

## Financing the Business Sale: 6 Questions to Know

How the purchase of a business will be structured is something that must be dealt with early on in the selling process. The simple fact is that the financing of the sale of a business is too important to treat as an afterthought. The final structure of any sale will be the result of the negotiations between buyer and seller.

In order for the sale to be completed in a satisfactory manner, it is vital that the seller answers six key questions:



1. What are the seller's objectives from a business sale? This may include many things, among them price and terms. It is important to understand the likely range of values that may be achieved. Having a reasoned expectation before exposing the business and commencing negotiations can be critical to avoiding a fruitless use of time and failed negotiations.
2. What are the tax consequences of the sale? Taxes are impacted by price, but also by terms. The important measure is net from a sale not the bragging rights that can be gained from gross price.
3. Interest rates are no small matter. It is important to determine what is an acceptable interest rate in the event of a seller-financed sale.
4. Have unsecured creditors been paid off? Does the seller plan on paying for a portion of the closing costs?
5. Will the buyer have to assume any long-term or secured debt?
6. Will the business be able to service the debt and still give a return that is acceptable to a buyer? If it will not, why would a buyer invest?

Studies have indicated that there is a direct relationship between more favorable terms and a higher price. In particular, one study revealed that offering favorable terms could increase the total selling price by as much as 30 percent!

M&A Advisors are experts in what it takes to successfully buy and sell businesses, and this is exactly the kind of insight and information that they have at their disposal. Experienced M&A Advisors are able to use their knowledge of everything from current market conditions and financing strategies to the knowledge of previous sales and a given geographic region to help facilitate successful deals.

Usually, selling a business is one of the most important things that a business owner does in his or her professional lifetime. M&A Advisors understand this fact, and they understand the importance of making certain that the deal is structured correctly. The facts are that the way in which a sale is structured could mean the difference between success and failure.

Excellent preparation before talking to prospective buyer, presenting the business effectively, then Structuring a deal in such a way where it is the best possible deal for both the buyer and seller, helps to ensure that a deal is successfully concluded. Working with an M&A Advisor is one of the best way to ensure that a business will be sold.

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*The Oil & Gas Advisor's team of M&A Brokers and advisors specialize in selling businesses related to the oil, gas, and energy industry. Clients include manufacturers, distributors, services, construction and logistics firms. TOGA is USA's expert in selling propane companies. Since 1987, they have been investment banking merger and acquisitions advisors, providing certified business broker and intermediary services. TOGA's experts are award winning industry leaders with offices in Texas, Oklahoma and Pennsylvania.*

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