WORKING WITH BUSINESS BROKERS AND INVESTMENT BANKERS

What sale advisors do, how they're paid, and how to choose the right one for the size of your business.

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AT A GLANCE

- **Business brokers** usually help sell smaller, owner-run businesses. **M&A advisors** and **investment bankers** usually handle larger businesses.
- They value the business, prepare marketing materials, find buyers confidentially, and help negotiate.
- Most are paid mainly a **success fee** when the sale closes. Read the agreement carefully.

Why it matters

Selling a business is complex and usually happens once in an owner's life. A good advisor can find more buyers, keep the process confidential, and negotiate better terms. A poor one can waste months or push you into a bad deal.

Who does what

Advisor	Typical business size	What they do
Business broker	Smaller, owner-run businesses	Value, list and market the business; screen buyers; manage the process
M&A advisor	Mid-sized businesses	Run a more structured process with many buyers
Investment banker	Larger businesses	Run competitive processes with private equity and strategic buyers
Lawyer	All	Purchase agreement and legal terms
Accountant or CPA	All	Financial statements, quality of earnings, tax planning

How they're paid

- **Success fee**: a percentage of the sale price, paid at closing. Smaller deals usually have higher percentages.
- **Retainer or upfront fee**: some charge a monthly or upfront fee, especially for larger deals.
- **Minimum fee**: some have a minimum fee regardless of the sale price.

Fees vary widely. Get them in writing and compare.

How to choose

1. **Interview at least three.**
2. **Ask for recent sales** of businesses like yours, in size and industry.
3. **Ask how they'd find buyers** and keep the sale confidential.
4. **Ask for references** from past sellers.
5. **Check licenses or credentials** where your state requires them.
6. **Read the engagement agreement**: fees, length, exclusivity, and what happens if you find a buyer yourself, or if the deal closes after the agreement ends.

> WATCH OUT
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> Be cautious of advisors who promise a very high price to win your listing, or who charge large upfront fees with little work behind them.

> EXAMPLE
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> **Joseph** interviewed three brokers. One promised $1.5 million. The other two, using recent sales of similar shops, estimated $1.0 to $1.2 million. He chose the broker with the most auto-service sales and the clearest plan. The shop sold for $1.15 million in seven months.

Common mistakes

- **Choosing the advisor with the highest estimate.**
- **Not reading the agreement's length and "tail" terms.**
- **Skipping a lawyer** experienced in business sales.
- **Selling alone** without understanding the process.

Your checklist

- ☐ Interview at least three advisors
- ☐ Compare fees, experience and plans
- ☐ Call references
- ☐ Have a lawyer review the engagement agreement
- ☐ Line up an accountant for financial and tax work

Where to go next

- **X-06 The Sale Process, Step by Step**
- **X-07 Letters of Intent and Purchase Agreements**
- **X-10 Taxes When You Sell**

IMPORTANT

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