

Best and top tips for Buying a Business and being successful at it.

Vision: a Buyer must have a vision: Can you see yourself being your own boss and making your own decisions.

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Do you have this vision?

What else do you want to accomplish with business ownership?

Is it mainly replacement of current income?

Hopefully, also includes building an equity position to later sell at a profit? What to make a difference in the world? How about: More time with your family? More control over schedules, travel and work duties?

I encourage you to make a list. Prioritize it.

Then share your vision with us!

BALANCE: An old saying in the real estate industry is ... "The three most important things a Buyer should look for are location, location, and location. While location is important to a business buyer, be aware that track record and management are the other two essentials components of a successful business. Not all businesses, however, are so well balanced. You may find one that you like and it has a good location, but because of poor management, does not show a very good track record. Purchased for the right price and terms and with proper management, this business could become highly successful.

Also note that it is the market, not necessarily the circumstances of the sale that determines the price. Even though some businesses may sell for considerably less than their listed prices, good businesses demand and get good prices, so expect to pay for value received. Remember, buying most often is a negotiation, so do not be afraid to make what you may consider to be a fair offer, even if it may seem low.

A WORD ABOUT finances: The financial statements of a small to medium sized business must be "recast" to be properly understood. What you see is NOT what you get necessarily! Minimizing taxation, personal benefits written off by the business owner and many other factors may come into play. Tax returns are fine to review regarding "gross revenues" and "depreciation schedules," but the "bottom line" is NOT the "real cash flow in many cases. Many times a Buyer will ask to see the business tax returns and go into shock because the business didn't make any profit at all and may in fact have "lost thousands of dollars!" Please, don't judge a business from its tax returns! A recast P&L and a "True Net Worth or Cash Flow" analysis worksheet will be of much more value to you in the preliminary stages. Then the tax returns can be picked apart and better explained in the light of "Reality 101" Okay, now you are ready to go through the "process of buying a business."

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