

ENTERPRISE CAPITAL GAP WORKSHEET

Often owners have imagined what their business would sell for, and that it would “be enough”. Sometimes it is. Most of the time it is not, but we don’t realize it, because the people who didn’t sell their businesses successfully are not hanging out in the communities you spend time in as a successful business owner. The calculations below are not meant to impugn or diminish the value of your business, rather to help you think accurately about how much your personal balance sheet must grow to bring you to DFI.

Remember: You will never build financial independence on your Business Balance Sheet. Your financial independence will always come from the strength of your personal balance sheet.

	EXAMPLE	NOTES	YOUR BUSINESS
Last Year Total Revenue	\$4,000,000	Top line gross revenue	
Last Year Owner Income (For smaller businesses, use Seller's Discretionary Earnings or EBITDA)	\$400,000	Current Business Cash Flow you take into your household, not counting re-investment in the business	
Owner Profit Margin	10%	Remember: Most buyers are buying your business for an income stream.	
Conservative Profit Multiple For Valuation in a sale	4	Depending on the Industry and other factors, typical sales price valuations are in a range of 2.5X-6X SDE or EBITDA	
Sale Price	\$1,600,000	We are ignoring taxes for the moment. Rest assured all numbers below likley get smaller after tax	
Estimated Tax to be Paid	\$288,000	Estimated Tax on Sale of Business	
Net Cash Proceeds on Sale	\$1,312,000		
Annual Income Draw from Assets in Retirement	4%	"The 4% Rule" comes from a study done by Trinity University in Texas, and has become the industry conversation starter around taking income from our assets in retirement	
Annual Retirement Income from Business Sale	\$52,480		
Enterprise Capital Gap	\$8,688,000.00	The additional assets needed to create the same amount of owner income post-sale	
Personal Balance Sheet Assets	\$3,000,000.00	Current Capital At Work -- IRA, 401(k), Investment Accounts, DO NOT include Primary Residence	
DFI Gap	\$5,688,000.00		

If you think it would be valuable to get help in building your Personal Balance Sheet, reach out to us and we would be happy to schedule a Philosophy Conversation with you.