Part of the SBDC Podcast Series

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Think Creative Financing

With the current economy, now may be an opportunity to purchase a business or the property you may have been leasing.

- Selling price typically includes: inventory, furniture, fixtures, equipment and improvements, land and buildings, outstanding debts or uncollected receivables, goodwill, and customers/accounts

An **independent certified valuation analyst** can provide the buyer with a fair valuation of the business. Find a flexible seller and be a flexible buyer.

- The buyer may manage the business he wants to buy while gradually purchasing an equity interest.

This lowers the entry cost for the buyer and allows the seller to leave the business but keep their investment.

- *Leasing purchase*: similar to leasing but includes a purchase option on the building.
    - Makes the buyer more attractive for financing sources because there's a record of the business' success.
    - The buyer has time to think of other locations for the business while leasing before making the final decision and monetary commitment.
    - Some sellers allow a portion of the lease to apply towards the purchase price permitting the buyer to build equity.

- *Owner financing*: Typically done for 10-50% of the purchase amount.
    - Less paperwork and fewer fees.
    - The loan terms can be beneficial to both parties.
    - Interest rate is attractive for the buyer, and the seller earns a higher return than alternative investments.

- *Financing in installments*: variation of owner financing (additional benefits for the seller). The seller sells the business in installments.
    - Allows the seller to spread out profit over the duration of the payments and defer capital gains at a declining rate.

Summary: Creative financing makes owning a business a reality.

Visit your local SBDC for no-cost, confidential advising services: www.wsbdc.org

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