

Thinking of selling your business?

4 ways an advisor can sweeten the deal.

By Brett Rosen

TIP: NABIP's Mergers & Acquisitions resources offer invaluable insights through a collection of webinars. These tools are designed to equip members with the knowledge and skills necessary to navigate and succeed in the complex world of mergers and acquisitions.

For many years, I sat on the buy side of the table as my organization acquired small companies in employee benefits, insurance, retirement, and HR. We recruited seller-owners directly, and I did all I could to help sellers. But, owners working directly with a buyer “don’t know what they don’t know.” For starters, some sellers left money on the table. Some could have earned up to 25% more with a broader perspective and help negotiating.

Unrepresented sellers can fail to grasp fully how the change in ownership would affect them, their employees, and customers.

When a buyer’s M&A team is rolling out the red carpet, it can be hard to remember that they have a duty to serve their investors by presenting the most favorable terms for their firm, not to act as the seller’s fiduciary.

Experiencing first-hand the value of a seller having a fiduciary, confidant, and negotiator is why I am now an advisor to business owners. In the insurance markets I know best, only about 50% of small business owners get help from an M&A advisor. Why don’t more? Sellers may not know the service is available, or balk at fees, which amount to 2-5% of the selling price, and not see the ROI.

Buyers also may claim third-party consultants interfere



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with personal connections required for a successful deal. However, the best advisors facilitate those relationships, ensuring the sale is not purely transactional.

Here are four benefits of working with an advisor.

1 Valuation that’s fair. Most small business owners who hear from buyers what their company is worth are likely getting incomplete information. Advisors can help sellers get a sense of their company’s actual market value and negotiate accordingly.

2 Visibility into your future role. Many owners

fail to fully understand what they will be expected to do post-sale. Some sellers exit the business altogether. But those moving to the acquiring firm can avoid unpleasant surprises with an advisor’s help.

3 Values alignment and legacy. For many entrepreneurs, their business is their baby. They care about their employees, their customers, and their services. An advisor can ensure that agency owners who are looking to sell their business get full value for what they’ve built and don’t sell to a company that isn’t aligned with their deepest values and the legacy they want to leave.

4 Velocity that’s right for you. Owners often get caught up in the momentum. They may be recruited by a big player moving fast. However, getting the best deal typically requires patience, thoroughness, and perspective. Advisors can help you proceed at the speed that’s right for you.

When clients come to me with an offer in hand, they rarely end up sticking with that deal. Having an advisor who can provide a broad perspective and negotiate on your behalf is crucial to make the most of a one-time opportunity to sell your business.