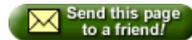


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Buying Your Own Business: Important Issues To Understand

by Tom West

Buying your own business can be a complicated procedure. Throughout the buying process, it's important to keep an open mind while searching for a business that will fit your needs, talents, skills and lifestyle. A business broker has many different types of businesses for you to consider; however, you need to remember that there is no such thing as that "perfect" business. Another vital thing to keep in mind is that at some point you must be able to make the "leap of faith" that separates you from being a "looker" to a "doer." This isn't easy, but it must happen if you are ever going to be in business for yourself. The following discussion of other key issues may help in the process:

Importance of Information: Understand that in looking at small businesses, you will have to dig out a lot of information. Small business owners are not known for their record-keeping. You want to make sure you don't overlook a "gem" of a business because you don't or won't take the time it takes to dig out the information you need to make an informed decision. Try to get a understanding of the real earning power of the business. Once you have found a business that interests you, learn as much as you can about that particular industry.

Negotiating the Deal: Understand, going into the deal, that your friendly banker will tell you his bank is interested in making small business loans; however, his "story" may change when it comes time to put his words into action. The vast majority of small business transactions are financed by the seller. If your credit is good, supply a copy of your credit report with the offer. The seller may be impressed enough to accept a lower-than-desired down payment.

Since you can't expect the seller to cut both the down payment and the full price, decide which is more important to you. If you are attempting to buy the business with as little cash as possible, don't try to substantially lower the full price. On the other hand, if cash is not a problem (this is very seldom the case), you can attempt to reduce the full price significantly. Make sure you can afford the debt structure...don't obligate yourself to making payments to the seller that will not allow you to build the business and still provide a living for you and your family.

Furthermore, don't try to push the seller to the wall. You want to have a good relationship with him or her. They will be teaching you the business and acting as a consultant, at least for a while. It's all right to negotiate on areas that are important to you, but don't negotiate over a detail that really isn't key. Many sales fall apart because either the buyer or the seller becomes stubborn, usually over some minor detail, and refuses to bend.

Due Diligence: The responsibility of investigating the business belongs to the buyer. Don't depend on anyone else to do the work for you. You are the one who will be working in the business and must ultimately take responsibility for the decision. There is not much point in undertaking due diligence until and unless you and the seller have reached at least a tentative agreement on price and terms. Also, there usually isn't reason to bring in your outside advisors, if you are using them, until you reach the due diligence stage. This is another part of the leap of faith necessary to achieve business ownership. Outside professionals normally won't tell you that you should buy the business, nor should you expect them to. They aren't going to go out on a limb and tell you that you should buy a particular business; in fact, if pressed for an answer, they will give you what they consider to be the safest one: no. You will want to get your own answers--an important step for anyone serious about entering the world of independent business.



About the Author

Mr. Tom West is the editor/publisher of [THE BUSINESS BROKER](#), a monthly newsletter for the business brokerage field. He has written or co-written numerous books including the [BUSINESS REFERENCE GUIDE](#). He is a founder, past president, and former executive director of the International Business Brokers Association (IBBA). He is a frequent lecturer and seminar leader on all aspects of buying, selling, or appraising a business. Mr. West is probably the most knowledgeable individual in the country today concerning the issues of buying or selling small to mid-sized businesses.

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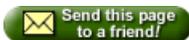
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