

Examining All the Factors

Knowing When to Buy a Business

Has the time come where instead of you working for a business, you want to own one? To decide if buying a business is the right decision for you, speak to a VR business intermediary that can help you answer all the pertinent questions.



With any business opportunity, there is a degree of risk and challenge involved. Ask yourself if your personality is conducive to one that thrives in an environment where you have to wear many hats. Throughout the buying process, you have to understand what is at stake for you, both financially and personally. If you're ready, the rewards will surpass whatever gamble is involved.

What's Your Motivation for Buying a Business?

If you're seeking job security or are dissatisfied with your present job, then determine if the business opportunity you're considering satisfies what you are looking for professionally and personally.

Do You Have Support from Your Family and Friends?

It's important for you to find out if your family and friends will support you on this new and exciting endeavor or if you'll be left out in the cold.

They may not understand your prime motivation and personal goals that may be prompting you to buy a business, especially when you're leaving the security of your current employment. This is one of the biggest decisions you will make in your life, and they have to understand what your feelings and motivations are in doing this. Without your spouse supporting you, the transition can be very difficult. If you take the time to explain the why's in this decision, they may warm up to it.

Financial Backing and Advice

Knowing your financial options is imperative when you're going to be investing in a business. You have to know where you're going to be drawing your capital from.

Do you have financial advisors that you trust and have a working relationship with? Consider carefully what their opinions might be. You don't need to look at the books of even a single business to know what your attorney's opinion will be. You can find out right now by asking, "I'm thinking of buying a business -- what do you think?"

What Can You Invest?

You may have \$50,000 or \$100,000 in liquid cash; however, that doesn't mean you will feel comfortable spending it. Analyze your risk threshold and consider how much of that cash you are willing to invest. If you run short of cash, would you be willing to put up your home as additional collateral? It's critical that you understand exactly where you stand on the risk factor curve.

How Long Do You Want the Business?

At this point, you should spend time considering exactly what you want to do with the rest of your life. Do you want to run this particular business forever? Just because you've purchased your own business does not mean you're locked into it for the rest of your life.

Many buyers will purchase a business they can afford in a different industry than they'd planned on, run it for two or three years before selling it after they've built-up some equity. This is one way, for you to then buy a business in the industry that you want.

- **Take time to analyze the business/industry trends.**
- **Pay close attention to whether gross sales are up or down** and whether cash flow has been increasing or decreasing.
- **Carefully review the expenses required to operate the business**, such as: leases, rents, utilities, labor, inventory, plus other necessary costs.
- **Don't be discouraged if a business is doing poorly.** There might be other factors other than the industry or market affecting it, such as poor management.

Discover the Reasons the Business You Want is Selling

Knowing why an owner is selling the business that you want to buy is important.

Is it due to:

- **Burn-out;**
- **Poor health;**
- **Retirement;**
- **Relocation Plans;**
- **Need to upgrade;**
- **Not generating enough revenue;**
- **Poor management;**
- **Lack of capital;**
- **A partnership dispute; or**
- **Has the business outgrown the owner's abilities?**

What Does Your Gut Tell You?

If you like the industry, the customers, the feel of the business and are comfortable with the idea of being there every day, you are on the right track.

Compare Yourself to the Present Owner of the Business

Is the current owner an easygoing type, a high-octane dynamo or someone just like you? Also, consider whether or not the business is run in a way that you would like to do business and how changing those operations you don't like would affect the business.

Ask yourself if you would be as good a business operator -- or better -- than the current owner. Few people buy a business expecting to do things exactly the way the present owner is doing them. Most people envision additional opportunities for a business, perhaps planning to increase advertising or expand the product line.

If you're thinking about buying a business, carefully think through each of these issues. Answer them honestly and your future path will become clearer. But keep in mind that while it can take great effort, unlike a job, the potential is unlimited.