



## Why You Should Buy a Business

It'll cost you more upfront, but you get what you pay for.  
By Domenic Rinaldi | March 17, 2009

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As someone who helps prospective and existing business owners for a living, I am heartened by all the media attention aimed at helping people find employment and survive this difficult economy. I'm concerned, however, that there isn't more discussion about the option of buying an existing business. In the business brokerage industry, we equate buying a business with "buying" a career or profession. For the unemployed and those worried about their job security, buying a business is just as viable an option as a traditional job search or starting a business from scratch.

Though it requires a larger upfront investment compared to starting something from scratch or conducting a traditional job search, buying a business can provide you and your family long-term security while paying you an immediate salary, covering your bank debt and providing a small cushion to grow the business. It's also one of the best investments you can make, as evidenced by its history of outperforming both the stock and housing markets even during periods of double-digit growth rates. When you buy the right business, you're building something that has real value and can be resold later--potentially for a profit. But those aren't the only benefits. Here are six more:

1. **Immediate cash flow:** Taking on a business with existing customers can be extremely beneficial. With a properly structured acquisition, the business revenue should enable you to cover the cost of any bank loan, take a reasonable salary and have a slight cushion for growth. This scenario is a stark contrast to starting a business from scratch with no immediate revenues, clients, employees or cash flow.
2. **Brand recognition:** There is a significant advantage when you acquire a business with existing marketing, advertising, client contracts, trained employees and third-party relationships. The business is established within its trade sector and known throughout the community. This is an intangible benefit that's almost impossible to create with a startup.
3. **Bank financing:** Financing the purchase of an existing business can be easier than raising money for a startup. The bank can see historical performance and not just rely on pro forma financials or projections. If you have industry experience to go with the business acquisition, the banks know you have the business acumen to successfully operate it.
4. **Trained employees:** One of the most valuable assets in a business acquisition can be the existing employee base. With the right team in place, business owners can focus on growing the customer base or developing new products and services. The work of finding, hiring and training new employees has already been done, and you can use this as a springboard for future growth. Plus, the entire business doesn't rest on your shoulders, which gives you peace of mind should you decide to take a vacation or a break from the action.
5. **Systems and infrastructure:** Many businesses will have systems that range from operating manuals to complex IT platforms. Existing systems support the company's operations and should be the foundation for future expansion. You also have the outsider's point-of-view to spot and improve weaknesses in the system.

6. **Training and transition:** Sellers can be invaluable in helping you transition into the business, offering guidance ranging from specific training, introduction to key clients and suppliers, supplying an employment contract for future services, and in many cases, seller financing for the business purchase.

Being aware of all the options during these tough economic times will give you the leverage necessary to make good decisions. If you've already been impacted by this economic meltdown or you're fearful about an impending layoff, small-business ownership could be an option. Pursue all of the avenues available and, if small business ownership is a viable alternative, then seek the advice of professionals and those who have done it before.

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