

Selling Your Business: Building the Right Team

Brian Oard, President, Western Region, Wilmington Trust N.A.

Alvina Lo, Chief Wealth Strategist, Wilmington Trust, N.A.

David Iannini, Chairman, President & CEO, William & Henry Associates

Brian Oard: Aloha. We are live from the floor of the Hawaii Tax Institute in Honolulu, Hawaii. I'm joined by my colleague and friend Alvina Lo, who is our chief oil strategist out of our New York City office and our special guest, David Iannini, who is the founder and CEO of William and Henry, a investment banking firm based out of Century City, California.

So you had these early conversations, and I know from our meeting last week you talked about the value of the other members of the team. Can you talk a little bit about who else should be on the team besides the investment banker?

David Iannini: Building the right team is absolutely critical to the process. Not only do you have to have a good investment banker, who sort of is the leader of the transaction, but you have to have a good corporate attorney that knows how to get through the documentation and the schedules and writing the reps and warranties correctly. You also need some good accounting folks, that could be in the form of an audit, a review or quality earnings report, but there needs to be some sort of outside review of the company's financial statements that are not produced by the company's CFO or equivalent.

Clearly the tax ramifications of any transaction are critical and that depends on how you incorporate it, whether you are a C or an S corporation, And it's also important to get the planning of the transaction, in terms of wealth planning and estate and tax planning, whether it's getting money to your children or your grandchildren or generation skipping or charitable remainder trusts or things of that nature, that can be done on a tax efficient basis before a deal is signed up under an LOI.

But your options after the LOI are incredibly limited, if even exist at all. So it's so important to do that kind of planning before a deal is in place. And literally a wealth manager's probably the first person I call, after I sign up a deal because they have to get going immediately.

Brian Oard: One of the recurring themes as you enter into relationships with people that are selling their businesses, is that they intertwined a lot of their own personal expenses as part of the business.

David Iannini: Certainly most private business owners, there's certainly nothing wrong or illegal about it, use their businesses to pay for vacations or tuition for their kids. All sorts of those things. Of course, those are not things that are going to continue after a deal is done.

So, what we're trying to prove to the buyer and in getting the highest price for the seller, is what is the real cash flow going to be after the deal when you're not paying the tuition and the family vacations are not being run through the business. But there's a process you have to go through and it involves getting the accountant involved that I talked about earlier, or other specialists, to go through the profit and loss statement and literally identify and provide the documentation of those expenses so that we can prove to the buyer that this expense that's happening now is not going to be an expense going forward.

Alvina Lo: What are some of the things or headwinds that you're seeing given current regulatory, legal and political climate for business owners if they're contemplating a sale?

David Iannini: There really are no headwinds right now to the selling process because two things, general things, motivate people to sell. Fear and greed. But what's interesting is rarely do those two exist at the same.

There's lots of buyers and only a few sellers, so that tends to drive the supply and demand appraisal. That's on the greed side. On the fear side, you've got a Chinese deal, trade deal that never seems to come to fruition. You've got negative interest rates in Europe. You have a Fed doing reverse repo into the market every day to stabilize the short end of the curve, on the yield curve.

I mean, there are some storm clouds on the horizon, so no matter whether you're greedy or you're fearful, there's a reason for you to be trying to get rid of your business right now or at least monetize it in some fashion.

For a deeper conversation on the issues discussed in this video please reach out to:

Brian M. Oard, CFP

President, Western Region, Wilmington Trust N.A.

310.300.3060

board@wilmingtontrust.com

[linkedin.com/in/brian-oard-8b06b23](https://www.linkedin.com/in/brian-oard-8b06b23)

Alvina H. Lo

Chief Wealth Strategist, Wilmington Trust, N.A.

212.415.0567

alo@wilmingtontrust.com

[linkedin.com/in/alvina-lo-737230](https://www.linkedin.com/in/alvina-lo-737230)

David Iannini

Chairman, President & CEO, William & Henry Associates

602.327.3803

dannini@williamhenryassociates.com

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