

# **DREGGORS, RIGSBY & TEAL, P.A.**

## **CERTIFIED PUBLIC ACCOUNTANTS**

### **What are some financing options for selling my business?**

Answer:

Several financing options are available to you and the buyer of your business. The financing methods you consider and ultimately choose will be affected by many factors, including the identity of the buyer (e.g., family member, corporate entity, unrelated third party), the purchase price, and your own cash needs, tax considerations, and flexibility.

In addition to accepting a lump-sum cash payment from your buyer (which may require the buyer to obtain a loan), you might choose to act as creditor and finance the transaction by accepting installment payments over a specified period of time. Although financing the sale yourself may make the business easier to sell, it will likely cause you to remain concerned about its continued success. Remember to put your agreement in writing and include a reasonable interest rate. Otherwise, there could be unexpected income and gift tax consequences.

If the buyer of your business is a corporation, you may agree to engage in a tax-free stock swap, whereby you receive stock in the acquiring corporation in exchange for your business. In this case, specific tax guidelines must be followed. In addition, securities regulations may require you to hold the stock of the acquiring company for a specified length of time, and may require the filing of a registration statement with respect to the stock of the acquiring corporation before such stock can be resold. You may also be able to contribute your business to a partnership in exchange for partnership interests on a tax-free basis.

Financing your sale with a private annuity or a self-canceling installment note can provide you with an income stream for the rest of your life and certain tax advantages during your lifetime. A private annuity is most often used in sales between family members. A private annuity cannot be secured by a note or collateral without losing its favorable income tax treatment.

Before choosing a financing option for the sale of your business, talk to your financial and/or tax advisor. The method you choose could have an impact on your estate planning, as well as your current and future tax liability.