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Investing in a franchise is a major decision. While on the one hand you're buying into a proven model, you have no evidence it will work in your town or in the location you choose. We spoke with Joel Libava, The Franchise King, who wrote *Become A Franchise Owner!* and provides advisory services to people considering franchise ownership. We asked him about the biggest mistakes people make when they buy a franchise. Here are the five main pitfalls he discussed.

## 1. Not Being a Good Fit for a Franchise

According to Libava, one of the biggest mistakes is deciding to be a franchise owner in the first place, because not everyone is cut out for it.

"Would-be franchise owners don't take enough time to do a deep dive into themselves," he says. "In other words, they start looking at franchise opportunities without making sure they are right for what's really a very rigid, system-based business model. Franchise ownership is for rule-followers. Period."

## 2. Buying Into a Trendy Franchise

A lot of today's prospective franchise owners are attracted to "hot" franchises — ones that are getting a lot of publicity. But a franchise's popularity is no indicator of how successful you'll be running it.

"Lebron James just purchased rights to ten Blaze Pizza franchises, so there's a lot of buzz about the brand," Libava says. "While buying a franchise that has a celebrity 'endorsement' sounds good on the surface, the franchise has to be a fit for the person buying it. Is a food franchise a fit for every prospective franchise owner? The answer



"You must have the support of your immediate family for something as big as buying a franchise," Libava says. "It's hard enough to open a new business. You don't need any added pressure to succeed from family members who never bought in to your idea in the first place and keep harassing you about the hours you're putting in with very little financial return at the beginning."

## 4. Not Knowing Your Net Worth

Libava says knowing how much you're worth can go a long way to helping you determine if franchising is a good fit right now.

"Most of the people I work with have not done a net worth statement, and it's something that must be done before embarking on a franchise business opportunity search," Libava says. "If you don't know where you're at financially, you won't know what you can afford when you're searching for that perfect franchise."

You should have a minimum net worth of $300,000, with at least $50,000 being liquid if you want to become a franchise owner. Libava says many franchisors have minimum capital requirements, so having a prepared net-worth statement is crucial.

## 5. Not Doing Your Homework

"Serious research is required if you want to increase your chances of success as a franchise owner while reducing your risk," Libava says.

To find out what it's like to own a particular brand of franchise, talk to actual franchisees. Make an effort to get to know them and ask about their backgrounds, then see if they like running that particular franchise.

"Once you've asked them several questions," he says, "you can start moving toward the money questions you have."