

## GOING INTO BUSINESS WITH A FRANCHISE

Have you ever wanted to be your own boss, but didn't want to start a business from scratch? If so, buying a franchise might be the right choice for you.

When you purchase a successful franchise, you're buying the right to sell a product or service using a system developed by the franchisor. You usually receive the right to use a trademarked name, training in profitably operating the business, advertising support, and other needed assistance. In exchange for these benefits, you'll generally need to pay an initial fee and a royalty based on a percentage of sales.

After researching which franchises might be a good fit for you, ask each franchisor to send you its Uniform Franchise Offering Circular. This federally required document contains a wealth of important information, such as a sample franchise agreement, start-up costs, annual fees, and other key elements of your franchise investment. Take this information to your accountant and attorney for their review. Also plan on talking to other franchisees to see what their experiences have been. Ask them if they're profitable. How long did it take to become profitable? Are they satisfied with the support they receive from the franchisor?

Once you've selected the best franchise for you, you'll probably need to obtain financing. The bank will typically ask for a forecasted set of financial statements detailing your expected income, expenses, and cash flow for the first few years of business. These statements not only will help you qualify for the loan, but also they'll give you a good feel for how profitable your new venture might be.

If you're considering buying a franchise, please contact us at (888) 388-1040. We can review the financial concerns with you.

NOTE: This article is written to provide you with information about minimizing your taxes. Do not apply this general information to your specific situation without additional details. Be aware that the tax laws contain varying effective dates and numerous limitations and exceptions that cannot be summarized easily. For details and guidance in applying the tax rules to your individual circumstances, please contact us.

Members: American Institute of Certified Public Accountants, Minnesota Society of Certified Public Accountants

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