

New Business Owner? Avoid the Pitfalls!

One of the benefits of my job is that I get to connect with some very talented professionals who've been there and seen that, and who have proven to be great partners to both business buyers and sellers alike. One of these is Scott Lewis.



KIM ROMANER
Business Broker

Scott is an attorney with Fulcher Hagler, LLP, and is licensed to practice in both Georgia and

South Carolina. Scott's practice focuses on business law, estate planning and tax controversy matters. Scott is also a licensed CPA and holds advanced degrees in tax and business.

I asked Scott to share some advice that comes from his experience with owners of both new and existing businesses.

Q: What are some of the pitfalls that a new business owner should be aware of?

A: New business owners must quickly ascertain what their strengths and weaknesses are when it comes to running their business. Typically, new business owners understand well the product or services they wish to provide, but may have limited functional business knowledge when it comes to "back office" tasks associated with running a business.

Although a highly regarded baker may produce some of the most elaborate cakes or tastiest pastries, if the baker is unable to understand or control his costs he may soon find himself out of business.

New business owners also need to be wary of overextending themselves by trying to run all aspects of their business alone. Sacrificing customer service to attend to matters which are not the business owner's strengths may cause damage to the business' reputation and result in lost customers.

Q: What are some ways new business owners can protect themselves?

A: New business owners should surround themselves with professionals who can advise them on those areas of their businesses that are not their strengths. Most competent business advisors spend a great deal of their time "issue spotting" for their clients.

Issue spotting is the process of identifying business risks and making adjustments to reduce or eliminate those risks. Although utilizing business advisors will increase costs, it helps reduce the chance an otherwise avoidable risk will cause the business to close.

Q: If you were going to buy an existing business, what would you want to know about it?

A: Before acquiring any business, the potential business owner should enlist the help of a professional advisor to examine the business' financial statements to determine if the statements accurately reflect ongoing

business operations. The professional advisor will examine things such as year over year growth in sales and net income, debt-to-equity ratios, inventory balances and instances of off-balance sheet financing, all of which could affect the viability of the business. The business owner should also conduct multiple site inspections during normal hours to determine if the business is being accurately represented.

Thanks, Scott! And, hey: Asking for the seller's sales tax records isn't a bad idea, either.

In the Main Street business marketplace, most deals are structured as asset sales, meaning the seller takes the debt with him or her, as well as the corporate entity—should one exist—so the new owner should not be liable for any liens or other encumbrances on the business.

However, only a good attorney knows for sure. Make sure you have one on your team today!

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This is a sponsored article. Kim Romaner is president of Transworld Business Advisors of Augusta, a business brokerage that helps people buy and sell businesses, and also enter into the franchise world. With more than 70 locations in the United States and abroad, Transworld has sold thousands of businesses. If you'd like to talk to Kim about selling or valuing your business, buying a franchise or turning your existing business into a franchise operation, call 706-383-2994, or email her at kromaner@tworld.com.

How to make sure you have a wonderful life



Everybody watches *It's a Wonderful Life* over the holidays, right? George is going to throw himself off the bridge when Clarence intercedes to show George what life would have been like without him. While I hope none of you are contemplating doing yourself in, allow me play Clarence for a moment.



J. EDWARD ENOCH, J.D.
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What would happen in your family, business or job if suddenly you were not there? This might not mean death; it could be a traumatic brain injury or a stroke that leaves you in a coma. Obviously, there would be grief and emotional distress.

So my question is, Have you done the things you can do to help ease that distress? Based on my experience, here are some things I suggest:

- Make sure you have a will (or trust) to ensure your assets are distributed the way you intend and that you pick the person in charge of that process;
- Make sure all your beneficiary designations are up to date and correct, because assets such as life insurance and

retirement accounts are not controlled by your will;

- Make sure you have health care and financial powers of attorney, so there is someone who can legally step in and act for you without going to court;
- Organize all your account information in one secure place (bank, investments, bills, credit cards, etc.) and make sure the necessary people know where these are, so that whoever has to take over for you has all the information they need in one place and organized;
- Store online passwords in such a way that the person who steps in for you can get access to your online accounts, since so much of what we do now is online. If you do not have the user name and password, you can forget about getting access to those accounts.

While these tips are important for everyone, they are particularly important for business owners, because in the event of an emergency, it is critical the business keep running.

Do these things and maybe I will earn my wings!

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This is a sponsored Law Talk article. Ed Enoch's practice focuses on business, employment and real estate law. He is a 1992 Magna Cum Laude graduate of Washington and Lee School of Law. He has served in many leadership roles for SHRM, Rotary, the Family Y and the United Way. Reach him at 706-738-4141 or jenoch@enochlaw.com.