

Solve Anything with Dr. Mark

Career Advice
for the
Working Class

How about a franchise?

Q: I have had it with working for others. I have a nest egg that I am willing to dig into to buy a franchise. Since I have always been risk averse, I am as nervous about this as I am excited. What are some things I should keep in mind before I go down the franchise route and about how to turn it into financial security?



the people in the home office who will be your primary contacts, and other franchisees — conduct themselves as you would. This goes beyond mere compatibility; if you are to succeed as a franchisee, you must buy into the franchisor's vision, but the character of the people you will work with must match up with your own.

A: Franchising abounds with opportunities. Which one is best for you? To answer that question is to take a journey inward, because the path you take into the world of franchising depends in great measure on who you are and what you want to accomplish.

To answer your request I turned to two experts in the franchise field.

First, I turned to **Barry Kurtz**, who is located in Los Angeles and is one of the leading franchise lawyers in America and has been involved with such franchises as: 1-800-Flowers, Baja Fresh and Coco's. Kurtz advised these six things:

- **You will greatly enhance your chances of success selling products or services you understand.** Don't jump into something completely new and different; if you sell cars for a living, don't buy a house-cleaning franchise.
- **Consider your strengths.** Ditto your weaknesses. If you're happiest when following orders, resist the idea that you can become a leader overnight, just by buying a franchise. On the other hand, if you insist on going your own way at every turn, how long will it take before you chafe at the follow-these-steps-if-you-want-to-succeed nature of the franchising industry?
- **Follow your passion and step carefully.** You need to be committed enough to your enterprise to make success your only option, but the enterprise itself must have the potential to succeed. You may love your collection of antique whale-oil lamps, but going into the whaling business won't get you far.
- **It's your money.** Invest enough of it to keep you keenly aware of what's at stake, but don't throw everything you have at the venture. Be realistic about the costs of becoming a franchisee and buy a franchise that matches your resources.
- **Keep your antennas up while you do due diligence.** Learn everything you can learn about your franchisor's record, and talk to every other franchisee you can track down.
- **Above all, at every step of the way, ask yourself whether the people you meet — your franchisor,**

I next turned to Dan Aldrich, principal at Aldrich Wealth Management Group. Aldrich has worked with many McDonald's franchise owners to help create exactly the financial independence that you're seeking.

- **As you start generating positive cash flow from your franchise business, don't forget to do the basics of personal cash management.** Many franchisees have so much structure and reporting they need to provide to the franchisor, the last thing they want to do is be structured and diligent at home. Doing your personal budgeting and building your investment portfolio seems basic, but critical to building your non business assets.
- **You have many more options to put money away tax free as a business owner than an employee.** Also be mindful that many people will say since you have so many employees, there isn't much you can do for yourself, but that might not be true. I have many clients with over 250 employees who make contributions up to \$100,000 in a year, just make sure you are working with qualified pension plan expert.
- **Keep in mind that most small businesses carry a significant amount of risk, even franchises, so be careful to balance the rest of your investments against your small business.** Most successful business owners end up taking excessive risk with their investments, not only because they are risk takers but also because they tend to have excess capital to invest, so the pain of losing isn't as great as it is for salaried employees. Without exception, my business owners are wealthy because of their businesses, not because of their investments. I like to say to my clients when it comes to how we invest their portfolios, your business will make you wealthy, your investments should keep you from getting poor.
- **Establish your transition goals early: Who do you want to transfer the business to, family or an outside third party?** How much do after tax dollars do you need to be financially independent? When do you want to transition? You will be much better prepared and have more options for transitioning if you can determine these answers sooner than later.
- **Understand your agreement.** Some franchises have restrictions on who you can transfer or sell your franchise to.

Ask Mark • Mark Goulston, M.D., is a Santa Monica-based business psychiatrist, executive coach and author of "Just Listen: Discover the Secret to Getting Through to Absolutely Anyone." Ask him questions at mgoulston@markgoulston.com.