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5 Signs That It's Time To Sell The Family Business

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Owning and operating a family business is a big part of the American dream. The U.S. Census Bureau reports that 90% of all North American business enterprises are **family-owned**.

But along with realizing that dream comes a bittersweet reality for some family business owners – knowing when it's time to sell. And that can be a challenge as they wrestle with deep emotional ties to the business and various selling options, says Terry Monroe (www.terrymonroe.com), founder and president of American Business Brokers & Advisors (ABBA) and author of *Hidden Wealth: The Secret to Getting Top Dollar for Your Business*.

"One of the most challenging parts of owning and operating a family business is succession planning," Monroe says. "While many family business owners may dream of passing ownership of the business onto future generations, keeping the business within the family isn't always a viable option."

"There are many other reasons owners come to the often hard, sometimes easy decision to sell – burnout, profitability, dramatic changes in their industry, a favorable tax climate, etc. But with the economy rapidly changing, it's a reckoning for some, a fork in the road, and you need to read the signs."

Monroe gives five signs that it's time to sell the family business:

- **Your children are not interested in the business.** "If you put your kids through college thanks mainly to a profitable small business, chances are they have their sights set on bigger goals when they graduate," Monroe says. "This realization can be painful to a parent. There is nothing wrong with laying out the facts regarding the opportunity that the family business presents to them, but forcing the company on your children will only result in resentment or poor performance, or both."
- **Your children are not capable.** Not everyone has what it takes to run a business, Monroe says, and when unqualified children are allowed to take over, the results can be disastrous. "This is where the saying 'Thunder, Blunder, Under' came from," Monroe says. "It means the first generation made the business successful, the second generation floundered and somehow kept the business together, and the third generation let the business go under."
- **Ownership has become too diluted.** "Unless the company is always growing, it is hard to support a growing number of owners," Monroe says. "This is true whether they work in the business or not, because the company can't keep paying salaries or dividends or bonuses to those not in the business or individuals who are not working full-time there. And having too many owners often disrupts the managing of the company."
- **You receive an offer you can't refuse.** This is rare, Monroe says, but when it happens you should know it is a great offer and take it. "Markets go up and markets go down," he says. "Regardless what kind of business you are in, you should always know what the market value of your business is in your industry."
- **Members of the next generation don't like working together.** Perhaps all of your children are capable, but they can't seem to get along. "If they are not getting along now," Monroe says, "it will only be worse once they are in business together. Turning the business over to them will impact your retirement plans, affect their lives, and possibly destroy the relationships they have with each other."

"Sometimes the difficult but smart decision is to sell the family business," Monroe says. "It's important to give yourself enough time to adequately plan, and you may want to consult with some specialists to ensure that you have as much information as possible prior to making a decision."

About Terry Monroe

Terry Monroe (www.terrymonroe.com) is founder and president of American Business Brokers & Advisors (ABBA) and author of *Hidden Wealth: The Secret to Getting Top Dollar for Your Business* with ForbesBooks. Monroe has been in the business of establishing, operating, and selling businesses for more than 35 years. As president of ABBA, which he founded in 1999, he serves as an advisor to business buyers and sellers throughout the nation. As an expert source he has been written about and featured in *The Wall Street Journal*, *Entrepreneur magazine*, *CNN Money*, *USA Today*, *CEOWORLD*, and *Forbes*.

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