

Why Now's the Time to Sell Your Business

Anyone who knows anything about business knows that you buy low and sell high. Here's why now just may be that selling-high time.



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I think it's time to sell your business.

Just last week BizBuySell.com said "in the first three months of this year, the number of [small business] sales that closed jumped 56 percent from the same time in 2012, according to the [Associated Press](#). Retirement was the No. 1 reason for those sales in the fourth quarter of last year and the first quarter of 2013, according to a survey by Pepperdine University and two trade groups.

So, are you going to sell your business in the next few years? It seems this is a trend very much worth considering. Here's why.

1. Aging U.S. Population

According to the second chart on [this page](#) prepared by the Urban Institute (and my knees, back, and rapidly-deteriorating eyesight), the U.S. isn't getting any younger. It says 16.3 percent of the population will be more than 65 years old by 2020, a 31 percent increase from 2000. And by 2040 one in five people in the U.S. will be a senior citizen. This means that, assuming the system hasn't gone bankrupt, Angelina Jolie, Tiger Woods, Tobey Maguire, and Kate Gosselin will all be able to

collect social security that year. George Clooney will be 79 years old. Now think about it. Suppose you would like to sell your business some day. Will it be easier to do in the next few years, or after 2020 when there will be many other gray-haired entrepreneurs also looking to sell out, retire, and watch re-runs of *Jeopardy*? Many smart business owners I know are prepping for their exit before a glut of metal shops, accounting firms, and pizza shops started in the good ol' days come up for sale.

2. Low Interest Rates

This [chart](#) from January shows a history of long-term interest rates going back to 1790. I know it's kind of a stretch to believe data from more than 200 years ago, but hey, global warming theorists seem to do it all the time. The author, Barry Ritholtz, is using these numbers to support his case that there has never been a better time for governments to borrow money and rebuild their infrastructure. And he's right. But these low interest rates also indicate that there has never been a better time to sell your business too. There's never been a better time for investors to borrow money and buy appreciable assets like your little business. How about getting a loan for next to nothing and using that money to buy a company or two that could, if managed properly, return double-digit profits? If your company falls into that category then now is a great time to offer it up to a hungry buyer looking for an opportunity.

3. Low Inflation

Here I go again with another [crazy chart](#). But don't worry: This time it only goes back to the 1870s. (I know, I know: Back then they weren't even smart enough to have invented fro-yo so can we possibly rely on their calculation of interest rates? Fine, but just work with me on this.) According to the analysis, the 10-year moving average of inflation has been 2.46 percent, and the country's most current annualized inflation rate, according to the Bureau of Labor Statistics, is 1.47 percent. Only the Phillies team batting average is lower. Rates are so low it's almost criminal to put money into a savings account. This is why investors are desperate to find places to park their money and still get a decent rate of return. Savings and money markets aren't going to cut it. The exuberant stock market is a refuge. But what else? Exactly. *Your*business. With borrowing rates so cheap and the options for

making money elsewhere limited, how about investing in a nice little company? It's a good pitch.

4. Low Taxes

This [chart](#) shows a history of taxes on capital gains going back to the early 20th century. The capital gains tax rates, as part of this year's effort to stave off the dreaded "fiscal cliff," were raised from 15 percent to 20 percent. But, as you can see in the chart, these rates are still significantly lower than they were between 1936 (40 percent) through the mid 1990s (28 percent). This means that if you sell your business now the tax rate on the capital gain you'll likely realize is at a historically low level. Now, turn to C-Span and watch what's going on in D.C. You'll hear a lot of talk about deficits and the national debt and how in the world it will get paid back. And then there will be more rumblings about increasing taxes (like capital gains) on those dirty, rotten, wealthy people again. That's you. With taxes at such relative low levels, what better time is it to consider selling out?

5. TLC

Finally, this is a [photo](#) of Honey Boo Boo. She stars in the enormously popular show called *Here Comes Honey Boo Boo* on TLC. The show features the seven-year-old child beauty pageant participant (her real name is Alana Thompson) and her mom, dad, and three older sisters. The show is mostly filmed in and around the family's hometown in rural McIntyre, Georgia, which makes suburban Mumbai look like Park Avenue. According to some reports, the family is paid a salary of \$50,000 per episode. So if this isn't a clear indication that the country is absolutely going to hell, and you better sell your business and move to Canada, I don't know what is.

OK, let's compromise. These are 4.5 good reasons you should consider selling your business sometime in the next few years. I know you may have emotional ties holding you back. It's your baby. You built it from scratch. You inherited it from your parents. But the smart business people I know look at their companies as nothing more than assets. I know this sounds a little cold, but it's just the truth. And anyone who knows anything about business knows that you buy low and sell high. And now just may be that selling-high time.

Look: if Honey Boo Boo's family can make \$50K an episode shouldn't you be cashing in too?