

# 7 steps to successfully buy a business.

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There's a reason why buying a business is referred to as a "buying process". There are a substantial number of steps involved and much to consider, especially for anyone who has never bought a business before.

This is a major decision and investment. With so much at stake, it is crucial that you prepare yourself properly and educate yourself for this journey and take the necessary steps to be certain that you make all of the right decisions along the way.

According to industry statistics, nine out of ten people who begin the search to buy a business, never complete a transaction. Perhaps the biggest reason for this dismal statistic is that most people simply do not realize how much is involved.

Part of the challenge is that most are "first timers". Faced with having to make one crucial decision after another, they become overwhelmed and frustrated and soon they abort the project.

Your approach must be different.

As Thomas Edison once said: "There is always a way to do it better...find it!"

## Step one - Commit to a deadline.

- You can easily turn this entire buying process into an endless search. The average buyer spends 18 months looking. However, there's no reason why you shouldn't be able to complete the process in six months.
- If you're working full time, you will have to be disciplined in your search efforts.

## Step two - Set aside time everyday to work on this project.

- It is estimated that 90% of all searches by buyers is now conducted via the Internet. A short time looking at business for sale websites and you'll soon realize that the number of available businesses is incredible. In fact, there are hundreds of thousands of them out there. It would be very easy to turn this into a never-ending search instead of a buying process.
- If buying a business is a goal you've set, then block off at least five hours per week to devote to this project.

## Step 3 - Know who you are and your strengths & weaknesses.

- Instead of looking at endless business for sale listings trying to figure out which, if any are right, you must first identify what type of business is right for you and then focus your search accordingly.
- Take a good look at yourself. What are your strengths, weaknesses, likes and dislikes? Don't try to be something you're not. Most people simply don't know what's right for them and that's fine. If this is your predicament, sometimes it's best to start by ruling out all of the businesses you don't want.

## Step 4 – Organize your finances.

- Next, consider your finances and focus solely upon those that make sense from an investment perspective. With these two criteria alone, you'll be able to whittle down the choices.
- You will definitely be required to produce a personal financial statement at some point. Get the details together right away. List all of your assets and liabilities and outline your net worth. Check your credit rating and rectify any erroneous information. You can obtain a free copy at [www.freecreditreport.com](http://www.freecreditreport.com)
- Determine with absolute certainty how much of your own cash you are prepared to invest. Forget any relatives who may have promised that they'll "back you." When the time comes to lay down the money, chances are they won't be around.
- Don't bother looking at businesses that are unaffordable. Over 90% of small business purchases involve seller financing. Generally, this is 40% - 50% of the purchase price. If you have \$100,000 to invest, don't look at businesses that will sell for \$500,000. It's OK to dream, but be realistic.
- Also, take the time to sit down with an SBA specialist to research all avenues for your financing. They provide all types of loans for entrepreneurs financing a business purchase. See [www.sba.gov](http://www.sba.gov) for further information.

## **Step 5 - Educate yourself about the buying process.**

- Unless you have a wealth of experience buying businesses, it is critical that you acquire the necessary knowledge and information to make this decision. You are going to face an onslaught of decisions throughout this process. Having the knowledge will likely make the entire difference between buying the right business and the wrong one.
- Don't fool yourself into thinking that your attorney or CPA can make these decisions for you; although it is extremely important to find quality advice from professionals that specialize in business. It is incumbent upon you to take the time to learn what is involved and how to successfully navigate your way to your dream. Think of it this way: if you're going to invest your savings to buy a business; shouldn't you first invest the time to learn how to buy the right one?
- It's been proven over and over again that well-informed, properly prepared buyers acquire good businesses; the rest get sold lemons!

This is one decision you must get right the first time!

## **Step 6 - Make Sure Your Family Is On Board.**

- If you have a spouse/partner, be certain that together you discuss this project. It's no use going down the road with this if your spouse is not on board. You both have to see the dream.
- Business ownership is a time consuming commitment. The hours are long. You need their support. Keep them informed. Answer their questions. Get their input.
- Remember, even though this may be your business, they're in it too.

## Step 7 - Seek Professional advice.

- I am a firm believer in using a business broker to help you throughout the process. Keep in mind that the seller nearly always pays brokers and so their role from an advice point of view may be limited or even tainted. However, a good broker can, and will:
  1. provide you with access to a vast database of businesses for sale
  2. walk you through the valuation process
  3. provide you with comparable business valuations
  4. keep the deal moving along when obstacles are encountered
  5. be the bearer of bad news to the seller when necessary
  6. ensure all pertinent documents are assembled for the closing
  
- Also include in your team an attorney and accountant. These professionals will keep help build your foundations of success so your business roots travel deep and strong.

### SUMMARY

1. Commit to a deadline.
2. Set aside time everyday to work on this project.
3. Know who you are and your strengths and weaknesses.
4. Organize your finances.
5. Educate yourself about the buying process.
6. Make sure your family is on board.
7. Seek professional advice.



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