

# Cover all your bases when buying a business

Perhaps you are sick and tired of working for someone else or have been laid off and decide you want to buy a business.

Buying a business can be a competitive, time-consuming, and frustrating process. It usually takes a lot of hard work and dedication in order to find a good business at the right price. Many people find the process overwhelming and do not know how to go about setting themselves up to succeed as a buyer.

Here are some tips to improve your odds:

■ Be honest with yourself and do a self-evaluation regarding strengths and weaknesses. Different businesses require different abilities.

Owning a business means you are responsible for

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Law Talk



paying the bills and the buck always stops with you.

If you do not have the personality suited to this sort of responsibility and decision-making, you should reconsider the decision to become a business owner.

■ Get your financial house in order. You will need some of your own money in order to purchase a business.

Therefore you should begin consolidating and paying off debts and limiting your expenses. This is not the time to go on expensive vacations or buy new cars.

Your new business may

not produce the kind of cash flow you like, and you will likely have a lender who wants you to provide some financing. Don't jeopardize your future profitability by enjoying life too much in the present.

■ Create a portfolio to sell yourself to the seller and your lender.

The seller may be entertaining offers from a number of buyers and looking for the person who will make the business succeed. It's the seller's baby and they want to see it flourish.

The lender will want you to show them why you will succeed in the business and be able to pay back the loan.

■ Begin assembling an experienced team of advisers. Surround yourself with people who have experience in buying businesses

and can help you close the deal when the opportunity presents itself.

You will need an experienced acquisitions attorney and an accountant who is experienced in financial due diligence.

Just as doctors specialize in different areas, attorneys and accountants also have areas of expertise. Make sure you ask for references and information on past deals.

Your attorney should advise you regarding the deal process and what you can expect once you begin looking at deals.

■ Contact potential lenders. There's no sense in looking at \$5 million businesses if you can't afford them.

A good lender will tell you how much they can loan you and consequently what

you can afford. Start with your current bank and then ask your accountant and attorney for referrals.

Once you've completed the above steps, you will be better prepared to begin searching for your business.

You will have set yourself apart from most buyers and be more likely to close the deal.

For a one-page overview on the process of buying a business, e-mail me at [mm@jwbwn.com](mailto:mm@jwbwn.com).

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