten a higher price. In some cases, owners realize during or after the deal that they made some mistakes (or were not competently advised) that cost them dearly. Mistakes they wouldn't make next time. But usually there isn't a next time. The regrets tend to come when owners realizes they could have prevented the financial loss by preparing for the exit earlier or executing it differently.
4. **Not being prepared when they got an unsolicited offer they couldn't pass up.** The majority of private businesses are unprepared to properly capitalize on an unsolicited offer, even if the offer is so good they can't pass it up. When owners try to respond to such an offer despite being unprepared, the outcome is often a failed deal. This is exhausting physically and emotionally. Some owners who've had this experience vow going forward to always ensure their business is "transaction ready" to sell at any time.
5. **Unhappy with how employees were treated.** Some sellers are led to believe a buyer will keep their employees only to see them fired not long after the sale. Many owners later feel remorse when the employees were not rewarded in the sale and or able to retain their jobs.

1. *The State of Owner Readiness Survey 2013 National Survey Final Report*, Exit Planning Institute, 2013

How can owners prepare for a successful exit?

In his book *Finish Big*, Bo Burlingham interviewed entrepreneurs who had sold their business and discovered eight characteristics shared by most owners who had exited successfully:

1. **Purpose:** They knew who they were and what they wanted out of their business and why.
2. **Value:** They took the time to make the business more sellable and valuable by learning to look at it through the eyes of a potential buyer or investor.
3. **Planning:** They gave themselves years, not months, to learn about and prepare for their eventual departure and developed transition and contingency plans so that neither they nor their heirs would ever be forced to sell under disadvantageous circumstances.
4. **Preparation:** For many, leaving the company in good hands was important.
5. **Team:** They had a competent professional team to help them prepare the business and execute a deal but also had sought help and learned from other former business owners who had learned how to do it by making mistakes in exiting their own companies.
6. **Responsibility:** They had given serious thought to their responsibilities to employees and investors and were at peace with whatever decision they had made.
7. **Legacy:** They understood in advance who was buying their company and what was motivating the buyer. (For those who didn't know the buyer's motivations, unpleasant surprises often came later when it became clear what the new owners actually planned to do.)
8. **Post-transition purpose:** The ones who had the most successful exits had a vision of what they would do after the sale. They knew what — other than their business — would or already did make them happy and satisfied. And long before a sale, they planned ahead for what they wanted their life to be about after the sale.

How are you preparing for a transition or sale?

For most business owners, selling your business is the biggest financial event of your life, and your financial security — and personal happiness — may depend on getting it right. Most don't get it right but could have if they had done things differently. Business owners with successful transitions typically started exploring their options and developing a transition plan years in advance. If you would like help in planning your business exit or transition, please reach out to your advisor. Your advisor has access to a team of business owner advisory specialists who can help outline your options, model scenarios, and manage through complex situations, helping you prepare for what may be one of the most important decisions of your life.

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