

ARE YOU BUYING A BUSINESS?

Seventy-percent of all new businesses fail in the first two years; ninety-percent fail in the first five years. The saddest part of these statistics is that a lot of hopes, dreams, and hard-earned savings fail along with the business.

It's impossible in this short column to warn you of all the problem areas in acquiring a small business. If we don't impress you with anything else, we want you to know the main reason why most small business acquisitions go bad. In 95 out of 100 cases, the buyer pays too much money for the business. Perhaps we should take the rest of the column and just write that same phrase over and over again - Don't pay too much money for the business!

It's normal for the seller to want as much money as possible when selling the business. It often takes an experienced outsider to assist both the buyer and seller in arriving at a price that is mutually beneficial. If the seller is going to carry a contract on the sale, it is to his/her advantage to set a price that helps insure the success of the buyer.

Once one's mind is made up to acquire a certain business, it seems as though the blinders are put on and the vision becomes very channeled. The buyer can see all the possibilities for tripling the sales but seems unable to see the downside. It's this failure to look at problem areas that gets most buyers into trouble.

A certain business may be providing a good living for the current owner. If you buy it, you will be looking for a return on both your investment and your time. The after-tax net profit must make the interest and principal payments, provide you with a living, and hopefully provide funds to expand the business.

If an objective review indicates that you shouldn't buy the business, don't get distressed. There are many more businesses available. Remember

- DON'T PAY TOO MUCH FOR A GOING BUSINESS.