

Looking Out For Your Family's Financial Future

It's not easy today. Financial markets are in chaos, consumers are holding back expenditures, and it seems like everyone is taking a "collective breath."

How can franchising help?



Looking Out For Your Family's Financial Future

The YOU Network conducted a survey lately, where we asked heads of households “what they feared the most about the future,” and they said “*my ability to take care of my family.*”

There is no doubt that tougher economic times breed apprehension and fear – but have you thought about how they also create opportunities? And we don't just mean “getting in while the stock market is low.” In fact, this discussion isn't about telling you how to *manage* your money. Because there are plenty of financial experts out there to do that for you. And these experts will show you how the stock market, mutual funds, money markets, or insurance programs (or more) can help you potentially build equity or income on the money you earn and invest.

No, we're we'd like to talk about both FINANCIAL and EMOTIONAL EQUITY opportunities -- offered through franchise business ownership.

We're sure you know that “financial equity” is the monetary value of your investments, less anything owed -- but maybe you're not so sure about what “emotional equity” might mean. Well, “emotional equity” is what YOU have left -- after you have given of YOURSELF to an employer your entire life. For most people, it's “ZERO.”

Why do we say that?

Well, there's the expression “*I sold my soul to the company.*” Or how about, “*Working here is about 'getting along,' not about 'getting results.'*” We presume you've probably heard of both of these. And they pretty much “sum up” what it's like for many to work for U.S. companies these days. And then let's add these comments:

- *The corporate environment is not consistent with my personal values anymore*
- *I live in fear of downsizing...and it gets worse each year*
- *The people issues wear me down...and my boss is a tyrant*
- *I feel as if I have absolutely no control...I'm relying on THE TEAM, and more than half of them don't want to work as hard as I do*
- *I've learned what there was to learn...now the unbelievable BOREDOM has set in*
- *There are no ethics anymore...the things I'm asked to do amaze me*
- *I spend more time thinking through the POLITICS of issues than the issues themselves*
- *These companies just “chew you up and spit you out” today ...most people are “done” by age 40*
- *My family is who is being hurt most by my career – I travel so much and have so little time to spend with them*

Now, compare these comments to those of franchise owners:

- *I wish I had purchased a franchise years ago...what a difference there is working for your self! Yet you're never alone, you have the franchise behind you!*
- *It's hard work, I won't kid you – but it's YOU working for YOU, so you don't mind*
- *I'm never bored...there is too much to do and new challenges pop up every day that help me “keep my edges sharp”*
- *After a couple of years, I found I could manage my time differently and spend FAR more time with my family*
- *I am able to see RESULTS from what I put into the business*
- *I still have some people challenges – after all, I do have employees -- but they're not the emotionally “draining” sort that I used to face in the corporate world when people on the team just refused to work, or hit you with ATTITUDE*

- *After fighting politics all those years, I was AMAZED at how fellow franchise owners were available to answer my questions, brainstorm new ideas – and, yes, even HELP me.*
- *I feel like I am in CONTROL of my life again – for the first time in years*

Surprised? Many people are, as they have never really taken the time to learn how different the “culture of franchising” can really be from their corporate experiences. Because it’s a culture where the “whole” is only as successful as its individual “parts,” *owners learn very quickly how they all succeed if they support each other.* Another way to describe this “culture” is that it’s an environment that still allows you more direct and immediate results for time invested, greater satisfaction for a “job well done,” and a future – for as long as you want it (within the length of your franchising contract or more, if you choose to renew or if you sell your franchise.)

THIS is what we mean by EMOTIONAL EQUITY. Instead of feeling used and exhausted from your work life, you are *energized*, wanting to expand your franchise to a new location or territory. You have *choices* again in your life – and these choices make YOU feel good about YOU and your family. Even if you haven’t yet found your corporate experience to be as bad as those mentioned above, you might want to just stop and think for a minute anyway – and at least document what you feel that you have “given up” on having in the corporate environment. And perhaps you can see how you might gain them again through franchising.

Now, when you own a franchise, you also need and expect FINANCIAL EQUITY. You’re not doing this for your emotional health alone, right? (Although MANY do, surprisingly!...) No, it’s also about making money. Since no two franchises are alike, and no one can make earnings claims about real or hypothetical companies, our talking about equity isn’t always easy. But there are some simple truths that will help you understand how the franchising business model can help you plan for a better future. To understand these truths let’s first “walk through” what can happen when you buy a franchise:

You have signed a Franchise Agreement – let’s say in January, 2009. You now have the right, through this Agreement, to use the franchise company’s trademark, proven operating system, and business plan – usually for a period of 10 years.

Most franchise opportunities will provide you an opportunity to go cash positive somewhere within the first year of operations. All franchises are different, but you will have access to thorough and complete information regarding what the franchise owners in your particular system earn per year – *before you buy your franchise.* Unless you have purposely “bought low” in order to keep your investment level down, you have, by design, purchased a system that will allow you income that you believe will at least meet, or exceed, what you brought home on a paycheck basis with your employer.

Now, in addition to income gained from a successful operation, one of the great benefits of business ownership is the opportunity to build significant equity – your “market value” for the business less what is owed on the business. Frequently, the equity that one might build from successful operation of a franchise can far exceed any investments that might have made in a 401K or IRA or even in “open investments” in the stock market. Here’s one example:

Joe Smith used to work a white collar job, making \$130,000 per year in salary. After paying taxes, Joe figured he cleared about \$78,000 a year. So Joe decides to buy Franchise Company A for a total initial investment of \$100,000. Over the following 2 years, he invested an additional \$30,000 in capital equipment. Once his company achieved breakeven on his \$130,000 investment (near the tenth month of operation), Joe was able to take \$75,000 out of the business as income in the first 12 months after breakeven. In ensuing years, depending upon his personal needs or the strength of the business year, Joe would take anywhere from \$150,000 to \$200,000 per year as income. After 10 years of operating his business successfully, Joe sold his business for \$1.4 million – that’s 14 times what he initially paid for it. Another way of viewing this equity figure is that Joe’s efforts every year netted him the equivalent of an additional \$100,000+ per year – for every year he was in business.

From a tax perspective, Joe was able to take significant legal deductions against his business – ranging from common everyday business expenses, to client entertainment, to transportation. (These, by the way, were never items he could deduct when an employee, as he was reimbursed for these expenses – AND they were often taxed as income!) In addition, his accountant helped him understand what deductions were allowed him and his wife (as officers of his Sub Chapter S business structure) – such as medical or other insurance expenses. Joe soon realized that while his annual profit before taxes was “close” to his gross salary from his days in the corporate world – his net income was greater, as the tax benefits as a business owner far exceeded that of an individual. AND, he was building a business with strong potential resale value due to his solid performance history and loyal customer base.

From a personal perspective, Joe put an assistant manager in place after the 3rd year (paying him \$50,000 a year)—and after the 8th year, increased his assistant’s salary to \$80,000 a year – and made him full-time manager -- while reducing his own hours to 10-20 a week so that he had more time for family (his son, as quarterback of his high school’s football team, led the school to a state championship this year!); and his passion, mountain biking (there is no part of Colorado he wants to leave untraveled)

Once he sold the business, he had more choices – he could buy a new business, or relax a little for a while. At minimum, he no longer had to worry about his family’s future.

Now, of course, no company can guarantee these *specific* results, but these *types* of situations do occur every day with franchise operations. So, apart from the “numbers,” what were the “simple truths” demonstrated in the Joe Smith example?

1. EVEN if Joe has only sold his business *for what he had paid for it* – and not the 14X he did – he would have come out FAR more ahead than if he had remained an employee. With owning his own business, he STILL had comparable or higher income, and he had profits from the sale to boot.
2. Joe didn’t have to hire back-up help. His profits would have been even more had he chosen to simply operate the business himself. But Joe wanted to be able to spend more time with his family, and his business offered him that flexibility.
3. The U.S. tax laws are fairly supportive of small business entities, such as Joe Smith’s franchise business, as they very much fuel our economic growth. And Joe learned from his accountant how to make the tax laws work to his company’s benefit.

The point of all this is to say that business ownership through franchising can offer you and your family a future you didn’t even know could exist.

Perhaps it’s time to learn more?