

## The It's Too Good To Be True Wealth Building System Workbook

Proven Strategy + Proven System = Financial Success

### The Steps:

Step 1. Locate a business of your interest: hair salon, auto repair, sports bar etc. which is listed for 1 to 2 times earnings

Step 2. Request some basic information on the business that is offered for sale, and you will receive a 6-to-8-page portfolio of the offering which usually includes what are referred to as "recast" financials. Meaning the broker has taken numbers from the P&L's or tax returns and placed them in a different format. Disclaimer say don't trust the info

Step 3. Using that information initially, either do a business valuation, or have one done for you, to determine the real Fair Market Value (FMV) of the business. This is absolutely necessary because unlike real estate, there are no comps in business buy-sell transactions.

Step 4. Do some forensic accounting or have it done for you – to get to the real cash flow of the Business. All professionals want to be paid up-front even if you don't do that deal. And, to find the best deal you will want to look at as many listings as you can.

Step 5. If all looks good at this point, meaning

- a. The business is listed at 1 – 2 X earnings
- b. The profit of the business can be improved by at least \$100K per year then, it's time to meet the seller in person

Step 6. Using the business cash flow & assets... put a deal structure & offer together. One reliable rule of thumb when structuring deals is to only commit up to 50% of the cash flow to debt service.

Step 7. Present the deal structure using our proprietary method which has proven to increase closings from the nationwide average of business brokers of 10% to our success rate we have seen of 80% and 90%.

Step 8. Draft or have drafted a buy-sell agreement based on the terms outlined in your one-pager

## **Pro Secrets:**

**PRO SECRET I** The secret to a successful acquisition lies in that we are not looking for perfectly performing businesses, and they are all underperforming. So, one man's junk is another man's treasure. We are looking for underperforming businesses that have problems that we can easily correct.

**PRO SECRET II** – Business Brokers nationwide have a 10% success rate.

- When 90% of the businesses for sale don't sell, that leaves you with a blue ocean of opportunities
- Which means it's always a Buyer's market  
(some people would be better off if they just gave you the keys and walked away.  
I've done 4 deals, each in 24 hours, where no more than \$1.00 changed hands)
- The most successful path to acquisitions is to do the opposite of what brokers do.

**PRO SECRET III** – Learn how to do this yourself because business valuations start at \$5k and for deals over \$1MM the going cost is \$40K.

And all professionals want to be paid up-front even if you don't do that deal.

To find the best deal you will want to look at as many listings as you can.

**PRO SECRET IV** – Learn how to do this yourself because forensic accounting costs start at \$5k. To find the best deal you will want to look at as many listings as you can. Also, All professionals want to be paid up-front even if you don't do that deal. And, to find the best deal you will want to look at as many listings as you can

**PRO SECRET V** – Remember 60% of getting a deal done is getting the seller(s) to like, trust and believe you are the perfect person to which to sell their business. You should act accordingly.

**PRO SECRET VI** – Use a one-page structure as trial balloon. You will include only what's in it for the seller, how much he is going to get and when.

**PRO SECRET VII** – Find a way to get this done at a reasonable cost as this alone, when done by an attorney, can cost \$5K to \$20K. And, they want to be paid up-front, even if you do not do that deal.

**PRO SECRET VIII** - What gets the business acquisition done is negotiating the terms, not the asking price.

**PRO SECRET IX** – Never ask if they will do owner financing without presenting a complete proposal, as the answer will always be NO!

**PRO SECRET X –**

- Never use your own cash or assets to fund the deal. (That is a lateral move)
- Don't waste time with banks (historically done only 7% of loans and currently only 1-3%)
- Watch out for "poser" lenders (MCA's, Lead generation platforms)
- Be smart and use the business assets to borrow monies (leveraged buy-out resources)

**PRO SECRET XI –**

Place your full faith in the cosmic principle that "Delay Kills Opportunities"

Act at the speed of NOW! (builds huge credibility for you with seller and broker)

**PRO SECRET XII –** If you do not have these abilities to do these things yourself...

Either spend some time learning how to do them or find some reasonably priced

Professionals to do them.

**PRO SECRET XIII –** Work at the speed of NOW – because delay kills credibility and opportunities

**PRO SECRET XIV –** If you are serious about getting results and quickly... get a coach.

## The Opposites

- 1) In real estate – the agent you contact becomes your person, your confidant  
In business – they are the enemy as they represent the seller only
- 2) In real estate – the agent has had some schooling, training and past a test to get a license  
In business – 33 states require nothing to be a business broker
- 3) In real estate – they have to produce to keep their jobs (commission split of 6%)  
In business – they have a 10% success rate (commission is 10% - 12% with no split)
- 4) In real estate – you make the offer right after touring the property  
In business – you can tour the business and see the assets, the operation etc., but until you do forensic accounting, you have no idea what you are buying (you buy businesses for cash flow not assets)
- 5) In real estate – you must qualify for the funding  
In business – the business first and foremost must qualify for the business loan
- 6) In real estate – the negotiation is cold and insulting  
In business – no one wants to be told they have an ugly baby, so if you are insulting, they will not be selling to you. You must be respectful of what they built and have to offer
- 7) In real estate – most transactions are completed without ever meeting the seller (except maybe at closing)  
In business – the sellers must like, trust and believe that you are the perfect person to leave their employees, customers, suppliers and legacy to  
(In fact, I estimate accomplishing this is 60% of getting the deal done)
- 8) In real estate – you primarily negotiate the price  
In business – you primarily negotiate the terms