5 Major Mistakes When Buying a Fitness Center or Gym

Owning your own fitness center or gym can be a very financially rewarding experience. The thrill of being the boss and having complete control over your own destiny are the primary reasons people leave the work force to operate their own gym. Owning your own fitness center or gym can easily turn in to a nightmare if you make mistakes. These mistakes are avoidable if you know what to look for in the gym. You have a better chance of becoming a millionaire if you avoid these 5 major mistakes when buying a gym.

1) Due Diligence, Due Diligence, Due Diligence
Not everything is as it seems and that is especially true when buying a gym. The owner can produce financial statements that show a gym is thriving. You need to do due diligence to make sure the information presented to you is valid and shows an accurate picture of the condition of the gym.
You want to make sure you know what items the gym actually owns, what is leased, what is owed to the gym and what the gym owes to others. You do not want to buy a gym only to find out there is a huge pile of bills that are due and the income you were expecting does not materialize. Doing a solid job of due diligence will help you avoid buying the wrong gym or paying too much for the gym.

2) Not Having Enough Cash Reserves
Running a gym requires capital. Successful gyms are able to generate enough revenue to cover the cost of their expenses. In times when the revenue is less than the expenses then you need cash reserves to cover the shortfall. If you spend all your money in the acquisition of the gym then you will not be able to cover shortages when they occur. This can be the quickest way to bankrupt your new gyms. Do not buy a gym until you have the necessary funds to both buy the gym and the necessary funds to keep it open after the purchase.

3) Assuming Cash Flow will Cover Debt
There will always be a transition period when buying a new gym. Some vendors will have a loyalty to the

seller and will pull their business when management changes. Likewise you might lose some of your members after the transition. These changes are unavoidable. They can have a tremendous impact on the cash flow of your gym. If you purchase a gym assuming the current cash flow will cover the payment on your debt, then you might be in for a rude awakening.

4) Paying for Potential

Sellers will try to set a price on a gym based on the projected value of the gym. It will be your time, effort and energy that create the future potential in the gym. You should be awarded for your efforts. Do not make the mistake of over paying for a gym and rewarding the seller for your hard work. The value of the gym should be based on the condition at the time that you purchase it.

5) Wrong Entity Structure

The worst mistake that you can make is to buy a gym using the wrong entity structure. First time gym owners will buy a gym and sign every contract in their name. This is a major mistake because it makes you personally liable for any loss that the gym incurs. If there is loss your creditors will go after your home, your car, and your savings. Buying a gym using an entity structure such as a corporation or a LLC can minimize your personal risk. Use an attorney and an accountant to help determine what the best entity structure for you to use is. Do not make the mistake of putting everything you own at risk when you buy a gym or fitness center.

Owning your own gym can be the quickest path to becoming a millionaire but you may never reach that goal if you don't avoid these 5 major mistakes when buying a gym.

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