



STRATEGIES FOR Success

Ready, Aim, Fire! Hitting Your Acquisition Targets

Following the right sequence of events can help you avoid mistakes when purchasing an existing business.

A question that is asked often by prospective buyers of a business is, "How do I know if this venture is right for me?" Well, if this is something that you have been contemplating, here are a series of steps to help you decide if the venture is viable.

- **Do a Self Analysis.** List your skills, talents, interests, resources available, and lifestyle needs. Then try to create a mental picture of your ideal business by asking yourself some key exploratory questions: How would you want to be spending your business day? What specific skills can you deliver to your venture? Will you need employees? What special skills and talents are needed? Will you be able to keep key personnel that are currently employed? Make sure the proposed venture fits the bill for what you have and what you will want.
- **Perform a Financial Review.** Decide on the minimum amount of income that you need from your business to provide a comfortable lifestyle. Next, figure out what your break-even point will be and then multiply that number by three. This number is the amount you need to make monthly to break-even from month to month. Does the existing business activity provide this amount of income, or will you have to be patient and let the company grow?
- **Prepare to research what, when, where, and how you want your business.** You may want to interview other business owners, attorneys, business counselors, and bankers to help unveil options. You may also want to conduct your own direct

search to determine if the target market can sustain another service or product provider. Gather this "overview data" on a broad basis for generic targets and on a more detailed basis for a specific target.

- **Examine the Overview Data.** Does it show that there is potential to reach your personal and business needs? If not, how long will it take to reach your projected needs, if at all?
- **Obtain a Letter of Intent.** If you decide to buy the standing business, you will need a letter of intent (or conditional offer to purchase) composed by a business professional. This is used to spell out the planned price, terms and the conditions of the sale. Either side may revise the offer or quit for any reason. Once an agreement is reached, "due diligence" begins.
- **Perform Due Diligence.** Meet with the seller and begin interviewing him or her to get to know all of the important facts about the business that you are about to buy. For instance, are there any outstanding debt or management issues that the new owner may have to assume?
- **Close the Deal.** In this last step, settlement papers are drawn up, reviewed, and completed. If everything goes as planned, the ownership of the business changes hands, completing the venture.

Avoiding mistakes when purchasing an existing business entails following the right sequence of events to hit the target. We can help you so you don't miss the mark.

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