

## **Title: Common Selling Myths Part One**

**By: Matt Manske**

Selling a funeral home can be difficult and time consuming. If you are planning to sell, reading about these common selling myths may save you time, money, frustration and give you a better understanding of the selling process. If you are planning to buy, this article will help you understand the process from the seller's perspective.

Education is often our first line of defense against many things in life and it's no different when selling a business. Appraisers, brokers and consultants will use a variety of methods to entice sellers into paying for expensive business valuations, signing exclusive listing agreements or expert consulting agreements. You may even be told that all fees are "buyer paid" so there will be no cost to you. Everyone in business needs to make money, but normal profits should not be excessive nor have an adverse affect on the selling price.

This is part one of a two part series on common selling myths. Selling a funeral home can be difficult and time consuming. If you are planning to sell, reading about these common selling myths may save you time, money, frustration and give you a better understanding of the selling process. If you are planning to buy, this article will help you understand the process from the seller's perspective.

**Myth: I need a formal business appraisal to sell.** Business appraisals or "valuations" are used to establish the current market value of a business. Valuations are commonly used for selling, buying, refinancing, estate planning, developing buy-sell agreements and settling divorces. When selling, a valuation is used to determine the asking price. The problem is, most buyers need a loan to make the purchase and lenders typically order their own valuations. Lenders do this because they need to ensure valuations are done by independent third parties with no interest in the transaction. So the lesson is, don't waste your money on a valuation lenders can't use. If you do decide to get a valuation, make sure you use a national based valuation company and check with the buyer's lender to confirm the valuation can be used. Also, be sure not to overpay for a valuation. Lenders typically pay between \$1,500 and \$2,500 for basic business valuations.

**Myth: I need to sign an exclusive listing agreement to sell.** Exclusive listing agreements are designed to lock in the seller and give the broker time to find a qualified buyer. Exclusive listing agreements are typically 12 to 24 months in length and come with a standard industry commission between 5% and 10% of the sale price. Often, the commission continues to apply to any buyer referred by the broker or any buyer finding out about the sale through the efforts of the broker. The listing period is "Exclusive" and normally means you pay the commission if you sell during the listing period - even if you find the buyer. The commission may also apply if you

**Matt Manske is the Managing Member of BSF, LLC (website: [www.4BSF.com](http://www.4BSF.com)).  
He can be contacted at 913.343.2357, or by email at [matt@4BSF.com](mailto:matt@4BSF.com).**

**Title: Common Selling Myths Part One**

**By: Matt Manske**

withdraw from a sale, fail to complete a sale or terminate the listing agreement prior to the end of the listing period. The reality is that you may already know the best buyer for your business and even if you don't, it shouldn't take a broker very long to find a qualified buyer you approve of.

Myth: My broker's fees are being paid by the buyer so the sale is not costing me anything. Standard industry commissions are typically paid by the seller. But some brokers advertise their commissions are paid by the buyer and there is not cost to the seller. Be wary of this "buyer paid" approach because total transaction costs affect the selling price. While it may be true the commission is assessed and paid by the buyer, the true cost of that commission will impact the selling price. A buyer can only borrow so much money to buy your business, regardless of whether that money goes to you or to a broker's commission. The lesson here is to be wary of the "buyer paid" approach and focus more on total commissions paid.

In summary, these selling myths are not meant to be all inclusive. Selling is difficult and the appropriate use of consultants, brokers or experts can help you get the results you need. These experts and consultants should be paid for their services, but their profits should not be excessive nor have an adverse affect on the sales price. It's important to educate yourself about the process and know what's out there in the marketplace. Total transaction costs can and do affect your sales price. And keeping these transaction costs at a normal level will allow you to maximize your sales price. Part two of this series will cover expert consulting agreements to improve operations, expert consulting agreements to operate your business and the importance of buyer financing.

**Matt Manske is the Managing Member of BSF, LLC (website: [www.4BSF.com](http://www.4BSF.com)).  
He can be contacted at 913.343.2357, or by email at [matt@4BSF.com](mailto:matt@4BSF.com).**