

What to Consider When Buying a Business

The decision to buy a business can be a life-changing one. The potential benefits are numerous—a healthy stream of revenue, a solid concept and branding identity, and an established customer base—but purchasing an existing business isn't a risk-free endeavor. To help ensure a smart, safe investment that will reward you with many happy returns, we've compiled some broker-recommended tips for what to consider when evaluating a business for sale.

Find out why the business is being sold. If the seller wants out because of sluggish sales, you'll need to consider whether you have the necessary resources and know-how to improve the company's prospects.

Don't hesitate to ask questions. When evaluating a business for sale, communication between the buyer and seller is critical to ensuring a smooth, informed transaction. The seller of the business is your best—and often your only—source of information about the business.

Request finance details. As a prospective buyer, it's perfectly acceptable for you to ask the seller to furnish financial documents pertaining to the business, such as tax returns, historical cash flow statements, and profit/loss analyses. Reviewing these records is essential to gaining a thorough understanding of the business' financial standing and level of profitability. Be wary of sellers who hedge at providing this type of information.

Consider what may need to change. Chances are, you'll want to modify some aspects of business operations after the sale, such as personnel organization, communication infrastructure, or marketing strategies. Determine how much time and effort those changes will require, and incorporate that into your decision.

Know the market. Whether the business you're evaluating is selling a product or a service, you should have a firm grasp on the target market, industry trends, and daily operations. If you're new to the industry, conduct the necessary research to familiarize yourself.

Retain key employees. As any business owner knows, a company is only as strong as its staff. Determine which employees are integral to the daily operations and ensure that they'll continue on after the business is sold. Same goes for vendors and customers—ask the seller if he has a feel for many will stay later.

Make sure the business is a good fit for you. A profitable projection may seem like a great reason to buy, but if you're required to put in 80-hour workweeks to maintain that level of success, you may want to keep looking. Consider how much

time and money you're willing to invest, and whether you have the passion to nurture and develop the business after the sale.

Know the limits of lending. Most financial institutions balk at financing 100% of a business' selling price. Do you have the necessary cash for whatever down payment may be required?

Don't be afraid to negotiate. The list price should be considered a starting price. That said, make sure you have the necessary capital.

Tour the business. Visiting the facility will allow you to determine what, if anything, will need repaired or replaced. If the structure needs expensive furnishings, a new furnace, or extensive roofing work, for example, those prices should be considered when determining the amount of your offer.

Take it slow. Even if a business seems perfect for you, you should never rush into making a purchasing decision. A good seller should never try to pressure you into acting quickly.

Consult with trusted advisors. If you have an attorney or an accountant you've worked with before, run the business prospect by them for their professional insights. Any business purchase is fraught with countless details, including tax regulations, legal issues, and more.

Develop a realistic budget. Detailed financial records are a great start, but you'll have to also pair those with your own financial projections for the future of the business.

By carefully weighing the pros and cons of a prospective business investment and clearly identifying your own specific goals and strategies, you'll be better equipped to make an informed buying decision. At BuyTradeBiz.com, we offer expert [buying resources](#) for those looking to purchase a business or franchise. Browse our [business buying articles](#) for more tips and techniques to ensure a rewarding, profitable experience.