

If you want to sell your business in 2021, move quickly



After a difficult year for some companies and a banner year for others, many business owners are evaluating whether now is the right time to sell their business. The uniqueness of the last year coupled with President Joe Biden's proposed changes to the capital gains tax rate (from 20% today to a proposed 39.6%) has pushed some business owners from being undecided on when or if they are going to sell their business to being ready now.

Time may be quickly running out to get a deal closed before January 1, 2022, the date many expect new capital gains rates to take effect. These potential tax changes, along with an already strong market for mergers and acquisitions, could make getting a deal done this year more difficult if you don't move quickly.

This is expected to be an active year for M&A, due to:

- **Activity was up 24.6%** in 1Q 2021, compared with 1Q 2020.
- **Interest rates remain very low** and lenders are very accommodating, making debt capital relatively easy to find and inexpensive.
- **Availability of dry powder to use for M&A remains high** for strategic buyers, private equity firms and lenders.
- **Valuations remain strong**, particularly for companies that performed well over the last year.

These industry tailwinds have created a strong market for sellers. Given the volume of deals expected, however, there is concern about just how many deals can get done in the second half of the year as deal execution capacity is anticipated to be extremely limited. As the volume of deals increases, transaction service providers, such as accounting firms and investment banks, are expected to be at or above full capacity. Since it typically takes approximately six months to close a standard sale transaction, the timing for hiring an adviser and lining up a high quality transaction team is quickly coming to a close.

To help increase your chances of your deal's success, some steps you can take immediately include:

- **Reflecting on what the key priorities are** for you and your business as you look to transition your business, including what role you see for yourself post-transaction.
- **Integrating family wealth strategies into your sale.** These strategies require the help of a team of trusted advisers, including attorneys, CPAs, wealth planners and other investment professionals. Given the potentially broader impact of Biden's tax changes, evaluating your personal planning options based on what we know today can be especially impactful.
- **Connecting with your team of trusted advisers** to inform them of your desire to sell, which will help them prepare to assist you as the transaction moves forward.

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- **Talking to your family about your timeline.** If you were looking to transition the business to the next generation, a discussion can help you and understand if any of their plans might have changed given their experiences over the last year.
- **Reaching out to your investment banking partner** to understand what the value of your company is and what you can expect in a sale process if you're looking to sell some or all of the business to a third party.
- **Discussing your plans with your management team** so they can assist throughout the process, and considering bonus or retention plans for key management.

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