HOW TO BUY A BUSINESS

by Steven Schlagel, CPA, CFP, JD, CVA

STEVEN SCHLAGEL | SMALL BUSINESS MENTOR

What You Need To Know Before Buying A Business

If you're in the market for a business opportunity or you would like to know more before deciding if this is right for you, read this first. You'll learn how to get started, what to think about as you go, and how to make sure you get the best deal for your money when you buy an existing business. Each chapter is a new key to unlock your ability to make your ambition and your ideas thrive.

Get ready to learn, because I want you to be more successful than you ever dreamed!

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About the Author

Steven Schlagel is a Certified Public Accountant (CPA) with over 30 years of experience in small business consulting. In addition, he taught many accounting and finance courses for the College of St. Scholastica. Steven helps individuals preparing for a new business start-up with the guidance they need to succeed. He also works with small business owners consulting on better management, cash flow improvement and tax reduction strategies along with tax preparation services.

In addition to being a CPA, he also provides business valuations as a Certified Valuation Analyst (CVA). He understands business, wealth creation, and building successful and valuable enterprises. In this part of his practice, he consults on how to build value in a business and how to buy and sell a business successfully.

Steven is also an attorney in Colorado, helping clients with proper entity selection for a new business. He forms corporations, limited liability companies, partnerships, and trusts as needed. In addition, he provides consulting on business law matters and estate planning for his clients.

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WHAT'S IN IT FOR ME?

As I listen to business owners from all over the country, I hear a similar theme in each conversation. Whether their business is a large corporation or a one-person show, the confident and successful people all have one thing in common. They genuinely love what they do.

FOCUS

Before you buy a business, you have to ask yourself what you genuinely love to do. What are you good at? What makes you smile? What drives you to get up in the morning and go? What is it about life that motivates you to keep going and make a difference in the world?

Why would you want to give your time and hard work to a business that didn't have something about it which would give those things back to you?

Don't just buy any business. Build on your passions and your talents. Take a favorite hobby to the next level. Make a list and imagine what you could do with each one in the business world. If you know that you want to own a business that has already survived its start-up phase, this is your first key to success. You want to look for a business that fits your style, not a business that changes it. You want to look for a business that adds value to your life.

SERVICE

If your forte is teaching your special skill or using that skill to help people, you may want to look specifically for a service business. Your product will be education and specific expertise.

You might be the person everyone asks to take care of their pet when they go on vacation. Think about buying a pet care franchise, or find a professional pet groomer in your area who is ready to retire. A graduate of business school has opportunities to take over a financial planning franchise or a CPA firm, complete with an existing customer base and an established reputation.

PRODUCTS

If you get motivated by using a particular product and recommending it to others, you may want to look into retailing or wholesaling. Your product will be goods that are already manufactured and available to purchase for resale.

Maybe your first thought in the morning is how to improve your looks. There are hair salons and beauty supplies stores just waiting for someone who loves to recommend the latest products and styles. The owner of the neighborhood's most beautiful lawn probably knows enough to step right into the home improvement or landscaping supplies business.

MANUFACTURING

If your energy comes from improving existing products, thinking of new ways to use them, or finding new ways to solve problems, you may want to look for a company that specializes in innovative design or manufacturing. In this scenario, your ideal product is based on something on your list that holds your interest and piques your curiosity.

What if you just got a new idea for a more energy-efficient power tool? Look for a company that already makes power tools and see if they have the potential of incorporating your ideas into their existing product line. Someone who recently graduated from a new degree program such as hydrometeorology has a fantastic chance of revitalizing an existing environmental management company.

ACQUISITIONS & MERGERS

Let's say you already own a successful business, and you want to buy another one. Your best bet may be to stick to what you know. Do you want to focus on buying a similar business to expand your operations or do you want to branch out into a related field? Would that related field keep you within your skill set and complement what you're already doing?

U.S. Steel is one of the most famous examples of a company which grew by strategic acquisitions. In the early years of the 20th century, they began by combining several small steel mills which manufactured different types of steel products and consolidating corporate operations. As the company grew,

its leaders began to see the value of acquiring producers and distributors of raw materials that they needed for the steelmaking process. Finally, they branched out into the energy industry and acquired major oil and gas resources for competitive advantage. Thinking both horizontally and vertically, U.S. Steel became one of the most integrated and diversified businesses on the planet.

DIRECTION

What's your story? Is there something in your mind or in your background that you can turn into a business opportunity? By now, you should see that the best idea is to transfer an existing skill rather than to go against your own personality. Skilled landscapers probably wouldn't add value to their lives by buying a dog grooming business, just as the beauty product specialists probably wouldn't be happy making power tools.

When you think about buying a business, think about adding value to your life as well as your finances. Buy a business that you will be happy to pour your energy into. Buy a business where you can use your passions and talents to bring value to your customers.

And that's the next key to your success. What does it mean to bring value to your customers? How would you propose to do that? I want to help you examine what you have to offer to your customers in your new business. You know what you want. Now it's time to figure out what they want.

What's In It For Them?

Any time you start a sentence with "I always wanted to...", it's pretty exciting to picture yourself actually doing it. You could be at the helm of your dream company. Once you know what type of business you want to have, you have to think about what type of business you want to give. Making yourself happy is great, but if you don't know how to make your customers happy, you either give up your dream or start learning how to give your customers what they want. Without customers, your new business won't last long.

FOCUS

When people are in the market for buying an existing business, one of the biggest mistakes that they make is to wait and figure out their unique selling proposition (USP) after they actually complete the purchase. Why is this important now? What is a USP, anyway?

If you know which type of business you want, you must have some idea of who your customers would be and who else owns a similar business in your area. Why would people want to do business with you instead of someone else? If you can't find the answer to that question early on, there's no point in putting yourself through the trouble of researching the rest of the business.

Keep in mind that we're still focusing on the right business for *you*. Your USP is what *you* can do better for your customers than your competition. You could also call this a value proposition. What extra value do you propose to give to your new customers?

CUSTOMERS

Everyone spends money to solve a problem. If you're hungry, you buy food. If you need to ship goods, you look for someone with a truck. If your business is hurting and you don't know why, you hire a consultant. If your hair is falling over your eyes, you get a haircut. It's that simple.

Before you develop your USP, you have to consider the type of business you're thinking of purchasing and the type of people that buy from that business. Next, you have to consider what problem that business solves for people. Why do people spend money there? More specifically, why do people in your area spend their money at one place instead of another?

EXPERTISE

A great way to begin thinking about your USP is to think again about your special talents and expertise. What makes you unique? Is there something about you that you do better than anyone you know? Your unique selling proposition could be that you personally have credentials and/or experience in your field - CPA certification, 25 years in the hardware business, or a reputation for being the best dog groomer in the area. Do you have a license to do what you do in your state? Advertise it! Those things are important to people.

If you have specific expertise, think of a value proposition that emphasizes that. "As a CPA, I have experience working with hundreds of businesses over many years, not just doing their tax returns, but helping them find ways to better market their business and put systems in place to achieve the personal and financial freedom they seek." Wouldn't you be more likely to use a service if they could give you extra value for your money? Consider this when you're planning *your* USP.

COMPETITION

Let's say that you're looking to buy a business that has one competitor in the area. Find out what that other company does for their customers - then find out what it *doesn't* do. Ask around as if you're looking for a referral and keep your ears open for hints that the competition doesn't do something as well as people would like. Customer satisfaction is a huge consideration when people decide where to spend their money.

You can use that new information to come up with a value proposition that emphasizes your ability to do something that your competition doesn't do. "My power tools will not only have the same features as my competitor's tools, but they will also have a more ergonomic grip and better safety features."

Here's another example. "The only two taxi companies in town can only carry three people plus luggage because they only have cars. My value proposition is to buy minivans that run on ethanol for the taxi company I purchase. Using that type of minivan, we can comfortably carry twice as many people and their luggage without spending more on gas."

In your ideal business, how would you encourage people to do business with you instead of someone else?

FEEDBACK

Once you have an idea or two, test your USP by asking for feedback from other people. This is where you can see the real value of your value proposition. You may think you hit on the perfect USP, but if other people don't respond well, it's probably not going to turn into an income-producing idea. Ask your spouse, your friends, and potential business partners what they think about your ideas. If they like your idea, you may have something to work with.

Next, start some casual conversations with potential customers, perhaps as you shop the competition. Ask them if they or someone they know would be interested in your USP. It's a very basic way of conducting market research, but it can give you lots of good information if you keep talking to people. Remember to be friendly, because these are the same people you want to invite to your new business as customers.

If your first idea doesn't pass the field test, that's okay. Ask people what they think *would* work. Brainstorming with people you trust is a great way to think something through. Someone else may have an interesting variation on your idea that you didn't think of at first. The important thing is that you have a feasible plan in mind as you search for the right business to buy.

DIRECTION

Your customers are the heart of your business. Their problems become your problems, because if you can't think of a way to be the best solution to their problems, you won't have the money to solve yours.

Remember, when you think about buying an existing business, think about buying a business which will add value to your life. However, don't forget to

look for a business where you can also use your passions and talents to bring value to your customers.

So, where do you look? How do you *find* the right business to buy? Can you turn any business around to fit your USP and add value to your life, or is there more to it than that? I want to give you some ideas for finding the business that's right for you. Now that you have your goals in mind, your next step is to see what's out there.

Where Do I Find The Right Business?

Okay, now we're starting to get into the actual business of buying a business! You're about to go on a very unique shopping trip - except this time, you're shopping because you want to, not because you have to. You have a list that includes your business ideas, your personal goals, and your plans for helping your prospective customers. Now, you need to find an existing business that will enable you to put your ideas to work.

You're also about to see that all the preparation you just did was the right thing to do at the right time.

FOCUS

Where do you find a business for sale? You have seen the "work from home" or "get rich quick" ads in the newspaper or on television, and your common sense tells you to eliminate those possibilities right away. Legitimate business opportunities are out there, these aren't what you are looking for.

There are plenty of sources that will generate real possibilities through local information, online classifieds, and professional networking.

OFFLINE

Your local newspaper could be one starting point for your search when you want to buy an existing business. You must have some idea of where you want this new business to be, so begin by reading the local paper in that area. Small businesses often advertise there, in the classified section under "Businesses for Sale" or some similar heading.

If one or more of your friends are business owners, they may also know of something that might be available for purchase. Tell people that you're interesting in buying a certain type of business. Local business owners sometimes keep in touch with each other, and they may have spoken to someone who wants to sell, but hasn't formally advertised that fact yet. That person might be apprehensive about getting the process started - perhaps

they don’t want to sell their business, but they have to - and talking to someone who is interested in buying might help them have the courage to move on.

Another method of finding the right business to buy is to find any businesses in your area that fit your criteria, whether they’re for sale or not. Discreetly introduce yourself to the owner of a business that you like, and simply speak to that person about your ideas. Ask directly if he or she would be interested in selling their business. You never know - you may get a positive reaction. If not, at least you met a new person or had a nice lunch!

ONLINE

The internet can be a great source of leads for you. One Google search will produce several “business for sale” websites. These are nationwide databases, but you can narrow down your search by location to find possibilities that may be in line with your goals. One of the most popular sites is BizBuySell.com, but bizhwy.com and businessbroker.net are also good places to search for a business to buy.

Craigslist.org is an huge online website dedicated to national classified ads. Again, you can narrow down your search by location and look at the category “for sale” to find businesses for sale.

When you find an online opportunity that looks good, you might want to use the contact information in the advertisement to clarify what they have for sale and talk about your intentions, but don’t take the conversation too far. Just add the positive prospects to your list for now.

NETWORKING

An experienced business broker can be a real asset when it comes to finding the right business to buy. Get referrals from financial professionals, and carefully select the right one through interviews with the brokers. When you decide to work with a broker, don’t forget your original shopping list. As with any professional that communicates with buyers and sellers, not all brokers are necessarily looking out for your best interests. Be your own best advocate.

Other financial professionals may have a few leads for you, too. CPAs, CVAs, and attorneys often have clients that have expressed interest in selling their business, but who haven't been actively looking for a buyer. These pros can use their expertise in business transactions to not only introduce you to the right people, but they can help you evaluate whether or not it's worth it to continue the conversation.

DIRECTION

Your aim in this step of the process is not to make an offer on just one business that looks good. Don't jump forward too quickly. At this point, you should simply be accumulating a list of possibilities to review with your professional team of business experts.

Why do you need a team, anyway? How much advice could you possibly need in order to know what's right for you? I want to show you why you should work with lawyers, accountants, and business valuation professionals. Enlisting their help can make the difference between closing a good deal and losing your savings.

Why Do I Need A Team Of Experts?

If you're hesitant about getting an attorney, an accountant, and a valuation expert on your side this early in the process, ask yourself this: When *is* a good time to have them on your side? Should you only get the accountant involved when it's time to look at the financials? Should you only hire the attorney right before you're ready to sign the deal? Why do you need a valuation expert at all, with all this information available on the internet?

FOCUS

You know what you want, and you know what you'd like to do for your customers. You have been talking to people and building a list of businesses to check out more closely. You're off to a great start, but when you think about the process of actually buying one of those businesses, you're not even halfway there. Those who have been through the purchase of an entire business know this. The due diligence alone usually takes a couple of months or more to complete.

The bottom line is that, if you're not careful, you will buy the wrong business or pay more for this new business than you absolutely have to. (Okay, now we're talking.) Here's how a few people - or one person with a lot of credentials and experience - can make sure those things don't happen to you.

ATTORNEYS

You may have already run into an attorney in your quest for that list of possible businesses to purchase. Maybe you talked to an attorney that you've been working with for years. Ask that person about organizing the actual purchase. Knowing who has a business for sale and having the expertise to handle the transaction are two different things.

If your attorney or the one you talked to isn't experienced in buying and selling businesses, they'll probably know one who is, and they'll be glad to make the recommendation. If they don't have the expertise and they don't

make a recommendation, get one elsewhere. This isn't the time for "He's always handled my family's estate issues - I think I'll trust him with my business issues, too." You need to talk to an experienced business attorney for this one.

You may not actually need to retain an attorney right away, but you do want to find one as soon as possible. He or she may be well-connected enough to introduce you to people who can help in other areas. In addition, if your prospective new business has special legal issues such as intellectual property, environmental concerns, or complicated contracts to assume, a business attorney can help you spot trouble before you're stuck with it.

ACCOUNTANTS

A good CPA (Certified Public Accountant) with experience in buying and selling businesses will be an invaluable member of your team. This is especially true if you have no financial experience yourself. CPAs have had the training to evaluate the financial health of a business - and you don't want to buy a financially disabled business.

As you narrow down your list of prospects, eventually you will need to take a look at the cash flow of each business that seems good on the surface. Just by looking at their tax returns and their financial statements, a CPA can tell you if the business is really as good as it seems. A little forensic accounting can shine a lot of light on the real condition of the business. It might also uncover problems the owner didn't even know about.

VALUATION

A CVA (Certified Valuation Analyst) is a CPA who has been specially trained in business valuations. Determining the value of a business is more than just publishing an asking price in the newspaper. It's more than gross sales, net profit, or a generic business formula. The value of a business is a customized analysis of its strengths and weaknesses (financial and otherwise) under current and future market conditions.

All CVAs are also CPAs, so if you can get the big picture and the daily details from the same person, that's even better. If your favorite CPA doesn't specialize in business valuations, though, you will want to get a CVA on your

team as well. It’s the best way to ensure that your money is spent wisely. Don’t gamble with thousands of dollars. Be confident that you’re paying a fair price for your new business.

DIRECTION

No matter what line of work you are in or how long you have been there, you will probably not think of everything on your own. It is always better to consult with experts in certain areas to make the process of buying a business less risky and help you manage the transition. Don’t make this a last-minute decision. If something about one of the businesses on your list isn’t right for you, they can help you avoid wasting any more time on it.

Actually, hiring the big guns is less painful than you think. You won’t need each member of the team throughout the whole process. Just make sure you have them on board when you need them. If you ever realize later how much money you saved by doing this, you’ll appreciate the true value of this collaborative effort.

So how much money *can* you save by learning the market value of a business you want to buy? How can you tell how much a business is worth? I want to help you understand how the value of a business is determined. If you understand the process, you’ll be able to ask more specific questions about your situation.

How Do You Know What A Business Is Worth?

How can you know the value of an entire business? Some say it's whatever the buyer and the seller agree on. Others say it has something to do with adding up the fair market value (FMV) of the assets. The word "fair" has more to do with it than anything. Remember, the real value of a business is a customized analysis of its strengths and weaknesses (financial and otherwise) under current and future market conditions, so the final dollar amount is unbiased toward both the buyer and the seller.

Let's take a look at how that final dollar amount can be found.

FOCUS

When you buy an existing business, one of the most critical decisions you will make is how much to pay for it. The cost of a business can range from five to seven figures or more - that's a lot of money to spend casually, without a great deal of thought. Your financial future - and those dreams you have about being your own boss - begins with spending only as much as necessary on your new business.

Assigning the most equitable value to an existing business uses a combination of different techniques. Just as a real estate appraiser has to look at many aspects of a property before assigning a value, a CVA (certified valuation analyst) must take many aspects of a business into account before recommending a specific dollar amount for your offer. There are three main techniques for accomplishing this, all of which must be considered.

ASSET APPROACH

This approach to valuation simply adds up the value of the assets of the business. Not many people know that there are actually three ways of assessing value. Are we talking about how much you paid for that building, how much you could sell it for right now, or how much it would go for at auction if nobody wanted to pay your asking price?

The book value method is to add up the original cost of all the assets. Due to inflation, this valuation method isn't very practical, especially when the assets are several years old.

The adjusted net assets method is basically its FMV, or what you could get for it based on similar recent sales. Each asset would need to be appraised on its current merits, and the appraised or fair market value of everything would be totaled.

The liquidation value method is used most often when the asset has outlived its useful life. Liquidation is another way of saying, "If I had to turn this into cash as soon as possible, this is what I would get for it." Think bankruptcy auctions or garage sales.

Of the three, the adjusted net assets method is the most commonly used asset approach in valuation.

MARKET APPROACH

To describe the market approach, I'll use another real estate analogy. When people begin to wonder what a property is worth, they look at comps, which is short for actual sale prices of comparable properties in that area. In the market approach to business valuation, you will look at sale prices of comparable businesses.

How do you know what to compare? First, don't compare the asking prices in the newspaper. They don't usually have anything to do with real value. Instead, find similarities in the product line, the maturity of the business, and the position of the company in its field. Dig a little deeper, and look at each company's earnings, credit status, capital structure, and personnel experience.

It's not actually common to find too many businesses that really compare to the one you're looking at. Published databases of actual transactions might be useful, but again, you may have to go back several years to find enough transactions to compute a realistic average selling price. In today's market, that might not be enough.

INCOME APPROACH

The income approach to valuation is an often-used methodology. It is based on the estimated return on investment (ROI). Let's say your goal is to get a 25% ROI. If you actually get a 25% return, or excess cash flow, in each of four years you will have recouped your investment, no matter what your original investment is. In this scenario, the business is most valuable to you if 25% is a reasonable return for the risk you are taking on in owning the business.

So how do you figure the annual excess cash flow? You're making an educated guess about the future benefits of owning the business. There are many ways to determine this, but I prefer using the after-tax cash flow as most representative of the actual cash benefit you will realize from owning the business.

DIRECTION

There's no way to easily explain how a CVA comes up with those numbers, but I assure you that, in my business, I can save people a lot of money by taking the time to do that.

I'll give you an example. You might live in one area that has high property values, but if you want to buy a house closer to your workplace where property values are lower, you might end up paying thousands more for a house just because you think that's a normal price for that type of property no matter where it is. Don't believe everything you hear! Get a professional opinion before you spend that much money.

I want you to have as much information as possible so you can make the most informed decision on which business to buy. Next, I want to give you some information on different ways that businesses are legally organized. There are pros and cons to each one, and you should examine your choices before you buy any business. It can have a real impact on your financial future. Make sure you understand what you're buying!

Does Organization Matter?

Deciding which business to purchase doesn't have to be difficult if you know how to make the best decision. Taking the time to educate yourself will make a huge difference in whether or not you are happy in your new business. You know your goals, you have your list of businesses that you want to look at, and you know what kind of help you'll need. Now it's time to start looking at the business itself.

You should always consider the structure of the business you will be buying. When I say structure, I mean how the business has been legally organized. Why does it matter? Your legal obligations are different with each type of business, and you need to be sure you're comfortable with the results of the purchase before you sign the paperwork.

FOCUS

When someone forms a business, there are legal papers to be filed with the state in which the business is organized. Some forms of organization require more paperwork than others, but one must choose in which form they will operate before actually doing business under that name. The basic choices are a sole proprietorship, a partnership, a limited liability corporation, or a traditional corporation.

There are three main considerations when you look at a business's form of organization in terms of a possible purchase. Think about these as you read. You need to know who you're purchasing the business from, you need to know what your personal liability from legal issues will be, and you need to know the tax implications of owning that type of business.

I'll give you a brief overview of each form of business organization, along with their pros and cons. Hopefully, as you examine the businesses on your list, this information will help you make your decision about whether each business is right for you.

SOLE PROPRIETORSHIP

A sole proprietorship is a business owned by one person without benefit of partnership or incorporation. It's the simplest form of business to set up because it requires little or no paperwork to start doing business and the owner makes all the decisions about start-up issues. When you purchase a sole proprietorship, you purchase it from the individual owner.

When you own a business as a sole proprietor, the income and the debt are all yours. You are taxed as an individual, and you have the responsibility of paying self-employment tax in addition to income taxes. Buying a sole proprietorship is generally much easier than buying into a partnership or purchasing a controlling percentage of a corporation.

PARTNERSHIP

A partnership isn't necessarily run by only two people. A partnership is a collaborative business structure run by two or more partners where each partner gets a certain percentage of the profits and liabilities of the business. Any sale of a business organized as a partnership has to be negotiated with all of its partners.

If it is formally organized (some aren't), a partnership can either be a general partnership, a limited partnership, or a limited liability partnership. In most cases, one or all of the partners have personal responsibility for all business debts. If you are looking into buying one or more partners' share in their business, ask your attorney about the specifics in your situation. Striking a deal with everyone involved can be tricky.

TRADITIONAL CORPORATION

When you talk about a traditional corporation, you're either talking about a C corporation or an S corporation. A C corporation is taxed as a separate legal entity, and will pay you only in salary, bonuses, or dividends, depending on whether you are an employee, a shareholder, or both. A S corporation is not taxed, but the individual shareholders/owners are. The traditional corporation is sold by its shareholders.

As you plan to purchase a corporation, you have to decide if you will purchase its stock or its assets. If you purchase its stock, the seller gets the

tax advantages. It's a simpler transaction than an asset purchase, but the liability repercussions are more complicated. Buying a corporation's stock means that the law doesn't care who owns the corporation - you're responsible for anything the previous owners did. You inherit the existing debt and any future claims against it from pre-sale activities.

If you purchase the corporation's assets, you may pay a higher price by purchasing the assets, but you'll also have a more favorable tax situation and a lower liability risk. Your due diligence will reveal the extent of that liability risk, and that - and your attorney's advice - will help you make a better decision on which way to make the purchase.

LIMITED LIABILITY CORPORATION

When you're buying a limited liability corporation (LLC), you're buying a relatively new type of business. The LLC offers the corporate shelter from personal responsibility for business liabilities, but it also offers the opportunity to skip the corporate taxes. You'll be reporting profits and losses on your individual tax return, just as if you were a sole proprietor. In an LLC, you'll probably be called a "managing owner" rather than simply an owner.

The LLC is also sold by its shareholders/owners and, like a traditional corporation, you either buy the stock or the assets with the same pros and cons as described above. The limited liability protection doesn't mean that you won't be held responsible for your personal actions on behalf of the corporation, but it does ensure that the previous owner's debts won't be your problem.

DIRECTION

Always discuss the pros and cons of each possible purchase with your business attorney, especially when it comes to evaluating the legal responsibilities that you might be walking into. You should also consult with your accountant about making the most of your tax situation. Thousands of dollars may be at stake.

Finally, after you get that advice, think about your comfort zone when you consider your role in your new business. Personal responsibility can be debilitating if something goes wrong. Do you get along with the remaining

partners if you will only be buying out one of them? How would you cope with conducting regular shareholders' meetings and consistently documenting all of a corporation's activities? When you think about a certain task, will you do it yourself or will you have people for that?

Those people are the next key to your success. If you buy an existing business, who will you be working with on a daily basis? What is their attitude about the business changing hands? I want to show you how learning about the employees of your prospective business can help you make a decision. You're already interested in the idea of the business. Now you need to take a look at the day-to-day reality. Get ready to put your people-skills hat on!

Why Should I Meet The Employees?

Any time you buy an existing business, you get more than just the building and the name. You inherit the reputation, the financial history, and the employees. It's a little like getting married. You have fallen in love with your spouse, but when you marry, you also inherit the in-laws, his or her credit history, and possibly children. It's a wise idea to look at the package deal before you commit to anything, isn't it?

Some businesses don't come with employees, but many do. They may be members of the owner's family, friends that have been there a long time, or people that have been hired through an advertisement. Each type of employee comes with its own set of issues, and all of them must be handled with care. In one sense, they are assets, but at the end of the day they are still just people trying to earn a living. Any changes in their workplace will be somewhat upsetting, so you must think those changes through and proceed cautiously.

FOCUS

Before you meet the other people in the organization, you should ask the owner about the company's history. Some of what you see and hear in the office may need to be viewed in the context of the events that shaped the company's current condition. How did the company get started? Were there specific events that inspired the creation of new positions within the company? What type of benefit package does the company currently offer? What significant changes has the company experienced? Why is it being sold? The owner's answers to these questions will be very revealing for a number of reasons, most of which concern the package deal you will inherit if you buy this business.

As the current owner introduces you to the others, stay aware of a few key points. Do they know why you're there? What is their attitude when they speak with you? Do they seem worried about change, or are they going with the flow? Do they appear to like working there, or do they seem unproductive or disgruntled about something? Finally, what is your attitude

toward them? Keep in mind that turnover usually hurts a business, and that anything you can do to minimize turnover will increase your own chances of success.

FAMILY

Many business get started with help from members of the entrepreneur's family. Typically called "Mom & Pop" businesses, these families pool their resources to make the enterprise work. When it's time to sell the business, however, the prospective buyer often finds that some of these family members work only for room and board, or they receive other consideration which has nothing to do with the market value of their services. How will your decision to buy this business affect their family, and how will that change affect you?

As you discuss possible scenarios with the owner and/or the family, find out who will stay and under what terms. Later on, when you are looking at the company's finances, you will have to factor in extra money for payroll if certain family members will suddenly begin drawing a paycheck. Will the owner or a member of the family be staying on to help with the transition? Will you be losing *any* key people due to the sale - family members or not?

MANAGEMENT

There are certain people in every company without whom the company wouldn't be the same. The relationships that they have built, both inside and outside of the company, are what drives a business, and disturbing those relationships could present a whole new set of challenges. Will they be on your team as well, or will they see the sale of the company as a chance to find out what other opportunities are out there for them?

Ask for a copy of their latest resume, and take a look at their experience and how long they have been with this company. With their background in mind, set up a meeting with each of these people. Begin with a positive conversation about their contributions to the company and ask about their goals for the future. In each conversation, notice their character and their reaction to a possible purchase of the company. Try to end those conversations on a positive note. Unless they're completely set on leaving, you want to avoid alienating or losing these people.

STAFF

Avoiding turnover is a huge factor when meeting the rest of the employees as well. As with the others, make sure that your relationship with them gets off on the right foot so they are less likely to be worried about possible changes. They need to get to know you a little bit, too. They need to know that you're easy to talk to, you're serious about continuing the success of the company, and that you consider them a big part of that success.

If you walk away from any of these conversations completely frustrated, do some research on the costs of turnover and absenteeism. It's worth the effort to make the transition as smooth as possible for everyone.

DIRECTION

Don't necessarily anticipate problems, but remember that you are inheriting the drawbacks as well as the benefits of buying an existing business, and that first impressions are not always accurate. What if the owner knew that changes in personnel were needed, but was unwilling to be the bad guy since he was selling the business anyway? You may need to clean up some messes, and this is one area that's hard to clean.

Keep your eyes wide open as you begin to look inside the company and find out if this is the right business for you. See the company culture for what it is, and ask yourself if you can work with it rather than against it.

That goes for existing legal issues as well. Are there contracts, claims, or pending lawsuits that you need to know about? What kinds of skeletons are you going to find in their closet? You need to know how the company looks on paper, because being aware of existing obligations is the next step in helping you make your decision. If you know what you're getting yourself into, you can be ready to successfully deal with it!

What Do Their Legal Issues Have To Do With Me?

You're in the middle of learning all about this business you want to buy. Can you see yourself doing something positive with it yet? You have begun to think critically about the relationships within the business. Now you need to look at its external relationships.

A contract is a legal relationship with a corporation or an individual either inside or outside of the business. At some point in your evaluation process, you should ask the owner for copies of any existing contracts that bind the business to certain obligations. Ask your attorney for help with this if necessary. You're specifically looking for anything in those contracts related to a change in ownership or an ongoing detriment to its reputation.

Those contracts are usually made with the business itself, not the owner, so they will become your legal obligations if you buy the business. Your attorney will help you evaluate this business in terms of legal risk and whether or not you should assume it. Some of this risk will be normal, but some of it may not. You and your attorney should discuss the contractual obligations together, after which you will be in a much better position to make an intelligent decision about what to do. Remember, you're still trying to evaluate whether this business is the right business for you.

FOCUS

Any business will have some legal obligations beyond exchanging products or services for cash. Some businesses have internal employment contracts with certain key people. Most business have leases for property and/or equipment. These are normal contracts to have within any company, and you should be familiar with their terms.

There are other obligations that are not quite as prevalent. These are the contracts and regulatory issues that you and your attorney should be particularly interested in. Again, the company history is important here, and

certain obligations will definitely affect its future. In looking at these, you need to answer this question: “What am I getting myself into?”

INTERNAL

First, ask about internal contracts with employees. It’s a nice, neutral way to introduce your interest in the legal side of their operation. If the business you want to buy has employment contracts with one or more of their key people, review the terms. Do those terms include any contingencies related to a transfer of ownership? What about golden parachutes? Will you be responsible for anything major to any one person in the near future?

In medium to large businesses, sometimes there are union issues involved. Union contracts are important because they involve many employees instead of just one. You’ll need to note any current legal obligations, but you’ll also need to factor in that contract’s future financial obligations later, when you make your cash flow projections.

This may also be a good time to get your attorney to go over the organization papers and prior changes in ownership. You should become familiar with the company’s history, and you may even find a new clue about why the company is being sold.

EXTERNAL

Some businesses have subsidiary or affiliated companies that you need to consider. Will your attorney recommend that you look into purchasing those as well? What agreements does the current owner have with them, and how will that change under your leadership?

Contractual relationships with vendors and customers are important, too. Besides affecting cash flow, these contracts can have an impact on your market research and your long-term plans for the company.

Some of the business’s assets may have contracts attached to them as well. You may find leases on the property, the building, or the equipment. You should also ask whether any of these assets or the accounts receivable are encumbered by liens, and if so, why. The current or prior owner(s) may have used those assets to secure a loan, and if certain conditions are not met, you may lose those assets entirely.

JUDICIAL

Finally, certain laws and court rulings may have an impact on how this business operates. For instance, there may be regulatory issues with the state or federal government that need to be considered. This sort of thing is different with each industry, but you need to have an attorney involved in evaluating your risk here, especially if this business needs to comply with environmental regulations.

Specific court rulings are other critical documents that your attorney should carefully scrutinize. Is anyone threatening to sue the business? Is the business currently in litigation, and what is the status of that? Have there been any judgments against the business resulting from product liability, negligence, or other torts? Full disclosure is necessary here - the presence of one or more of these issues may be a deal-breaker.

DIRECTION

Considering all these issues, don’t forget to hire an attorney with experience in business evaluation, especially with businesses like this one. Do you see now why that is necessary? Most attorneys are familiar with basic contracts and researching legal issues, but an attorney who already knows the detailed obligations of businesses in that specific industry will be able to give much more valuable advice. It may be the difference between failure and success.

If everything looks acceptable, the next focus area is your market research. What does it mean to research your market? Does market research actually help you know whether or not you’ll make a profit? You need to become familiar with the environment in which this business operates. Do you completely understand what your customers need and want, and where else they’re going to get it if you’re not up to speed? Your profitability depends on it!

What Do You Mean, Market Research?

Before you buy a business, you have to compare the business's strengths and weaknesses with that of their competition. You talked to the people, you looked at the contracts with other entities. You're pretty familiar with its relationships, inside and out. Look at the market next and determine whether or not it's worth it to look at the "financial guts" of the business. There's no point in looking at the books if you don't have an idea about what influences those numbers.

Market research will help you do that. The right kind of research will take a closer look at their industry in general, their niche within that industry, and their specific competitors. It will help you identify your target customers and what makes them choose one shopping experience over another. When you consider buying a business, the market research is the key to translating your value proposition into cold, hard cash.

FOCUS

When you think about the business you want to buy, what exactly is its industry, and what specific niche or specialty should you be looking at? Where is the industry going? Are the trends looking good, or are other innovations pushing this business behind the times? Is there an opportunity for success here?

To find that opportunity, think back on your unique selling proposition (USP). What do you do best, and how will you use it to add value to your customers? Market research is where you test this value proposition and see if it might actually work in the real world. You're looking for an unmet need in this market that matches your unique strengths and abilities. That unmet need is your key to future profits. Let's take a look at why that's true.

RESEARCH

Your first task is to find out about the industry - the big picture surrounding similar businesses. This is one aspect of the business that you won't be able

to change, so you have to determine your place in the global market as it is. As you do that, your search may generate more questions than answers at first, but that's okay. You're learning. Just make sure you end up answering all the questions by the time you're done.

When you begin to research your proposed market and your competition, you have a number of options available. Most of them depend on your budget. An internet search of industry associations, trade journals, and federal or state agencies is a great way to begin, but that will only generate data, not necessarily analysis. If you're not a marketing whiz, you need both - and you need current information, not data which is over a year old.

One economical way to do this is to contact the business department of the nearest university. If you can make a deal with them to use this business as a real-life case study in one of their marketing classes, you can get a group of students to research and analyze your market for you. They may charge a small fee, but it's less expensive than hiring a professional marketing guru.

Next, find out who the customers are - and stay aware of the fact that they're not just the people who come into your store or office. Who are the buyers? Who or what affects their purchasing decisions? Who actually uses the product or service? What do all those people want or need in order to feel good about their purchases? Don't go with your gut on this one. Customer demographics should be researched along with market conditions.

COMPETITION

There are actually two types of competition in the marketplace. One is direct competition. These are businesses that have the same products or services that you do. The other is indirect competition. These businesses provide alternative solutions to your value proposition. Generate a list of competitors from your research, and include both types.

For each competitor, list their strengths and weaknesses. Are these businesses well-established and well-funded? Do they have good reputations, or is there a problem with their customer satisfaction? Compare their size and experience with the rest of the market. A large number of competitors with fewer established businesses is the best market

environment to work with. If you have a small number of competitors with large, established businesses, you may be in trouble.

EVALUATION

Finally, compare the business you want to buy with its competition in their market niche. Look at product mix, services offered, quality, volume, pricing, customer service, and innovation. Think about how you would apply your USP against each competitor in each area, and make a list of pros and cons for each business, including the one you want to buy. In what areas would your USP stand out against the competition?

Take a good look at those comparisons and watch for trends. Are low prices your only strength in the marketplace, and will you be locked into lower profit margins because of that? Is everyone else except you carrying a key product, and can you acquire it to stay competitive? How can you gauge the level of customer satisfaction with each competitor, and will your value proposition match or exceed the best of them?

Here's another good exercise: Now that you understand the industry better, find out who already failed in that industry, and see if you can tell why it failed and how you can learn from it.

IMPLEMENTATION

With all this in mind, think about the people you met at the business you want to buy. Do they have a sales force? Is the sales staff on commission or salary? Who does the bidding, estimating, or pricing? Will anything need to change if you buy the business?

Consider their sales and marketing procedures. Are they appropriate for the market and the business environment you just uncovered? Do you understand their existing products or services? How do they fit with your value proposition? If it's not a perfect fit, can you build upon what they already have to make it work?

Who are their customers? Is their customer list large or small? There's a greater risk of failure when a business only has a few customers. What happens if one of them fails and you lose all that business? A large number of customers may be better, if only for leverage in a bad economy. Based on

their average customer profile and your research, how can you expand their customer base?

DIRECTION

Now, ask yourself these questions: Does your unique selling proposition add value for their customers? Does it add enough value to increase sales, profits, or both? Will it help you compete in this market? If it does, great! If you're not sure, your USP probably needs a makeover. If the answer to any of those questions is no, you may need to admit that your idea won't work at all in the real world.

Don't be afraid to readjust your mental picture of your own business if it will mean you're more likely to succeed. Your initial USP may not look viable at this point, but what about a variation on that idea? Your goal here is to maximize profits through understanding.

Now that you understand where your profit will come from, you are ready to look at the profits that this business already has. You're in a better position to evaluate those numbers now, but how do you do that? Why do you need to look at so many financial statements, anyway? I want to make sure you know how to tell if their company is financially healthy before you buy it. It looks good on the outside - now you have to find out what's behind the curtain.

Why Should I Look At Their Books?

Any business needs to keep some kind of records, even if they are only the checkbook register and a box of receipts. Most businesses need to do more work than that, though, and the daily recording of activity is worth the effort. "The books" used to be kept in very large hardcover ledger books, and were written entirely by hand for hundreds of years. Aren't you glad we have computers now?

Some business decisions need to be made after looking at financial statistics, and a portion of those decisions need to be made on short notice. If a business already has good recordkeeping habits, you'll be more likely to have the right information in your hands when you need it most. You'll be able to tell a lot about the business you want to buy just by looking at how well they do that.

FOCUS

Before you buy an existing business, and after you look at whether the idea will work, you need to know if the financial side of the business works. Now, I saved this for near the end because this is a sensitive area for any business owner. You shouldn't ask to get into their private financial information unless everything else checks out and you're serious about buying the business.

One word of caution: watch the resistance level as you make this request. They should have known that this request would be coming at some point, but if they haven't resigned themselves to a professional accountant coming in yet, one of two things is going on. Either they really don't want to sell the business, or they are hiding something. You and your accountant need to know which it is. If they want to sell, but they endlessly put off or blatantly refuse access to their financial records, that's a deal-breaker. Walk away.

Fortunately, most business owners recognize that this is a necessary step in selling their business, and they will give you what you need. I'll outline the major objectives for you, but for the best results, you should leave most of

this to your accountant. Remember, you want this to be done by an accountant who works for you, not by one who is paid by the owner.

DOCUMENTS

The first thing you and your accountant should ask for are the financial statements. When I help someone buy a business, I ask for five years of historical data - and I ask for all of it if the business has been operating for less than five years. At the very least, you want to see the balance sheets, the income (profit and loss) statements, the budgets, and the cash flow projections. It's a good sign when they give you documents that were prepared by a CPA.

The next thing I ask for is the business's tax returns for the past five years. Again, if a CPA has prepared those returns, that's the best scenario. You want to be confident that they haven't been trying to hide anything from the IRS, or they may be trying to hide something from you!

Finally, I like to ask for their original business plan, if they still have it. It can be very interesting and educational to see whether their original projections came close to the actual numbers.

NORMALIZING

The next thing I do is to look at all of those documents together and see whether they make sense together. For instance, the stated income on the profit and loss should equal the stated income on that year's tax return.

Normalizing the financial statements is a critical step in seeing an accurate picture of the actual cash flow. Remember, the cash flow is your barometer when it comes to evaluating the risk and the benefits of investing in this business, so we want to fish out information that an investor needs to see.

When you normalize the financial statements, you want to eliminate unusual events that affected the bottom line during those five years. For example, you don't want to look at losses from a one-time fire or theft. You don't want to consider profits or losses from discontinued operations that won't be a factor in the future, and you definitely don't want to consider the owner's personal expenses which may have been paid by the business.

The financials should also be adjusted for non-cash transactions. Depreciation and amortization are factored into the profit or loss for tax purposes, but they have nothing to do with cash flow. When you compare the books to the tax returns, you'll find other adjustments. Meal and entertainment expenses are only partially tax-deductible, but you want to make sure that the entire expense is included in the actual profit or loss.

AVERAGING

Once I get an adjusted profit and loss statement, I'll average all five years to get an idea of a typical year of cash flow. I might also use a weighting system which considers recent activity to be more significant than older information.

Those average of the after-tax cash flow will eventually be used for the final step in assigning a value to the business and arriving at a fair price for both the buyer and the seller.

INVESTIGATING

This is also a good time to ask your accountant to look for unusual transactions in the financial records. Unrecorded liabilities - those not found on the balance sheet - can be very interesting to discover. For example, you may want to know about that out-of-court settlement that is being paid off on the side, or why there were several payments to someone who, on the surface, has nothing to do with their business.

Also inquire as to any related party transactions. If they have related party transactions, like renting the business premises from an LLC owned by the shareholders of the company, the rents are likely not at fair market value. This means that you will need to pay more or less than the amount stated in the financial statements.

You want to give the owner a chance to explain why there were checks written for unusual reasons. There might be a logical explanation, but there might be an underlying problem that you wouldn't have found out if your accountant hadn't been on the job.

DIRECTION

A little forensic accounting goes a long way. There are things hidden in the numbers that many business owners won't be able to tell you, but a good accountant will. CPAs are well-trained in using those numbers to predict a business's long-term failure or success, and you don't want to buy a business that will probably fail in the near future through no fault of your own.

Now that you have all that data, what do you do with it? The final key to your success with this business is to find out what the owner's asking price *should* be. Is it possible to actually quantify risk? How would you translate that into monetary value? I want to show you how to estimate the risk level that you may be about to assume. This is where we'll use the information you got from the financials and the market research. Your future financial stability is on the line here.

How Can All That Research Help Me Avoid Trouble?

You found a business that you want to buy, and it has passed all the checkpoints so far! This is getting exciting - you have an idea, you verified that acquiring this business might make it work, and you looked a little deeper into the company to make sure that there will be no surprises if you go ahead with the purchase. You're almost ready to make an offer!

This last step in evaluating that business is your key to a successful negotiation of a fair price to pay for it. You must complete this step before you begin to discuss anything about the actual purchase with the seller. The owner probably already has an idea of what he or she wants for the business, but if that amount is more than the business is worth on the market, you're spending more than you need to. The owner's financial needs aren't your problem. Considering the amount of money it takes to buy a business, you could lose a lot of cash if you're not careful.

FOCUS

Before you buy a business, you need to determine its worth with the best possible estimating methods. This is where your Certified Valuation Analyst (CVA) will come in. A CVA is specially trained to make sure that you and the seller place a fair price on the purchase agreement. Like legal and financial analysis, business valuation is one of those "don't try this at home" things.

When you hire a CVA, don't forget to check their reputation and interview them. You want to know how they work, and whether their techniques include the research that is crucial to a thorough evaluation. Try to avoid internet-based companies that may not actually visit the company before they make their recommendation. Business brokers are better, but their focus is usually more on the sale than the value of what is being sold. Your best bet is to invest in a CVA who will know how to make sure you get the best deal.

RISK

Being a CVA, an attorney, and a CPA, I have a unique perspective on assigning a value to a business. I'm more likely to look at the transaction from an investor's point of view before making my decision. In other words, I put myself in your shoes.

Everyone has a certain risk level that they are comfortable with. Risk is relative to a particular investment. United States Treasury Bills (t-bills) generally have the lowest risk of investment choices because of their very low default risk. A publicly traded corporate stock has a higher risk because there are risks inherent in running a business. Ownership of a small business has even higher risk as the company is smaller and has a greater risk of failure than a Fortune 500 company.

When valuing a business you must determine the risk of the business. A business with a very high risk level, say 35%, may be too risky for you to become involved in. The higher the risk factor, the greater the chance of failure.

LAYERING

When I value a business, I must determine the risk level of the business. My preferred strategy to determine risk is with the Ibbotson Buildup Method. In this method, different risk factors are combined one at a time, in layers, to determine the risk of the business. This risk factor becomes the discount rate to apply to the after-tax cash flow of the business. Those individual risk factors are the risk-free rate, the equity risk premium, the size premium, the industry-specific risk premium and the specific company risk premium.

Beginning with the risk-free rate, each of these premiums build upon the previous one, from the most general to the most specific factors in a company's value. After the specific company risk premium is applied, you'll have the right discount rate for their cash flow.

GENERALITIES

The first risk factor is the risk-free rate. This rate is the minimum rate an investment should earn, assuming it is riskless. Since a business is not risk-free, we have to build on that.

The second risk factor is the equity risk premium. This addresses the risk of owning an equity position in a business. When you own an equity position in a business, you are the last to get paid, after the employees, vendors, creditors and such. Therefore, there is always the risk the business won't make enough to pay you. The equity risk premium quantifies this.

SPECIFICS

The third risk factor is the size risk premium. You are valuing a small business, not a Fortune 500 company. Small businesses don't have as many resources at their disposal as a Fortune 500 company; therefore, the smaller the business, the greater the risk. The size risk premium captures this.

The fourth risk factor is the industry-specific risk premium. As you might have guessed, some industries are more risky than others. This captures the risk inherent in the industry you are looking at.

Finally, the fifth risk factor is the specific company risk premium. This is where all your market research, your financial research, and your interviews with the people at that specific company are quantified. You're looking at the diversification of your customer base, the depth of the management team, and the stability of earnings, among other things.

The final value of the business requires that you use the sum of those risk factors to determine the overall risk of the business. Once you have this risk factor and the expected after-tax cash flow, you'll divide the cash flow by the risk factor to get an initial estimate of value. The actual determination of value by the CVA is a bit more complicated than that and takes into account growth rates, minority discounts, control premiums, and marketability discounts, all of which are more technical than we can cover here. My goal was to simply give you an introduction into how the professional determines value for you.

DIRECTION

Hopefully, you now understand what your CVA is doing to assess the level of risk you're about to take on, and to make sure you pay the right price for this business. You have already invested a lot of time. Make sure that time

hasn’t been wasted, and make sure your money won’t be wasted because of your decision to make this purchase.

So, after all this investigating and calculating, how do you know that you making the right decision? Is there still a chance that the business isn’t really right for you after all? I want to show you how to put all that information together, take one last look at that decision, and give each company a definite yes or no. This is where you make a judgment based on facts, not emotion.

Should I Buy This Business?

Have you made a decision yet? By now, you are probably getting even more excited about the adventure and where it will take you from here. You have kept your USP in mind as you looked at the business, inside and out, and you're looking forward to kicking it into gear. Do you get the feeling that you're about to begin a new chapter in your life? Because you are - if you decide to do this.

You often have a better chance for success buying an existing business than starting from scratch. The framework is already in place, complete with customers, cash flow, vendors, and staff. You already have existing relationships with a CPA and an attorney to guide you through the rough spots, and you have a good idea of what you would be walking into. What's missing?

FOCUS

Before you decide whether to buy this business, review one last time what you have discovered in your due diligence:

- Will this business add value to your life?
- Have you clarified your USP, and can you use it to add value to your customers' lives?
- Have you had a good experience with your team of experts?
- Do you understand how cash flow affects the value of a business?
- Do you know how this business is organized and who the seller is?
- Will you be able to work well with the existing management team?
- Will the existing legal issues be a problem for you?
- How does your USP fit into the existing market?
- What are your chances of making a profit?

- Does their bookkeeping system seem clean, or do they have any compliance issues?
- Do you understand the level of risk that you will be assuming if you buy this business?
- Will this business venture be worth your time and money?

If everything checks out so far, you need to determine how you will pay for this business, develop a new business plan for yourself, negotiate the selling price, and secure the financing if necessary. If any of these events can't happen, you still may not have a deal.

INVESTMENT

Now that you have an idea of this business's true value, where will you get the money? Cash is great - no banks, no private lenders, no getting into debt. I always advise my clients to avoid debt if at all possible, and with this amount of money involved, it's even more critical. Minimize your debt where you can.

If you need financing, do you already have a relationship with a lender? Maybe you have a banker that you regularly work with, or maybe you have a relative or a friend with money. Have your attorney look over any loan agreements - and if you're buying with a relative's or a friend's money, you absolutely still need a loan agreement. Don't ever borrow money on a handshake. It will come back to bite you later.

BUSINESS PLAN

Especially if you need financing, you will need to put together a business plan. (You should probably do this even if you don't need financing.) Your lender will want to see that there is a reasonable probability that you will pay the money back. Fortunately, in your due diligence, you have already accumulated most of the information that should be included in a business plan, so all you have to do is write it down in an appropriate format.

I have an excellent guideline for putting together a business plan, if you need it. Just see the "Articles" section of my website, www.stevenschlagel.com.

NEGOTIATION

The negotiation starts when you make an offer to purchase the business from its owner(s). They may accept your offer right away, or they may make you a counteroffer. This doesn't mean they're being argumentative. It's just part of finding a price that you can both agree on. Accept their counteroffer, or make one of your own.

Your attorney will probably want to talk to their attorney, as the negotiation involves more than just the selling price. Terms and conditions are also important, such as owner involvement in the transition, whether you are buying the stock or the assets (if you will buy a corporation), and other details as appropriate for your situation.

FINANCING

The last thing you will need is a purchase agreement, drawn up by the attorney. By this time, if you will be financing the purchase, the bank should have looked at your business plan, met with you regarding the loan, and pre-approved you for that loan. This has to come first because you will need to include the terms of the proposed financing in that agreement along with all the other details.

When you have your final purchase price and any necessary financing to make that happen, you're ready to sign the papers and begin the process of moving to close the deal. Both your attorney and CPA will be critical to finishing the transaction well and protecting your interest.

DIRECTION

Remember, if any of this doesn't work out, it's okay. You don't want to get into a business deal that isn't right for you, for any reason. If the financing doesn't work out or you can't arrive at a mutually acceptable selling price, chances are that something would have gone wrong at one point or another down the road. It may feel like you did all that work for nothing, but trust me - you'd feel worse if you went ahead with the purchase and lost your life savings and/or your good credit rating. Protect yourself, and make your decisions with great care and consideration.

If it does work for everyone involved, congratulations! You can move ahead with that great idea and that motivated spirit, knowing that you have a successful future ahead of you in the right business for making your dreams come true.

I hope you enjoyed this e-book, ***What You Need to Know Before Buying a Business.*** If you need help at any point in the process, please call me. Good luck with everything!

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