What Should I Look For In Buying A Business?

Here are some items you might want to check when considering the purchase of a business:

1. **How long the business has been in business.**
   A business with a long track record means there are good reasons for that business to be operating. It will be well known in the area, and people will be used to patronizing the business or using its services. The longer it has been in operation, generally, the better the business.

2. **How long the present owner has owned the business.**
   The longer the present owner has been in business, the more likely he or she has been successful. People don't stay in business if they are not making money.

3. **Why the present owner is selling.**
   If the owner of a business has been in business for six months, is 37 years old and wants to retire, you should be suspicious. The more valid the reason for sale, the more realistic the seller will be in considering your offer. However, keep in mind that after five or six years or more, people do get rest-less or "burn-out" sets in, or people look for new challenges. Why the seller is selling is an important question — get the answer.

4. **Why Books and Records are important.**
   The financial records of the business are a good indication of how well the business has been doing over the years. Keep in mind that tax records are not designed to show the business in the best light: no one likes to pay more taxes than they have to, and owners of businesses are no different. Generally, tax returns are a worst-case scenario. You need to be able to look at the expenses and discover which ones are non-cash items, such as depreciation, and business use of home and vehicles. How important was the business trip to Las Vegas? A professional business broker can point these items out to you. When in doubt, however, seek outside assistance. Keep in mind that financial records are only history. There are no guarantees that they will or can be duplicated or repeated. All of your profits are future. In the final analysis, the financial records of the business are an indicator of what the business has done; what you do with its future is up to you.

5. **How to determine if the seller is reporting all income.**
   The simple answer is — that you can't! Not reporting income is against the law. You should consider only the income that the seller can show you. We all know, of course, especially in cash type businesses, there is the possibility that the seller is not reporting all of his or her income for tax purposes. This "underground economy" has been well documented and is in the billions of dollars. Many sellers will tell you about how much they are "skimming," but you should ignore their statements, since they have no way of proving these amounts. In determining whether a business is the right one for you, you should base the decision on the figures actually supplied to you by the seller.

Being in business for yourself can be a daunting prospect. There are no guarantees. At some point, after all of your investigation is completed, you will still have to make that "leap of faith" that is necessary to proceed with the purchase of the business. You will have to work hard, perhaps even "tighten your belt" a little and perform many different jobs to be successful in your own business. But, if running your own show, making your own decisions, not having to worry about job security (remember, no one can fire you from your own business), and just being on your own are important — then owning a business is for you. After taking this leap of faith, almost all business owners will tell you that they would never go back to being an employee.