

## Top 10 Mistakes Buyers Make

Buying a business is a complex process, and it can be confounding because of the interplay of business, legal, and people issues. It can, however, be a rewarding process if you have done your homework and researched the business thoroughly. Below are some common mistakes made when buying a business.

- **Buying the wrong kind of business.**  
Selecting the type of business that plays to your interests, your strengths, and your knowledge is crucial for success.
- **Not creating an LLC.**  
If you don't establish a corporation or a limited liability company, your personal assets could be endangered if your business fails. Documentation should all be established under the LLC, not in your personal name.
- **Failing to learn the value of a business.**  
Before you even consider buying a business, you should get a professional valuation report. This will give you a detailed financial analysis of the company you're interested in as well as industry trends. Not only will it influence your offer price, but also the information it provides will influence your ultimate decision on whether or not to buy this particular company.
- **Skimping on due diligence.**  
Your dream company might have some hidden secrets. Even if it looks successful, you'll want to do a thorough investigation to prevent any unpleasant surprises down the road.
- **Not asking why the owner has decided to sell.**  
Owners sell businesses for a variety of reasons, from retirement to burn out. Find out why they're selling now. If it's due to an increase in competition or a decrease in profits, you may want to reconsider.
- **Hoping to change company image.**  
If you're buying an established business, it probably has a defined perception by customers in the community. Buy a company you're comfortable with in its existing form, because trying to change this image will be challenging.
- **Not having a favorable purchase contract.**  
Not unlike buying a home, you will need to negotiate details regarding the acquisition. From physical concerns regarding the property, to assets and intellectual property, such as trademarks, stock, and outstanding bills, you need to define in the contract who is responsible in each area and exactly when and how the responsibility shifts from the seller to you as the buyer. It would be wise to consult an experienced corporate lawyer.
- **Spending too much.**  
You shouldn't be accumulating too much debt to buy a business. Wait until you have sufficient funds—both for the down payment and for any unforeseen financial emergencies that may arise.
- **Giving the internal structure an overhaul.**  
If you're buying an existing business with managers and employees, don't immediately fire everyone and hire your own staff. The existing employees will know how things run and will be able to keep the company running smoothly during this time of transition.
- **Limiting advertising.**  
Just because the business you've purchased has been around, don't assume that it has reached its customer potential. Create an advertising and marketing plan to help you reach new customers and maintain existing