

## Buy or start a new business

Deciding whether to buy an existing business or start your own from scratch is always tricky. The bottom line is that if you buy an existing business, there should be existing customers from day one, so you get instant cash flow. If you start from scratch, then you need to generate new customers – steal them from other businesses or generate new demand. Both are equally hard.

The question is, how much are you willing to pay for instant cash flow, as (usually) it is always more expensive to buy a business than start, because of the 'goodwill' that sellers of businesses want.

'Goodwill' is an amount over and above the net assets and it is paid for businesses with great ongoing revenues. For franchise operations you pay franchise fees (which are essentially goodwill) for an established business model that should be easy for you to step into.

Rule of thumb – start your own business if:

- You can set up the business for less than the asking price of the business in question, and you have enough working capital to last without any customers.
- You have a plan to build a customer base (a better proposition than the competition, or a new market demand).
- You have expertise in the industry.
- You can access the right location.
- If this does not line up, then buying a business may be a better alternative.

Regardless of what you do, seek as much advice as possible before you start, or buy.

### [The basics of buying a business](#)

Buying a business can be daunting, especially if you have never been in business before. There are a number of steps you should follow to make sure you are making a sound investment.

### [Advantages of buying an existing business](#)

Buying an existing business can sometimes be more cost-effective and a better use of your time than starting a new business.

### [How much should you invest when buying a business?](#)

Buying an existing business can be complicated. This article outlines factors you should consider when deciding how much to invest in buying a business.

### [Due diligence when buying a business](#)

Before agreeing to buy a business, you should perform due diligence. This is your opportunity to examine the business's books and records to make sure you are making the right decision.

### [Buying a franchise](#)

Buying a franchise can take away a lot of the hard work associated with starting a business from scratch.

### [What to ask when buying a franchise](#)

What do you need to know before you buy a franchise? Here's a comprehensive list of over 200 vital questions to ask the franchisor that will help you make the right decision.

### [How are businesses valued?](#)

Establishing an agreed business value can be complex. This article looks at the most important factors considered when buyers and sellers value a business.