



## **Don't Start a Business; Buy It!**

You want to be an entrepreneur. You are aware of successful businesses started from nothing. You are considering a new business startup of your own. Sounds smart? Maybe not! The path in bringing a new startup to a successful stage has many risks and can be very expensive. In fact, most startups just don't get to success. Often they die from lack of financing, wasting the owner's resources.

Consider the purchase of an existing business as a lower risk option. You don't want to pay for the goodwill in a successful business? You will often pay more to bring a startup business to the point of success. Keep in mind that while you are building from scratch you are foregoing an income that you could take from an existing business.

Some other advantages in buying an existing successful business are:

- Existing proven infrastructure including experienced employees and business operating systems
- Established market position
- Loyal customer base
- Accepted product or service
- Established market pricing

Most people who have started a business from scratch can tell you how difficult these are to create.

A tough challenge in a business startup is financing. Banks, other lenders and investors need to be convinced that you and your idea will have a high chance of success. This is usually impossible with many lenders and very difficult with most investors.

On the other hand, finding financing for an existing successful business can be much easier and less expensive. Since cash flow is normally immediate, more favourable terms are usually obtained. Seller financing and vendor financing are often available reducing the demand for buyer equity.

Some entrepreneurs start a business to avoid the perceived risk of inherent liabilities with an existing business. The truth is that these concerns can be effectively eliminated through an asset sale and contract covenants. All considered an existing successful business is far less risky than a new start-up.