



**ROADMAP TO
BUSINESS OWNERSHIP**



Kristina Hawfield

FranNet, Franchise Specialist

- 20 Years Corporate Experience
- Global Law Firm Business Development, Attorney Coaching and Training
- Venture Backed Start Up - Launched New Markets, Recruiting, Sales, Marketing, P&L Management
- Passionate about entrepreneurship and being a catalyst and connector of people

NO
COST!

What FranNet Does

We match *People with Franchisors*

- We educate people on opportunities in business ownership
- We offer choices so individuals can make informed decisions
- We pre-screen:
 - All franchisors to our applicants' standards
 - All applicants to franchisors' standards
- We do not sell franchises



Taking Charge of Your Career: Agenda

- Current Environment
- The Dilemma
- What and Why of Franchise Investing
- Case Study
- Next Steps
- Financing Strategies (Wendy Skemer, Benetrends)
- Questions?

Not Our First Rodeo

Past:

Dotcom bust, 9/11, Great Recession

Present:

COVID-19

Focus:

- Recession-resistant
- Available real estate
- Contractor costs more negotiable
- Talent pool



Dilemma ...

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LOCAL. TRUSTED. FRANCHISE EXPERTS.

Security,
Predictability,
Familiarity

or

Control,
Autonomy,
Freedom

Job

Ownership



Security,
Predictability,
Familiarity

or

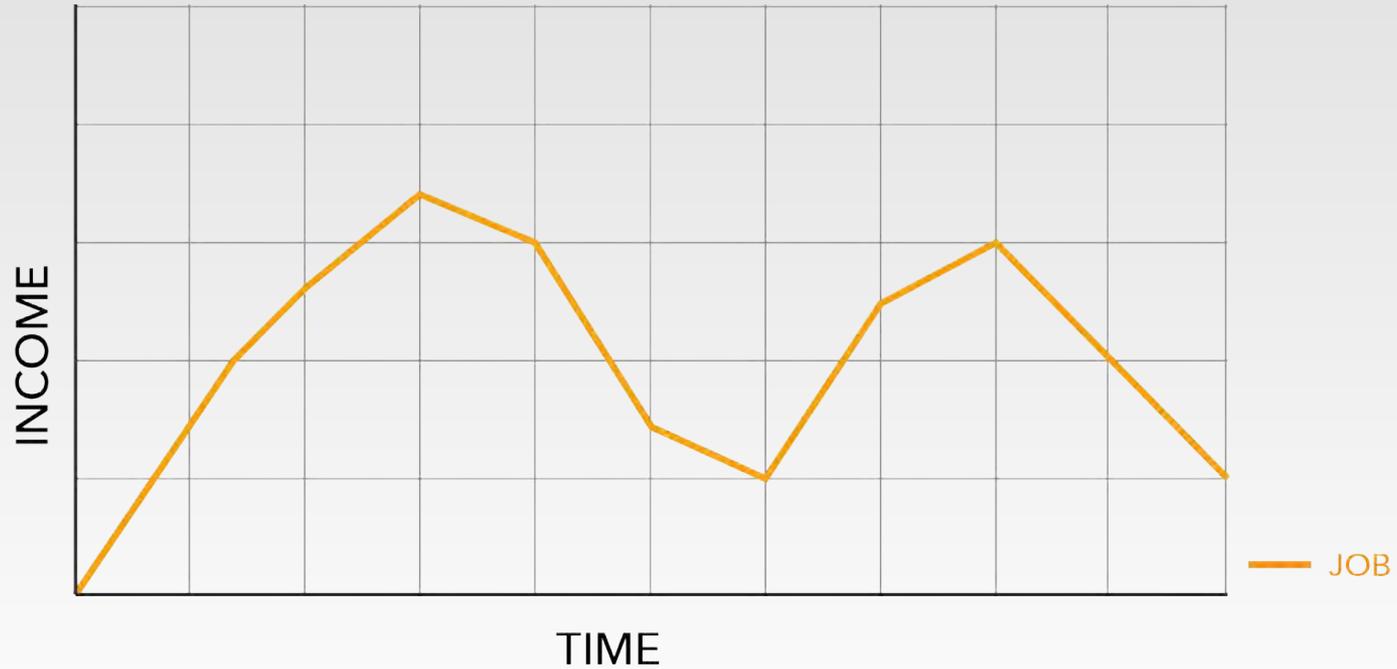
Control,
Autonomy,
Freedom

Job

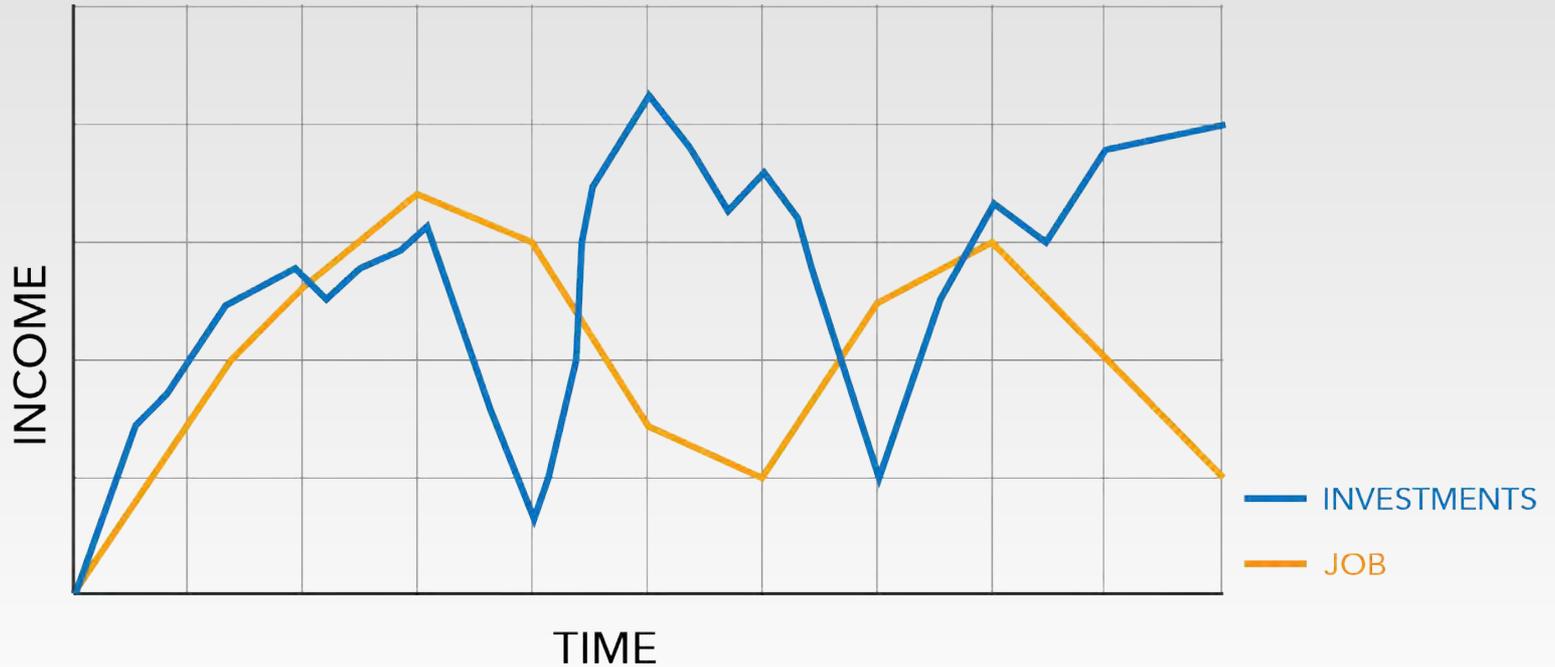
Ownership

How can I safely make a change?

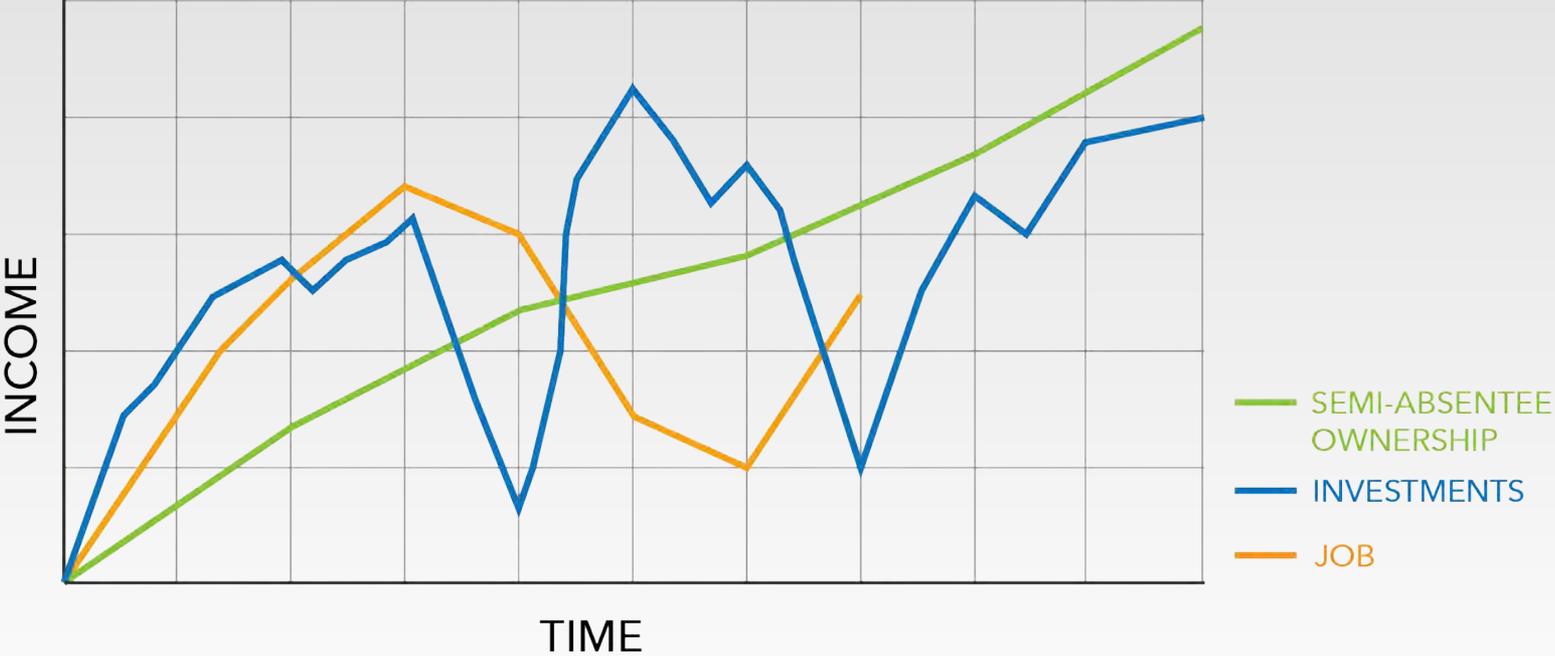
Change ...



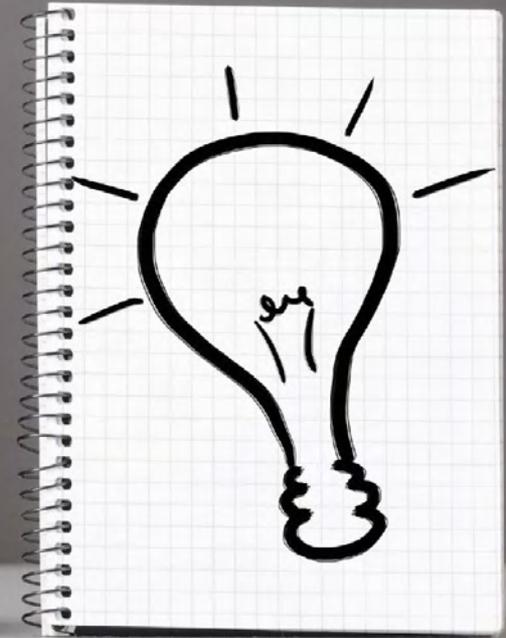
and more change ...



Franchise Investment



Semi-Absentee Ownership





OWNER

- Manage the Manager
- Oversee KPIs
- Hiring*
- Marketing
- Run business remotely

**Employees are often trained/certified in their trade*



OWNER

- Keep job/business
- Work “on”, not “in”
- 8-10 hours/week
- Leadership
- No industry experience



LOCATION

- Often store front
- Secure prime real estate
- Multi-unit



FOCUS

- Build Equity
- Empire Building
- Residual Income

How to Capitalize

STOP

LIQUID CAPITAL

\$50k-\$100k

*Cash, stocks, bonds, equity in
your home (HELOC),
retirement savings (ROBS)*



FINANCING

\$180k+ Total investment

SBA loans

Traditional loans

Franchisor financing

Investors

Friends & Family



PLAY LIVE
NATION

Steve Davey
Banking to Gaming





Katie Brahman
Health/Fitness to Kids' Hair
Care



The background of the image shows the exterior of a Sport Clips Haircuts store at dusk. The building is a light-colored, modern structure with two large illuminated signs on the roof. Each sign features the word "Sport" in red and "Clips" in white, with "HAIRCUTS" in a smaller white font below. The sky is a deep blue with some clouds, and the store's interior lights are visible through the windows.

SportClips
HAIRCUTS

SportClips
HAIRCUTS

Ron Chamberlain
MBA to Mens' Hair Care



CLUB PILATES

Dan Wynkoop

Finance to Health/Fitness



207

Why Invest in a Franchise?

Build Net
Worth

Semi-
to Full
Retirement

Diversify
Investment
Portfolio

Corporate
Exit
Strategy

A close-up photograph of a desk setup. In the foreground, a document titled "OVERVIEW" is open, showing a bar chart with a green bar for "TOTAL LIABILITIES" and a red bar for "TOTAL ASSETS". A red pen lies on the document. A pair of red-rimmed glasses is placed on the document. To the right, a white smartphone is resting on a silver laptop. In the background, a colorful ball of rubber bands is visible. The scene is brightly lit, suggesting a professional or business environment.

RETURN

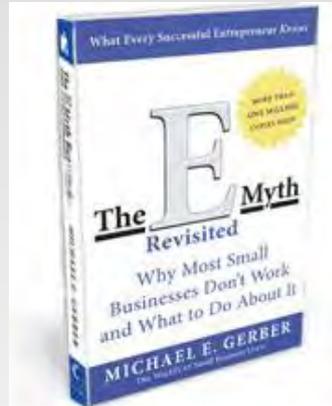
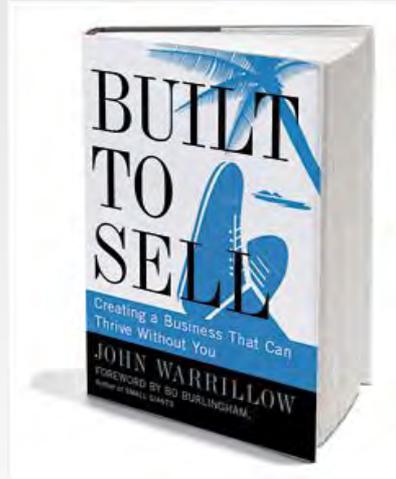
ON

INVESTMENT

“How much can I expect to make?”

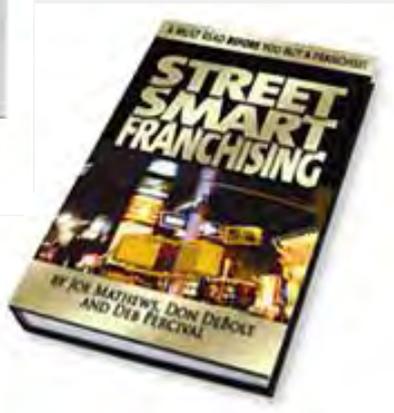
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Suggested Reading



E-Myth Revisited
by: Michael Gerber

Built to Sell
by: John Warrillow



Street Smart Franchising
by: Joe Mathews

Why FranNet?

NATIONAL PARTNERSHIPS



ASSOCIATION OF
WOMEN'S
BUSINESS
CENTERS





91%

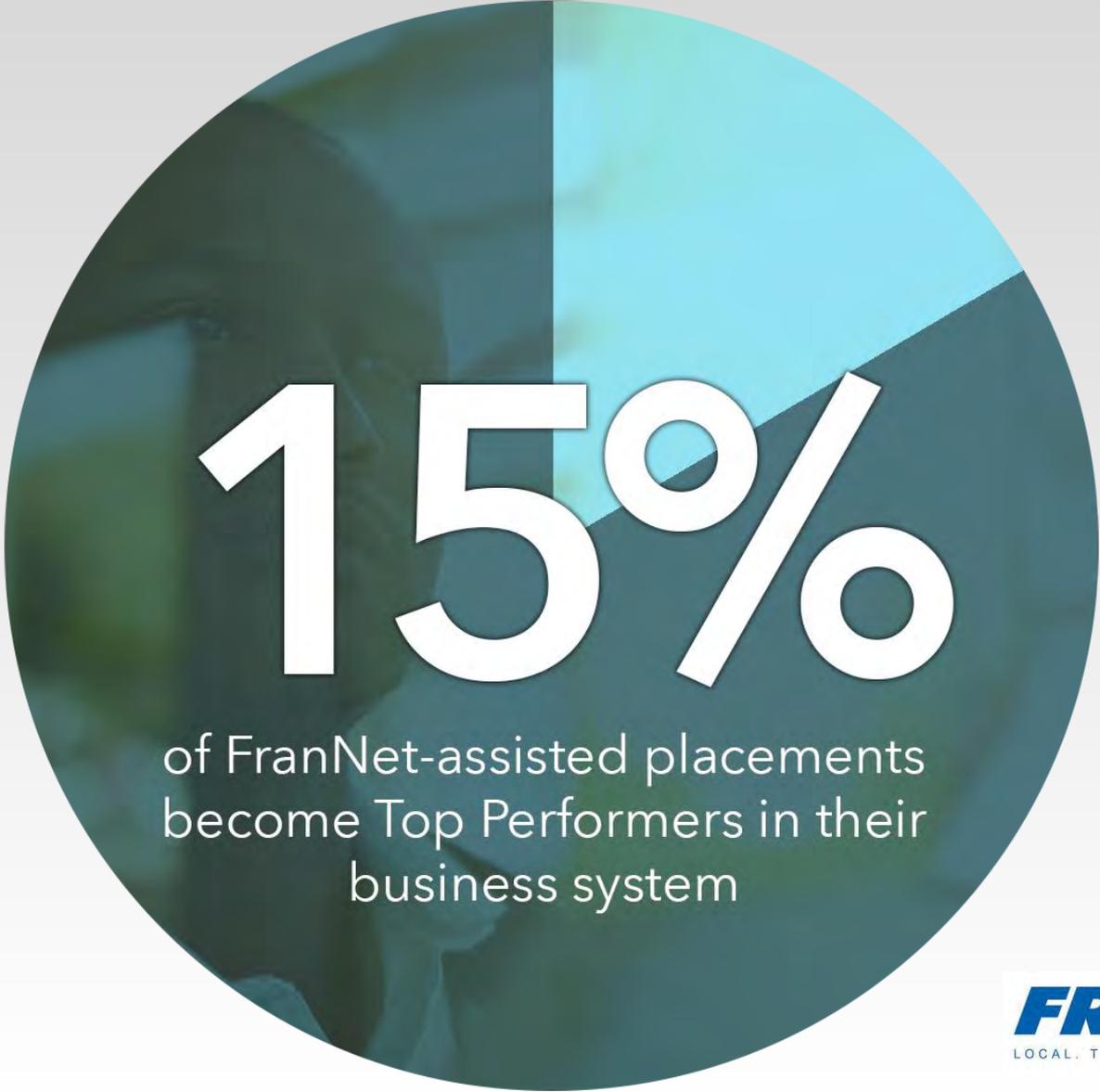
of FranNet-assisted business owners
still own their business after 2 years

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85%

of FranNet-assisted business owners
still own their business after 5 years



15%

of FranNet-assisted placements
become Top Performers in their
business system

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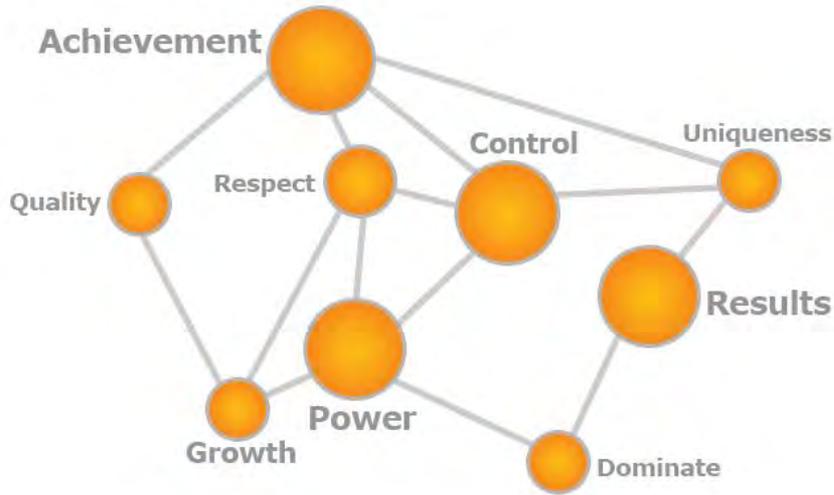
How?



Goals?

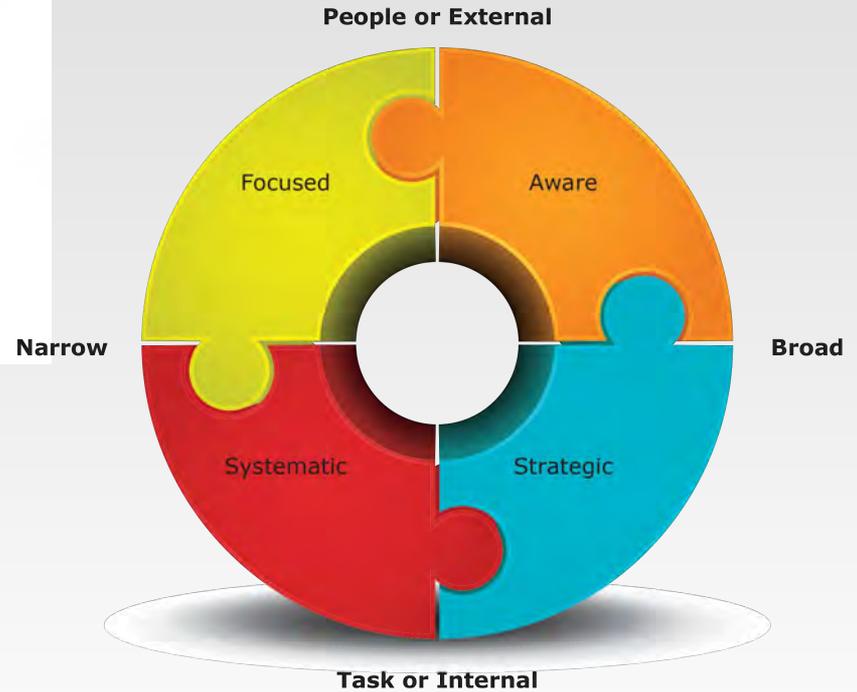
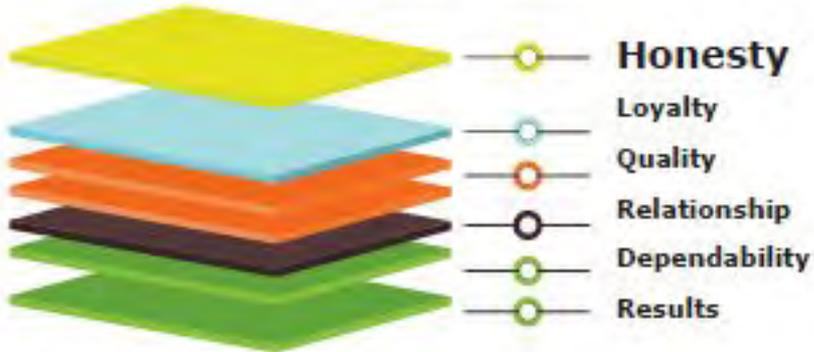


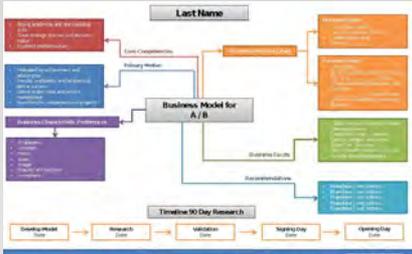
What REALLY matters to you?



Hierarchy of Values

Based on assessment results here are David's values:





FranNet

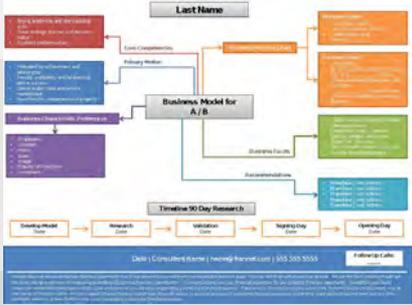
Step 1

Franchisor Interviews

FDD

Step 2

Call and Visit Franchisees



FranNet

Step 1

Franchisor Interviews

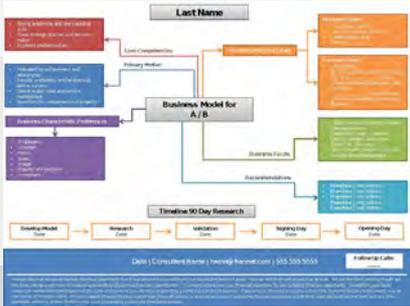
FDD

Step 2

Call and Visit Franchisees

Step 3

Visit Franchisor





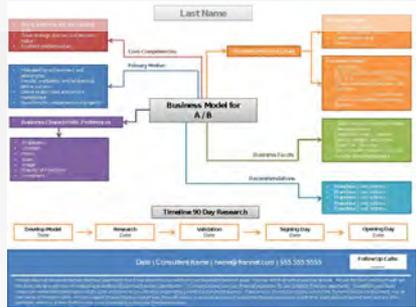
Funding Options



Franchise Attorney



Accountant



(Refer to your RoadMap to Success Guide)

60-90
Days



Funding
Options



Franchise
Attorney



Accountant

(Refer to your RoadMap to Success Guide)

CLIENT **BILL** *of* **RIGHTS**

- 1** FranNet Consultants will help you assess if franchise ownership is right for you.
- 2** FranNet Consultants adhere to the Code of Ethics of the International Franchise Association and the FranNet code of conduct.
- 3** FranNet Consultants will not pressure you or "talk you" into an opportunity that you do not feel fits your goals, budget or skill set.
- 4** FranNet Consultants listen to you and will take into consideration your expressed personal and professional concerns and/or interests when discussing potential franchise opportunities.
- 5** FranNet Consultants are accountable to coach and help you through the investigative process. You are accountable for your own commitments such as timelines, appointments, tasks, etc.
- 6** FranNet Consultants put your interests first.
- 7** FranNet Consultants are transparent and honest with what they know regarding any and all franchise concepts the client is researching.
- 8** You may freely associate with whichever companies or broker groups that you feel is in your best interest.
- 9** FranNet Consultants will help you find the best resources to answer questions or concerns if he/she is unable to answer them. You have the right to disagree or question the consultant at any time during the process.
- 10** If you decide that franchise ownership is not for you, you are under no obligation to continue the process. You can discontinue your work with FranNet consultant at any time.

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FRANNET'S ROLE IN YOUR BUSINESS OWNERSHIP JOURNEY

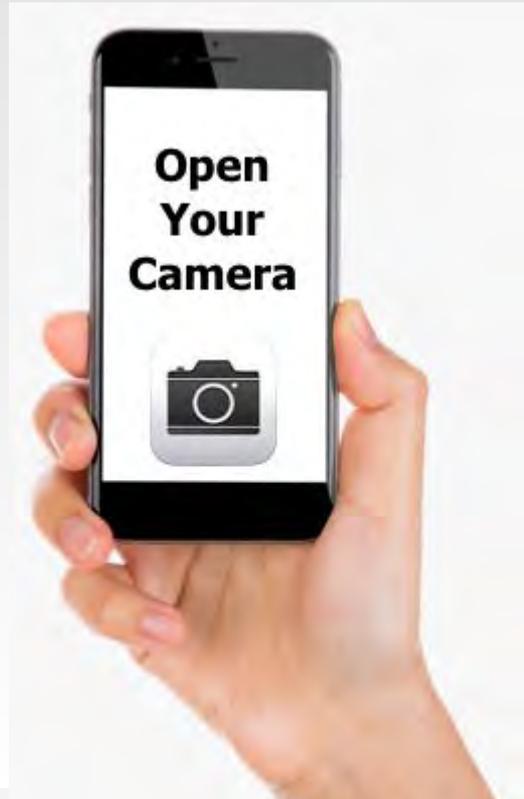
At FranNet, our goal is not to convince you that franchise ownership and new business opportunities are the right thing for you. Rather, we will help you understand the pros and cons of owning your own business and guide you through a process that will allow you to make an informed decision.

YOUR RESPONSIBILITIES IN THE BUSINESS OWNERSHIP JOURNEY

The choice to buy a franchise or not, or any particular franchise, is yours and yours alone. You should conduct a thorough independent investigation of each franchise you consider. Once you decide to enter into a franchise agreement, your relationship is governed by that contract and FranNet cannot resolve any issues or disputes you may later have with your franchise. In addition, FranNet does not represent that you can or will attain any particular level of revenue, costs or expenses or that you will generate income, which exceeds the initial payment of, or investment in, the franchise. Therefore, we strongly suggest that you consult your legal and financial advisors or personal accountant before you enter into any franchise agreement.

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Get Out Your Phone



Let's Keep Talking!

1

Visit www.frannet.com/khawfield/cq to complete your PFA

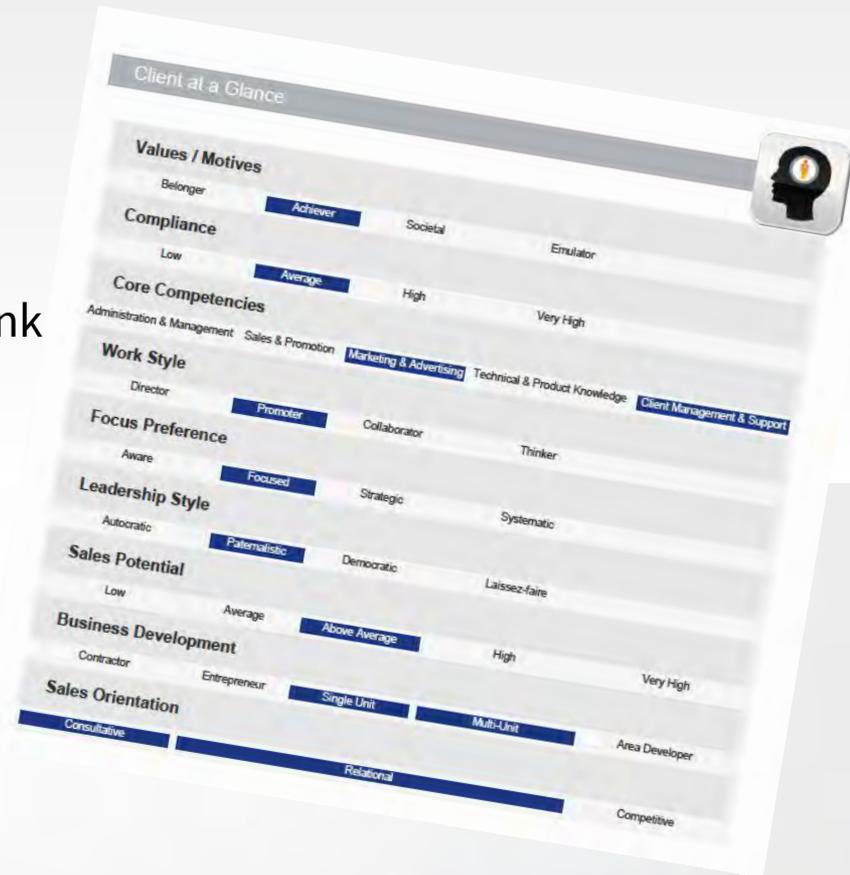
OR

Hold your camera to the QR code and link directly



2

Schedule a call to review your results

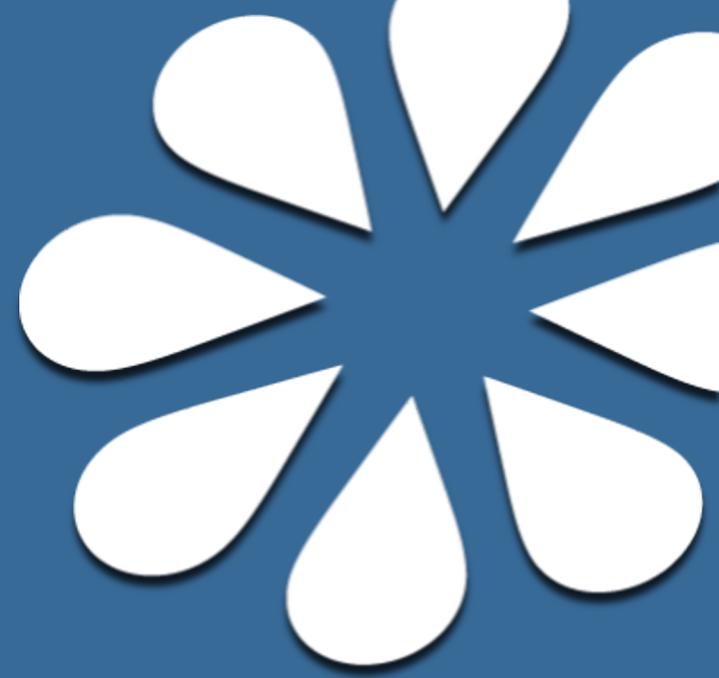


How to fund your
**BUSINESS IN TODAY'S
LENDING ENVIRONMENT**



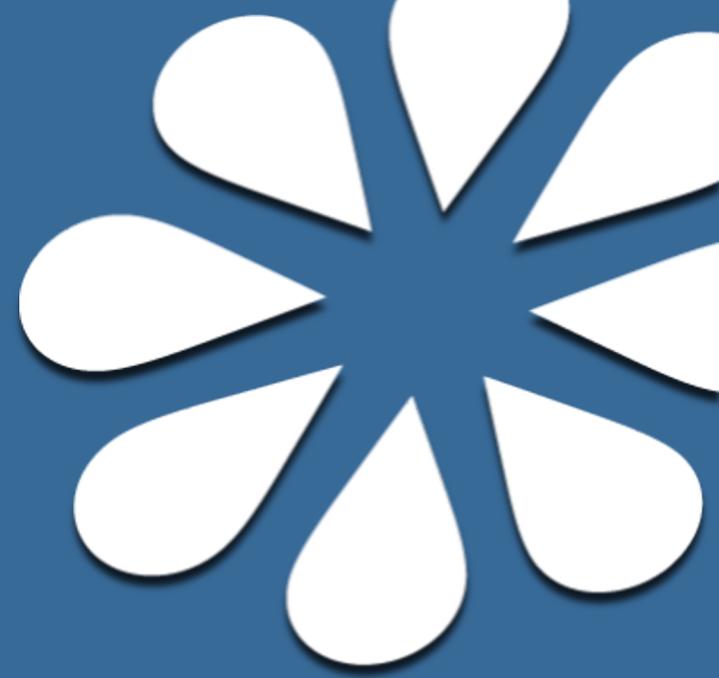
SBA

Loan Program



SBA Loan Program

- Most common for business start-ups and franchise opportunities
- Maximum loan amount 5 million dollars
- Programs designed to increase the number of loans under \$150K
- The maximum rate is prime + 2.75%
- Strong personal credit
- Usually 20% to 30% down
- May need to provide collateral
- Resume & Written Business Plan
- **Best path to success = Rollover + SBA**





Know what you can qualify for

Banks have different appetites and loan size preferences

Challenges in today's environment...

Post closing liquidity

Timing of franchise sales process and SBA approval process

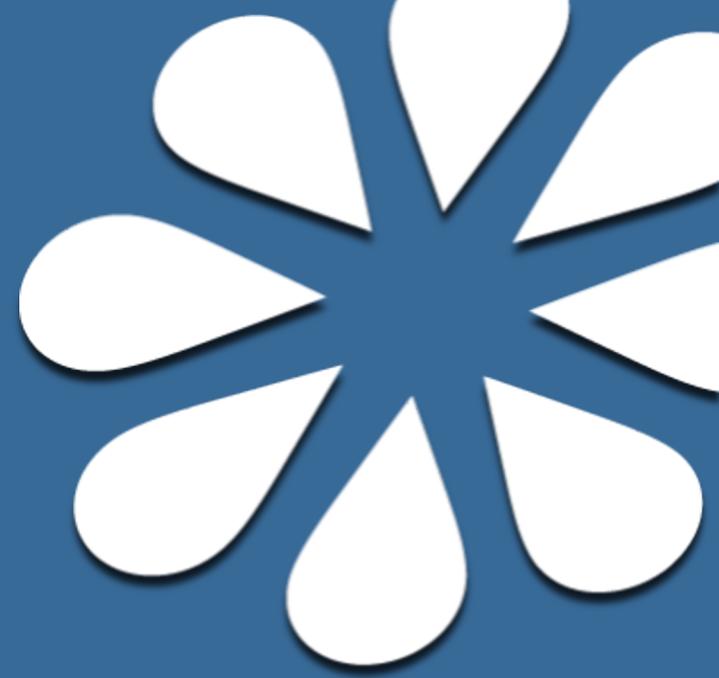
Real estate (site search, lease negotiation, landlord waivers)

Business plan

Leaving job / unemployed

Communication / expectations

Rollovers as **business startups**



- One of the more popular funding strategies to purchase a new business
- Many of the franchises sold in the U.S. utilized retirement plan rollovers as part of the funding
- There were more Rollover for Business Start-ups done than there were SBA loans within the Franchise Industry
 - Can be key to getting an SBA loan approved
- Why was this created? How does this work? What are the benefits?

Here is an example of the tax implications for someone withdrawing \$200,000 from their retirement plan

10% early withdrawal penalty (-\$20,000)

30% state and federal taxes (-\$60,000)

Leaves the individual with \$120,000 of the \$200,000



What if you just **withdraw the money** for funding your new business?



What if

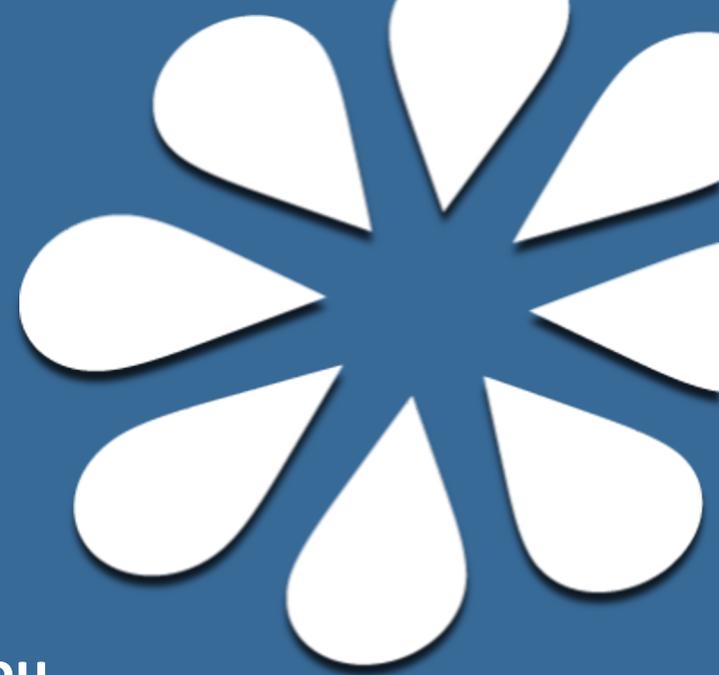
You rolled your retirement funds from one employer to another?
Would you have to pay taxes or penalties to do that?

Have you

Ever participated in an employer's retirement plan that allowed you to purchase stock in the company through your retirement plan?

Did you

Know that the proceeds from that sale of stock become company assets that can be used to fund their business needs?



Create

a C-Corporation

The Benetrends in-house Corporate Services team will establish a C-corporation for you, ensuring the incorporation process is completed accurately.



Design

New Qualified Retirement Plan

We will then design a customized, qualified retirement plan for your corporation.



Rollover

Banking

Process

You then rollover your current retirement plan funds into your new corporation's customized retirement plan.



Fund

Your New Business

The Plan is now able to invest the newly formed C-corporation by purchasing stock in the corporation. Your new corporation now has the capital to start, purchase or recapitalize a business or franchise.



The Benefits

are powerful, yet easy to understand



Invest your retirement funds in your business—without taxes or penalties

Accelerate business profitability by eliminating or reducing interest and debt



Use a safe, proven plan based on long-standing provisions of the IRS

Secure funding fast—typically in two to three weeks or less



Use pre-tax dollars to fund your business

Can use the funds to receive a salary during startup

Can be used as cash injection for an SBA loan



Gain business equity and an improved cash flow position from the start

Optimize business equity and value





What PLANS QUALIFY?

*Roth and Inherited IRAs do not qualify
Most Employers require employment termination prior to using retirement funds*

*Other plans may qualify

Rollovers **with an SBA Loan**



Using rollover funding + SBA funding

- Make a significant equity injection (20% on average)
- Provides ability to pay self a salary from the retirement plan and not need to include an owner's salary in the first year of projections for the new business
- Demonstrates to the lender access to additional working capital to get the business through the start-up phase if the business struggles early
- These have been strong selling points to our lenders and a proven strategy to get more deals approved
- Most common with multi-unit franchisees

Other Funding Programs



Portfolio Loan:

Uses your current investment portfolio as collateral for a loan

Investments Remain in your name

Interest rate, currently around or below 4%

Keep all the appreciation and dividends from your portfolio

Can be used for SBA injection

Participant Loan:

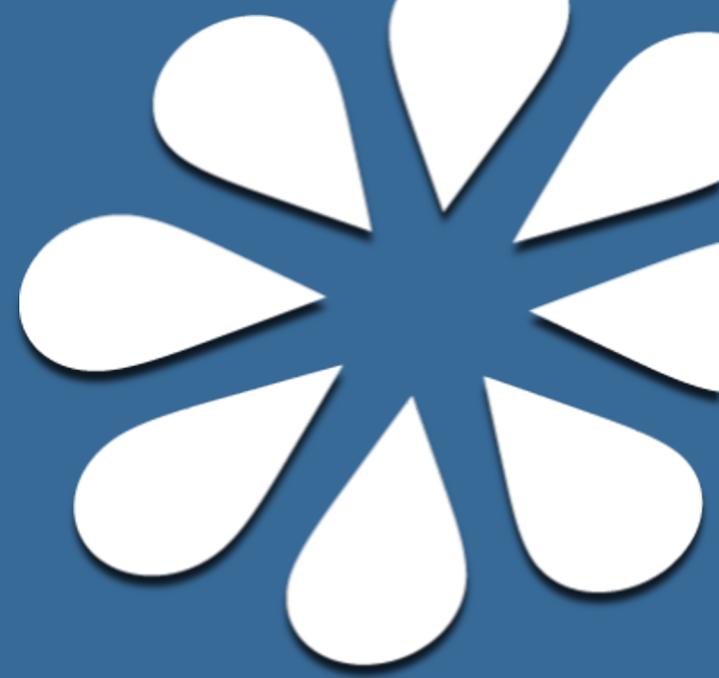
The maximum any employee can borrow is half (50%) of the vested account balance at a maximum of \$50,000

CARES Act Impact

Since you are borrowing from yourself, you will have to repay yourself through after-tax paycheck deductions.

Can be used for SBA injection

**HELOC's have become more prevalent in the current environment*



*Wendy Skemer – Senior Funding Consultant
1180 Welsh Road, Suite 280 | North Wales, PA 19454
Direct 267.273.4310
benetrends.com | wskemer@benetrends.com*