Buying Trail or Buying Trouble?

SUCCESS BROKER COACHING

Utalising Darrell Weekes Sales System

Looking around at the opportunities available to brokers at the moment I can't help but notice the ever growing number of broker books for sale. If the acquisition of broker books is part of your growth strategy then the time is right for you.

The last couple of years have been fantastic so far as writing business goes. But with the market tightening up and business becoming harder to get, now is the time to decide if you're in for the long haul. With Christmas fast approaching, a bit of navel gazing at this time of year is the norm. So let me share some tips for you whether your selling or buying a book.

If you are in the market to buy a book there are a couple of things you need to look out for.

1) Why is the book for sale? No, really, why is it for sale? Find out the real story. If it's legit' the seller will have no problem telling you why. Are they staying in industry, and can you be confident they won't poach the customers you just paid for?

2) What are you buying? I heard of a case recently where a broker purchased a book only to discover what he had actually purchased was only the trail. The customer base wasn't part of the deal.

3) What's the quality of the information? Are you buying a full CRM or a list of names and addresses. Can the seller identify the average loan life, the demographics of the customers, when they were last contacted etc. Has the seller been able to track the source of their new business, for instance how much new business is being generated by the existing book?

4) What's the make up of the book. Lines of credit and interest only investment loans are worth more on a times multiple basis than introductory and standard variable rates. Specialist or non conforming loans are also worth more but only if the seller has a program that will allow you to do the refinance when it's due.

5) What is the rate of run-off? Obviously the slower the loan book is deteriorating the more valuable it is.

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If you're in the market to sell a book, make sure you maximise your sale price by addressing the above issues. One of the disturbing trends I see is the low times multiples books are getting. The only reason for this is the quality of the data base being purchased. The single most valuable thing you can do for your business, if you intend to sell it, is to clean up the database. It's no different to selling a car. If you want to get the best price, then you clean it up, give it a polish, vacuum the interior. Your business is worth a lot more than your car so why let it get into such a bad state?

One of the keys to success in this business is to have an effective exit strategy. The biggest part of that strategy is the sale of your book. That is of course, if you intend to get out at some point. You may choose to be a broker until you die. If that's the case, then that's no excuse to neglect your data base. All of the successful brokers I interview agree that most of their business comes from there existing clients. Whether it be referrals or repeat business it emanates from the work they've already done. One of the best quotes I have ever heard in relation to this was "The only people who invest in them selves and their businesses are the people who think they and their business is worth investing in".

So now we've established that the book is worthwhile, what's it worth? I have a formula that I used when I sold my business. It's a little complex so I won't share it with you here. What I can tell you is that like all transactions, there needs to be consensus between the seller and the purchaser and if your book is supported by an up to date CRM with a good mix of business its could well be worth more than one and a half times its yearly trail amount.

The last piece of advice I would like to give you is this. If you are buying a book, if you are going to invest your money make sure you have a plan to maximise your return on that investment. Just picking up the trail is simply not enough. Plan to work it and work the plan.

Remember success is not a mystery it is a system.