

Taking the Time to Consider Your Options

How Seller Financing Can Help You Find a Qualified Buyer for Your Business

When you are exploring the option of selling your business, you may want to offer seller financing in order to attract a larger buyer pool, which, in turn, will generate a higher selling price. At VR, we strongly recommend using this route to help sell your business. Whether you've sold a business before or not, VR has each owner consider how much of the price you would be willing to finance to find a buyer to take over your business.



The reason every VR business intermediary uses this practice is simple:

All cash buyers for businesses are rare. In most cases, it's not economical for a buyer to do so when they're also looking to grow and expand the business they are looking to acquire.

It's normal for any seller to view financing a transaction for their business as a risk; however, statistics show that sellers receive a much higher purchase price if they offer seller financing in the deal. With seller financing included in the terms, you have a better chance of selling your business in a shorter period of time. What seller financing does is communicate to the buyer that you are confident in your business' ability to pay for itself.

Seller financing provides a variety of different advantages that outweigh the perceptions created by an all-cash transaction:

- Increases the likelihood of selling to a qualified buyer;
- Commands a higher asking price;
- Interest from seller financing can add greatly to the total proceeds received for the sale of the business;
- Interest rates on seller notes are higher than rates issued by banks if the same capital was placed in your bank account or in certificates of deposit;
- All-cash sales have possible tax consequences.

Unlike banks where you have to engage in large volumes of paperwork and long waiting periods for approval, seller financing is not as demanding. When the deal is complete, the buyer receives financing while the seller has the cash flow.

Generally, there are two major categories for seller financing:

- 1.) **Before the close** – Options to consider include the Purchase Option, Extended Closing, Open-Ended Closing and Seller Partnerships.
- 2.) **After the close** – some of the financing options available include Free and Clear Financing, Equity-Only Financing, Wrap Financing and Combo Selling.

VR will identify a way to structure a seller-financed transaction that works for you regardless of whether you are financing the majority of the deal or a portion of the down payment needed for the buyer to qualify for bank financing. Each VR business intermediary is skilled in transaction financing and provides valued representation throughout the entire sale of the business.

In addition to seller financing, VR will educate you on the other financing options available to buyers when considering an asking price such as SBA financing. Remember, a crucial element of the process is having a business valuation performed to ensure you are receiving the fair market price.