

**WIN MAKE GIVE**



# WEALTH SERIES

**2.0**

**PART THIRTEEN**

Business Investing & Ownership

# INVESTING & OWNERSHIP

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"Build your own dreams, or  
someone else will hire you  
to build theirs."

- Farrah Gray -

# Part Thirteen - Business Investing & Ownership

In today's lesson, we dive into the business bucket, which says that a substantial amount of wealth in the world is created by investing in, owning, or starting a business.

Investing in a business can provide some of the largest returns. There are plenty of situations where you buy or start a company that's generating \$10,000 or \$15,000 a year, and a couple of years later, it earns \$500,000 to \$750,000, significantly increasing its valuation.

Over the years, Bob, Chad, and I have all been involved in many businesses. We've built some from scratch, and others we bought to turn around and sell. Along the way, we've learned from our successes and our mistakes.

[In this episode](#), we share ten essentials every business needs to be successful, discuss considerations of starting or investing in a business, working with a partner, and provide valuation models to assess how much a company is worth. Use this conversation as a launching point to start thinking about how a business can help you leverage your wealth plan by building extra income streams, changing your tax strategy, and building an asset that can grow your wealth.



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# Business Investing & Ownership - Investing in a Business

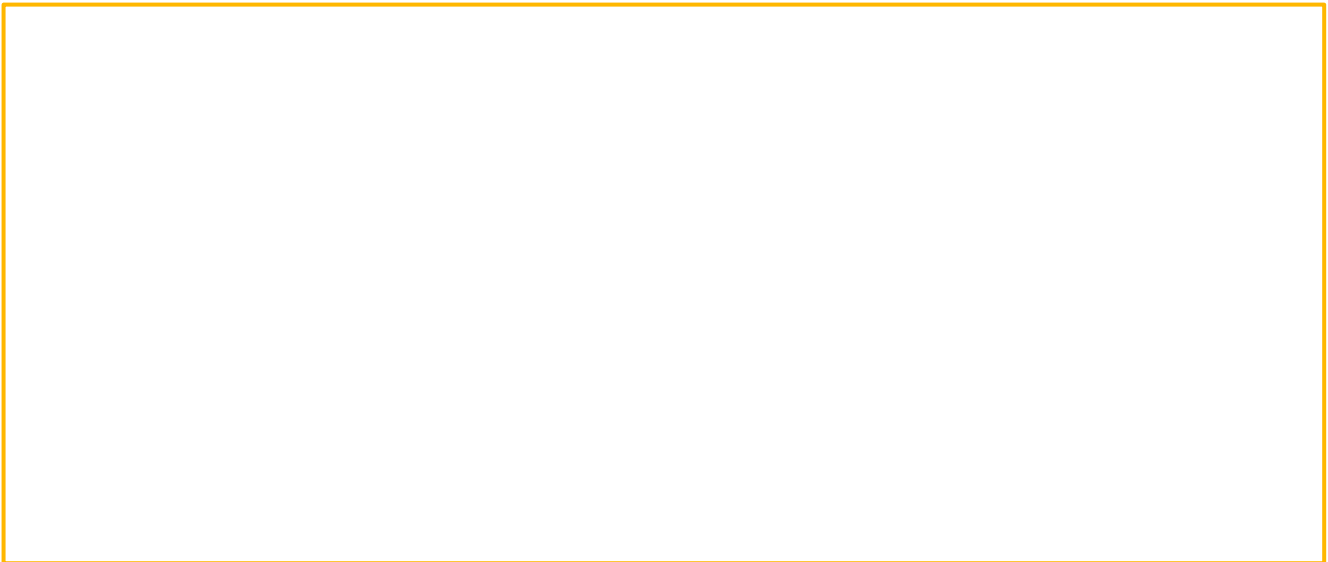
From starting your own business, purchasing a franchise, or investing in a person/business you believe in, every business needs ten key elements to succeed.

- 1. Mission, Vision, and Values**
- 2. Business Plan**
- 3. Organizational Chart**
- 4. Financial Statements and Profit Margins**
- 5. Cash Reserves and Tangible Assets**
- 6. Product or Service**
- 7. Pricing Model**
- 8. Marketing Plan**
- 9. Leadership Team**
- 10. Business Risk Analysis**

# Business Investing & Ownership - Investing in a Business

Investing in a business is done in two ways – minority interest or majority interest – and you either invest in a proven MODEL or a proven PERSON. Follow along with the conversation and answer the questions below.

**If you are a minority owner in a business, what are some of the questions you should ask or concerns you should clarify?**



**How is being a majority owner different than a minority owner?**



# Business Investing & Ownership - Partnerships

Picking a partner to do business with or co-invest in a company is a massive deal, as it takes time to get to know and trust someone with your livelihood.

One of my favorite books about the power of partnership is “Master Builder: The Story of America’s Largest Real Estate Empire” by Trammell Crow.

**Write down some of the benefits of having partnerships in business.**



# Business Investing & Ownership - Valuations of Businesses

A business has two purposes: to generate profit so that you can pay yourself back and make a living, and to build value, so eventually, you can sell the company, attract investors, or take it public. There are several ways a company can be valued, including:

**COMPARABLE METHOD:** This takes into consideration similar active, pending, and sold businesses that operate in the same industry, location, or both.

**MARKET CAPITALIZATION:** This is the simplest method of business valuation. It is calculated by multiplying the company's share price by its total number of outstanding shares.

**TIMES REVENUE METHOD:** Under this business valuation method, a stream of revenue generated over a certain period is applied to a standard based on the current market. For example, a tech company may be valued at 3-5x revenue, while a service firm may be valued at 0.5x.

**NET INCOME MULTIPLIER:** Net income multiplier is a more accurate picture of the actual value of a small-to medium-sized company, often 1-3x net income, averaged over a period of years.

**BOOK VALUE:** This is the value of shareholders' equity of a business, as shown on the balance sheet statement. The book value is derived by subtracting a company's total liabilities from its total assets.

**LIQUIDATION VALUE:** This is the net cash a business will receive if its assets are liquidated and liabilities are paid off today.

What would you value your business at today? \_\_\_\_\_

# Business Investing & Ownership - Tax Deductions

**Write down some tax deductions you can take when you own a business.**



## **DISCUSSION QUESTIONS**

**How would adding a business increase the income for our wealth plan?**

**Who is currently in our world that might be a powerful business partner?**

**How would extra tax deductions benefit our wealth plan and income streams?**



# Business Investing & Ownership - Franchises

According to the U.S. Census Bureau, 10.5% of all businesses are franchises with opportunities in nearly 300 industries covering fast food, restaurants, personal health and fitness, cleaning, maintenance, animal care, education, training, automotive, retail, real estate, business, and financial services.

[Zippa](#) reports that the average age of a franchise owner is 44 years old, and that 69% of owners are men and 31% are women.

Here are more interesting stats from [Fortunly.com](#):

- The US has more than 780,000 franchise establishments
- 7.49 million US employees work in franchise businesses
- Restaurant franchise owners earn an average of \$82,000 per year
- McDonald's is the largest franchise in the world
- It costs \$10,000 to set up a Chick-fil-A franchise
- The typical royalty percentage of a franchise is 5 to 6% of the gross revenue

**Write down a handful of potential franchises to investigate further.**

# INVESTING & OWNERSHIP



"Whenever you see a successful business, someone once made a courageous decision."

- Peter F Drucker -

## Preparation for Part Fourteen

- Get ready to learn about how you can legally pay less taxes.
- If you haven't already, please join the discussion on the [Win Make Give Facebook group](#). Post your thoughts, comments, and takeaways from the first thirteen lessons.



*Ben Kinney*



*Bob Stewart*



*Chad Hyams*

# IMPORTANT

Nothing in this course constitutes investment advice, performance data or any recommendation that any security, portfolio of securities, investment product, transaction or investment strategy is suitable for any specific person.

We cannot assess anything about your personal circumstances, your finances, or your goals and objectives, all of which are unique to you, so any opinions or information contained on this course are just that – an opinion or information.

You should not use our advice to make financial decisions and I highly recommend you seek professional advice from someone who is authorized to provide investment advice.



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