The 7 Most Important Things Business Owners Need to Know Before Selling Your Funeral Home
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Introduction

The decision to sell your funeral home is a serious one. Along with affecting the financial security of you and your family members, selling a business can have a significant impact on your employees as well as the legacy you’ve built within the community. To determine the best succession plan for your funeral home business, it’s important that you take a number of factors into consideration. Some of these include your reasons for wanting to sell, the age of your business, the state of the marketplace, and any personal financial concerns you may have. One of the most important decisions you must make is whether to sell to an individual buyer or a larger, multi-unit operator.

While many funeral home owners opt to sell to family members or long-term employees, this choice may result in you receiving less than what your property is actually worth, while being burdened by larger seller notes. Additionally, the reputation of the business you spent decades building may suffer under less experienced leadership.

A funeral management group based in Indianapolis, The Premier Group has a proven track record of buying, partnering with, and improving funeral homes. Our purpose in creating this whitepaper is to provide funeral home owners with invaluable insight into the process of selling their businesses while maintaining their hard-earned legacies for future generations.

1. Acquisition and Partnership Benefits

There are various reasons that funeral home owners may consider selling their business. While some business owners are looking toward retirement, others may have received an attractive offer from competitors. Still others may want to escape the day-to-day stresses of running a company or even turn their attentions to an alternate venture.

Partnership affords independent funeral home owners many of the same benefits of acquisition while allowing them to maintain control of their business and legacy. When owners opt to partner with an experienced funeral management company, they gain freedom from many of the daily responsibilities of business management, such as supervising employees and ensuring legal compliance. With a partner
managing the more bureaucratic elements of running a funeral home, owners have more opportunity to care for their communities. Further, you can use this extra time to enjoy your twilight years with family or even launch a new business.

Additionally, funeral management companies bring with them a wide array of resources such as financial support, marketing expertise, and decades of industry experience. Along with sharing their best practices and strategies, management companies have the marketing acumen and budget to help your business grow. When you partner with a funeral company instead of selling outright, you can help ensure that your business continues to grow without sacrificing the legacy you worked so hard to build.

2. Why Starting Early is Crucial

If you’re considering selling a funeral home in the Midwest, it’s essential that you begin planning early. One of the first steps is to attain a professional valuation stating what your business is worth and make sure the price point is sufficient to meet your financial needs and concerns. Before the value of your business can be determined, you will need to gather all the relevant documents, including legal records, leases, call volume, and vendor information. Additionally, you should create a list of current employees that details their titles and salaries along with any benefits they may receive, and gather your tax statements from the last three years.

In addition to assessing the value of your business, you must gain an understanding of your marketplace potential. Take the time to consider industry trends and research sales of other funeral homes in the area. It’s a good idea to contact an investment banker to assist in the selling process by finding potential buyers and ensuring your interests are safeguarded. You should also talk to your advisors about all your options, including acquisition and partnership opportunities, before deciding to sell.
3. Potential Partner Considerations

Once you’ve elected to pursue funeral home sales options, you should take the time to consider all your options. As a funeral home owner, you have four basic options for selling your business:

- **Selling to Family**
  While the temptation to sell to a family member or friend can be strong, funeral home owners who choose this route are more likely to accept an offer that’s below market price and, as a result, wind up with a larger-than-average seller note. Additionally, when you choose a less-experienced buyer, you risk the business changing hands again if your friend or family member becomes overwhelmed and opts to sell.

- **Selling to a Competitor**
  Many funeral home owners opt to sell after receiving an attractive offer from a competitor. Although your competitors have industry experience, they won’t necessarily continue to run your company in the manner you prefer. Additionally, some of your valued employees may lose their jobs in the transition, as the new owner opts to replace them with its own team. One fact you may not realize is that attempting to sell to a competitor can actually put your business at risk. In the event that a sale does not occur, you may have already given your competition valuable information about your business and its practices.

- **Selling to a Public Company**
  While public buyers have the resources needed to operate and grow your business, they are also accountable to their investors. As a result, the decisions they make are more likely to serve their own interests than those of your funeral home.

- **Selling to a Private Funeral Management Group**
  When you choose to sell your funeral home to a private management group, you gain all the resources and finances of a public company along with the individualized support and attention of a smaller firm. Additionally, partnering with a private management company like Premier enables you to stay involved in all the important decisions, ensuring your hard-earned legacy is maintained.
Evaluate all your options for funeral home acquisitions to determine the best option for you. Along with assessing financial stability, you should determine whether the buyer will respect your vision for the company. Ask yourself if you will be happy with your choice of buyer five years from now before signing on the dotted line.

4. Maximizing The Price Paid

As a funeral home owner, you can take steps to enhance your business’ valuation prior to a sale. Put some effort into increasing sales and revenue and train employees to manage the funeral home in your absence. Buyers will feel more confident purchasing your funeral home if they know it can sustain itself without you there. Additionally, you can give some attention to underperforming areas of your business, such as pre-planning services. Finally, you may be able to boost your bottom line by using vendors and suppliers that offer a better value.

Once you’ve taken steps to raise your valuation, you should create documents and presentations to showcase your achievements. Emphasize those accomplishments that are most likely to draw buyers, such as calls
per year, average revenue per call, and future prospects for your funeral home. You can also highlight the weakness of your competitors in the area where you’re located.

5. The Right Terms Are Critical

Selling your funeral home is a serious decision that affects both your financial future and your legacy. As a funeral home owner, you can take steps to secure the right terms for your sale. One of the best decisions you can make is hiring an investment banker to supervise the sale of your business. Along with helping negotiate the best possible price for your business, an investment banker can offer advice regarding non-compete clauses and deal structures, which may include cash, restricted stock, and partial stock. In general, good funeral home sales terms involve one third cash from buyers, a third bank financing, and one third seller note.

Additionally, the terms of sale dictate the extent to which you will stay involved in your business after selling. Before you sign, consider whether you want to remain an employee or consultant after the deal goes through. Making sure the structured agreement addresses how involved you will be in your funeral home business is the best way to keep your legacy intact within the community.

6. Your Staff, Your Legacy

As a successful funeral home owner, you have likely spent many years establishing a positive reputation in the community through your dedication to customer service and goodwill. When considering funeral home acquisitions options, take the time to assess how selling will affect your business’ legacy.

Most small business owners recognize that the success of their company depends in large part on the talent and devotion of their employees. Your workers are the face of your business, and the people who represent you to clients when you can’t be there. When you sell your business outright, you have little control over what happens to your long-term employees.
Not all buyers have the tools and experience to manage your business in the manner to which your clients and staff have grown accustomed. Competitors and public buyers may be apt to replace your staff members with their own or drive your employees away with new management strategies. Additionally, many buyers lack the resources and experience to help train and support your staff as the business continues to grow.

Consider how a buyer or partner can support your staff and, by extension, promote your legacy. If you do decide to sell, alert your trusted employees as soon as possible. This is the best way to avoid rumormongering and promote trust.

7. The Purchase Went Through. Now What?

As a funeral home owner, you already know that the decision to sell your business is not solely a financial one. Choosing to step back from the business you spent years developing can be an emotionally painful experience. Not only are you leaving a career to which you’ve grown accustomed, but you’re also risking your legacy by handing your company over to strangers, who may not share your best practices or long-term goals for the business.

Because they serve clients at their most vulnerable, funeral homes are important and trusted members of their communities. As a funeral home owner, you may feel that, by selling your business, you’re abandoning the clients who have come to rely on you during a difficult time in their lives. Further, you may be concerned that the new owner will not treat your clients with the same kindness and compassion that you deliver.

One of the biggest advantages of partnering with a funeral management company is the ability to ensure your vision for the business continues to be respected. With a partnership, you have the luxury of remaining a part of the funeral home you built. From serving as a full-time employee to acting as an occasional consultant, you can be as involved or uninvolved as you wish in daily business operations. Moreover, you can take advantage of the partner firm’s experience and resources to grow your funeral home business in all the way you’ve desired.
After the deal is finalized, a good partner will help you ensure the business runs well during and after the transition. Along with offering assistance with basic business operations and administrative responsibilities, an experienced funeral management company will propose new strategies for growing the business while keeping current customers and staff satisfied. The goal is to ensure the process of partnering with a management group is smooth and wrinkle free from the start.

**Conclusion**

The decision of whether or not to sell your funeral home business is an important one with the potential to affect both your finances and your legacy for years to come. While the temptation to sell to someone you know can be great, the truth is that an inexperienced or unorganized buyer can easily run the business you love into the ground. Considering all your options before making a sale is the best way to protect both your clients and your employees.

Founded by an experienced group of industry professionals, Premier Group partners with independent funeral home owners to help them grow their businesses. At Premier, we pride ourselves on providing highly personalized funeral services to help family members memorialize their lost loved ones. Because we employ experts from various business sectors, including retail, marketing, hospitality and finance, business owners can rest assured knowing we have the skill and resources to help make their professional goals realities. Instead of offering “one size fits all” solutions, we listen carefully to our affiliated firms in order to form valuable, lasting relationships.

Don’t hesitate to contact Premier Group with any questions you may have about creating a valuable, lasting partnership for your business.