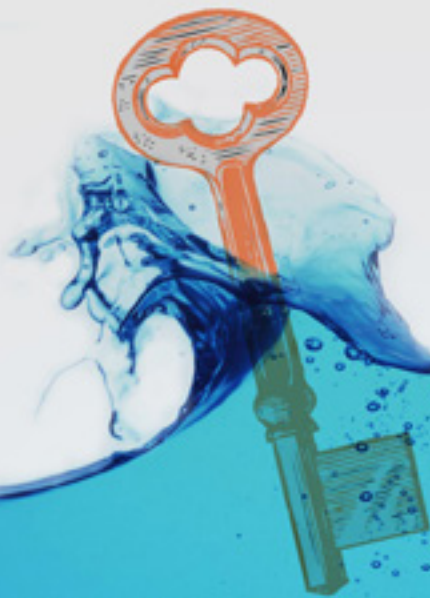


Finding Financial Freedom  
Through Laundromat Ownership



**The KEYS to Buying Your First  
LAUNDROMAT**

**JORDAN BERRY**

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The Key Resource for Buying Your  
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# INTRODUCTION

## *WELCOME TO THE FAMILY!*

Congratulations! You have just picked up a book that could put you on the path to financial freedom through laundromat ownership! Laundromats have the potential to produce a large income stream with a relatively small time commitment relative to other pursuits. This can put you on the fast track to financial freedom!

Whether you're looking for financial freedom, some extra income, or just a profitable hobby, laundromats may just be the best investment you can make! Over the next few pages of this book you will learn what it takes to find, analyze, and buy your very first laundromat and begin marching down the path toward financial freedom!

*Chapter One*

**WHY BUY A LAUNDROMAT?**





# WHY YOU SHOULD BUY A LAUNDROMAT

There are so many things you can do with your money. There are lots of fun things to buy, exciting places to visit, and a plethora of options to invest your money in. So, why invest in a laundromat and not another option, like the stock market, another business, or even real estate?

First things first. You need to answer the question, “What is it that you hope buying a laundromat will get you?” Are you seeking freedom from your job? Do you want another income source to fund your lifestyle? Are you looking for a place to park your money that will make it grow?

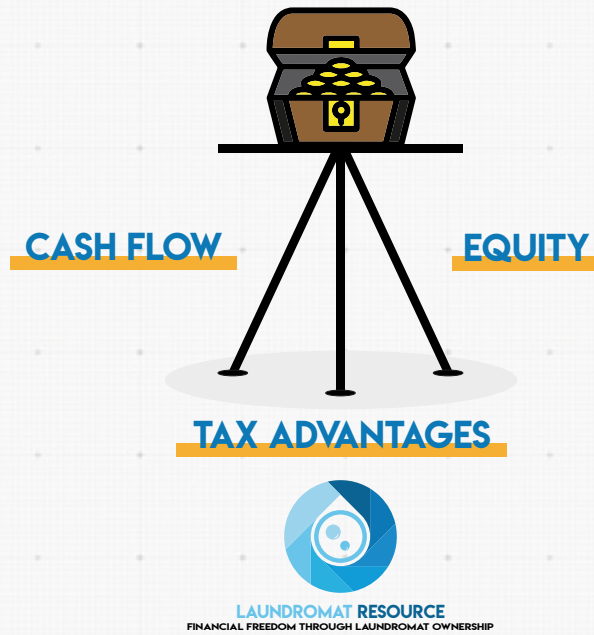
Once you know what you want out of your laundromat, use our [Minimum Deal Standards Worksheet](#) to help you narrow down exactly what you need to look for in a laundromat. Know exactly what you want before you start looking for it.

Now, let me lay the groundwork for my philosophy of wealth building. You will see why laundromats might be a better investment than all of your other investment options.

Wealth is primarily made up of what I call the [Wealth Tripod](#). Wealthy people generally achieve and protect their wealth by maximizing the three legs of the Wealth Tripod.

The Wealth Tripod is made up of Cash Flow, Equity, and Tax Advantages. Each of these three legs of the Wealth Tripod is crucial to building wealth, and if you can get all three working together, you have yourself an attractive investment.

Laundromats produce high cash flow (20-35% is not uncommon), offer the



### THE WEALTH TRIPOD

potential to create equity through improving business efficiency, and offer several ways to mitigate taxes. So, if you're looking for a way to build wealth in a way that is untethered to the amount of time that you invest, [laundromats may be the best investment that you can make!](#)



*Chapter Two*

**HOW TO FIND A  
LAUNDROMAT TO BUY**



# FINDING YOUR PERFECT LAUNDROMAT

If you're convinced that a laundromat would make a great investment for you, or at least want to explore the option further, the next question is, "How do I find a laundromat to add to my investment portfolio?"

There are three primary ways that you can find a laundromat to buy. Utilize one, or all, of these methods to find potential laundromats to purchase.

## **BROKERS**

Brokers who specialize in selling laundromats or small businesses are a great place to start. They typically know laundromat owners, and are the first to know when laundromats go up for sale. You can also ask to be put on their email lists so that when a laundromat comes up for sale you'll hear about it first. Brokers can also be good sources of information once you own your laundromat, as well.

## **ONLINE LISTINGS**

There are websites that list laundromats for sale in your area. If you search "laundromats for sale near me," you should find some websites that list laundromats and other small businesses for sale in your area. This is a great place to begin to get a feel for what is out there and what metrics to look at. These websites can also be a great place to find laundromat and small business brokers that might be able to help you find your first laundromat.

## **SPEAKING DIRECTLY WITH OWNERS**

An underutilized strategy is to speak directly with laundromat owners. Asking an owner if they are interested in selling their laundromat is a great way to find leads, but also to develop relationships with experienced owners. If you're having trouble tracking down an owner, feel free to write them a letter letting them know



that you're interested in buying their laundromat and drop it in the laundromat mailbox. I have found multiple laundromats that owners were willing to sell using this strategy.

The advantage of speaking directly to owners is that it allows you to skip the brokers. You get to deal directly with the owner and may be able to negotiate and agree on a deal without using brokers, which could save both you and the seller some big money.

Of course, if you and/or the seller don't feel comfortable properly executing a transaction without a broker involved, you do have a couple of options.

1. You can hire a lawyer to help you navigate the sale and purchase. They may charge you a flat fee or an hourly rate to facilitate the transaction. It could end up being much cheaper than a broker would cost.
2. You could hire a consultant (Like, for example, [LaundromtResource.com](http://LaundromtResource.com)) to help you facilitate the transaction. Again, a consultant would cost less money, just be sure to hire a knowledgeable and trustworthy consultant.
3. You can always bring a broker into the transaction after a deal has been struck. I would suggest you ask for a discount on their fee since they don't have any marketing costs.

Between these three techniques, you should have your finger on the pulse of the laundromat market in your area in no time. And with more exposure to what is out there, you will be able to quickly identify a good deal when it comes across your desk.



*Chapter Three*

**8 WAYS TO FUND YOUR  
LAUNDROMAT PURCHASE**



# FUNDING YOUR PERFECT LAUNDROMAT

One of the biggest hurdles to laundromat ownership is that there is usually a high upfront cost to purchase them. This turns out to be a good thing. The high entry cost keeps many people out of the industry. Many of them never figure out how to get over this hurdle. But there are many ways that you can fund your laundromat.

Here are 8 different ways to get your creative juices flowing.

## CASH

If you have the cash, you can use it to acquire your laundromat. It is the simplest and most direct way of investing in a laundromat. You may be able to get a better deal if you offer to pay in cash. Cash gives you flexibility and leverage to be able to offer a lower price with less contingencies and a quicker close on the deal. This may be very attractive to certain sellers.

## BANK LOAN

Probably the most common way of financing a laundromat is with a bank loan. Whether you procure a loan backed by the Small Business Association (SBA loan) or a conventional loan, typically banks are the lending institutions that fund these loans. Banks can be a great way to fund your laundromat acquisition, however, there are many laundromats that banks won't fund due to poor record keeping, distressed condition of the laundromat, or any number of other reasons. There are benefits and downsides to each type of loan that we won't go into here. A banker would be able to walk you through the trade-offs.

## PARTNERSHIPS

Ok, we've addressed the top conventional strategies, let's start getting a little more creative. This is not a completely foreign concept, I'm sure, but one of the



best ways to have a successful acquisition is to partner up with someone. There are many different ways to partner together, and it can be as simple or complex as you want to make it.

The essence of the partnership is that two or more people pool their resources to acquire a laundromat as co-owners. Resources could be money, time, or knowledge, so don't give up hope if you don't have one or two of those three resources. Just find someone who fills the gaps you have. There's a good chance you'll fill their gaps, too.

## **EQUITY LINE OF CREDIT/CASH OUT REFINANCE**

Many of you reading this right now are thinking, "Great! I don't have cash, the bank won't touch me with a 10 foot pole, and I have NO idea who I would even ask to partner with me (except for your friendly, neighborhood Laundromat Resource crew! We got your back.)!" Never fear! Some of you are sitting on a pile of gold and you never even considered it.

A great way to fund a business purchase, like, for example, hypothetically, a laundromat, is to tap into a source of capital that you already have. This may come in the form of equity in another investment or your primary home. The basic idea behind this funding option is to transfer equity out of one asset and move it to another asset.

For example, if you have access to \$50,000 in equity in your house, you take it out of your home with a line of credit or a new mortgage and use that money to purchase a laundromat. That equity is still there, it's just not sitting in your house anymore, it's sitting in your business.

## **PRIVATE LOAN**

Partnering with another investor to acquire the financing required to purchase a laundromat typically means some kind of equity split, meaning each investor owns part of the equity in the business. It is also possible to partner with another investor using debt instead of equity to gain access to the funds. This comes in



the form of getting a loan from another investor and making monthly payments to the investor, similar to how you would make payments to a bank when you get a bank loan. The investor just becomes the bank.

## **SELLER FINANCING**

One of the main sources of private funding in the laundromat industry in particular is from the previous laundromat owner. Often long-time owners who have little to no debt on their business even prefer to fund all or part of the deal for you to avoid paying high capital gains taxes, or to defer them. It benefits them, and it can benefit you. It is definitely worth asking if the seller is willing to carry back all or part of the purchase.

## **RETIREMENT FUNDS**

This next way to fund your first (or next!) laundromat deal is borrowed from a real estate financing technique that I've used. It is in the same category as a private loan, but it is a special case of private loan. This has to do with tapping into your retirement funds or the retirement funds of other people to give them a tax sheltered return on their money that will likely be more stable than the stock market. It will probably yield them a better return on their money. If this is intriguing to you, be sure to speak with a CPA about how to go about doing this. There can be steep penalties for doing it incorrectly. Just make sure you follow all laws and guidelines and you'll be golden!

## **ASSUMING AN EXISTING LOAN**

Let's say, that for whatever reasons, you're in a jam and you can't use any of the other financing options we've talked about so far. You do have another option. It is to assume the existing loan. Many loans explicitly forbid this. But, not all of them do. Some loans are assumable.

An assumable loan is simply a loan that allows the new owner to take over the payments on the same terms as outlined in the original agreement. Often, when you purchase a house, for example, you get your own loan and your loan pays off the existing loan and the rest goes to the seller. When you assume a loan, you

don't originate a new loan, you simply transfer the old loan from the seller to you and you take over the payments.

Now you have 8 different tools in your toolbelt to use to help you overcome the largest hurdle in laundromat ownership. For most of you, removing the financing barrier is all you need to get started. With these 8 options you should be able to purchase your first laundromat and accelerate your journey toward financial freedom.

## **BONUS**

If you really want to get creative, combine multiple strategies together to acquire your first laundromat! This is what I did when purchasing my second laundromat. I took equity from another property and paired it with owner financing to turn that equity into a laundromat and a property. Turning one asset into three is a great way to build wealth!



*Chapter Four*

**HOW TO VALUE A  
LAUNDROMAT PURCHASE**



# DETERMINING THE VALUE OF A LAUNDROMAT

Let's talk briefly about your offer. It has been my experience that laundromat listing prices are inflated, often greatly inflated. Offers should be based strictly on numbers. Don't get caught up on how good or how bad it looks, how much you like the seller or hate the seller, or all the flowery promises a broker might sell you. Stick to the numbers.

Laundromats are currently valued at anywhere between 3-4.5 times the [net operating income \(or NOI\)](#). NOI is the total income of the business minus the total expenses of the business, excluding loan payments. So, whatever the [pro forma](#) says the NOI is for the year, multiply that by the multiplier that is common in your area. Again, usually between 3-4.5. That is how much you can expect to pay for the laundromat.

For example, if a pro forma reports that the income of the laundromat minus the expenses (NOI) is \$50,000, you can expect to pay between:

$$\$50,000 \times 3 = \$150,000$$

and

$$\$50,000 \times 4.5 = \$225,000$$

## DUE DILIGENCE

After you make an offer that is accepted, you move into the escrow phase of the transaction. The length and terms of escrow can vary and are negotiable. During



this phase you will be performing your due diligence on the laundromat and/or property. Your main goals during the due diligence phase is to answer the four questions below. The answers to these questions will determine if you should proceed with the purchase and at what price and terms you're willing to move forward on the transaction.

## **IS THE LAUNDROMAT MAKING WHAT THE OWNER SAYS IT IS MAKING?**

This question is much easier asked than answered. One of the perks of owning laundromats is that they are all cash businesses. This makes them simple and attractive to investors and business owners. But it also makes it difficult to determine how much money a laundromat is actually making.

In all honesty, it's impossible to pin down the exact amount a laundromat is bringing in each and every month. However, you can know within reasonable certainty. And the best news is, we have FREE tools to help you do both on our [resources page](#).

During your due diligence phase, you'll do a series of [coin counts](#) with the owner. We have a [FREE Verification of Income Worksheet](#) that will help you track the coin counts. This will give you an idea of how much money is coming in each week. Use that information to calculate how much money is coming in each month and compare it to the seller's claims on the pro forma. The linked blog post will tell you exactly how to conduct a proper series of coin counts to ensure an accurate figure.

It is also worth observing the laundromat on various days and at various times in order to witness how much traffic the laundromat has each day. This, in combination with the coin counts, should give you a pretty good idea of the health of the laundromat.

## **IS THE LAUNDROMAT SPENDING WHAT THE OWNER SAYS IT IS SPENDING?**

Laundromats generally have very high fixed expenses and relatively low variable expenses. This is bad and good. This means that if your laundromat isn't doing

*Your main goal in the due diligence phase is to answer these 4 questions:*



- 1. Is the laundromat making what the seller claims it is making?*
- 2. Is the laundromat spending what the seller claims it is spending?*
- 3. Does the laundromat have a profitable future?*
- 4. Are there easy ways to increase the value of this laundromat?*

enough business to cover the high fixed expenses it will be tough to stay in business. However, once your laundromat covers those high fixed expenses, your returns on any new business above and beyond that can be up 50-70% because the variable expenses are relatively low. The largest fixed expenses generally consist of rent, labor, and insurance.

The best way to determine the expenses of a prospective laundromat during the due diligence phase is to get copies of bills and invoices. This will be relatively easy for things like rent and utilities, but an owner may not be eager to share information on things like taxes and fees, licenses and permits, and maintenance costs. You may just have to take an educated guess.

Don't be afraid to ask the owner if there are any other expenses that you should be aware of. Any information that you get will be helpful in determining the health of the laundromat.

If the expenses were under-reported this does not necessarily kill the deal. It does, however, do two very important things.

1. It should change your offer price. Your Net Operating Income (NOI) is lower than reported, so your offer price, which is based on your NOI, needs to be lowered.
2. It must make you take a much closer look at everything the seller has told you. The seller has proven to be untrustworthy. It's unfortunate, but it is also part of business. Now you are aware of it and can respond accordingly.

If this is your first laundromat purchase, I HIGHLY recommend bringing in that knowledgeable third party at this point. Just having another set of eyes on all of the claims the seller makes and numbers the seller provided is invaluable. Protect your investment before you make it.

We offer a [consulting service](#) that is designed to help prospective laundromat



owners make wise investments. But, before you sign up for that service, take advantage of our [FREE consulting call](#) and we'll talk through your situation.

## **DOES THIS LAUNDROMAT HAVE A PROFITABLE FUTURE?**

Don't make the mistake of thinking that the way things are now is the way that things will always be going forward. You make your own future, so make sure it will be built on a solid foundation. During the due diligence period you need to determine if the laundromat has a reasonable expectation of performing at least as well as it is currently performing.

Here are a few things you have to do to ensure the laundromat has a profitable future.

### **LEASE**

First, you must take a look at the lease. Without a space to operate your laundromat, your garage will become very crowded with machines (Unrelated, but this happened to me when I bought new machines and didn't have anywhere to take the old machines for a couple of weeks! Don't be that guy or gal.).

Ideally, you want a long term lease. The lease that I have with my laundromat that leases the space was a 10 year lease with two 5 year options for me to either terminate the lease or continue the lease. This gives me 20 years of business if I want it. It's great for you (remember, no space, no business) and it's great for the landlord (guaranteed income for 10 years and likely 20 years).

### **MACHINE CONDITION**

Another thing you must determine before purchasing a laundromat is the condition of the washing machines, dryers, boiler, change machines, and any other machine crucial to the operation of the laundromat.

In order to determine the condition of the machines, I highly recommend that you hire an experienced commercial laundry equipment mechanic to examine and test each of the machines in the store. Have her estimate the usable life left



on each machine. This will help you plan for future expenses and let you know when those might be coming.

Machines don't stand alone. The whole system has to work in order for you to have a business. That leads us to the next must.

## PRO TIP:



*If the mechanic estimates a short usable life (ie less than 10 years), plan on budgeting a little more for repairs. Older machines tend to need a little more TLC, obviously.*

## PLUMBING AND ELECTRICAL CONDITION

In order for your machines to work properly, the water pipes, gas pipes, and electrical system must be functioning properly and in good condition. Invite a plumber and electrician to inspect those systems during the due diligence phase. If there are any problems it is much better to uncover them early on.

Again, problems aren't necessarily deal killers, but they probably mean some sort of action needs to take place. The seller may need to make necessary repairs. You may need to negotiate a lower price to accommodate your expenses for the repairs. Or some other consolation may need to be made or agreement struck.

No one wants to uncover problems. But, believe me, if there are problems, it is much better to know about them early than to pretend they aren't there. Face the issues head on and you will be better off in the long run.

## EMPLOYEE QUALITY

If you're not planning on [making the laundromat your full time job](#), you'll prob-

ably have employees. They may be part time cleaners or full time staff. Every business relies on its employees to be successful, whether it is a one person business or one with thousands of employees. Without the right people in the right roles, it is very difficult for a business to thrive.

Take the opportunity during the due diligence phase to get to know the employees. I tell my employees that they have two main jobs:

1. Make sure that every customer has a great experience when they visit our laundromat, and
2. Keep the laundromat squeaky clean.

Obviously there's more to it than that, but, generally speaking, if my employees do those two things the laundromat is in good shape.

## **ARE THERE EASY WAYS TO INCREASE THE VALUE OF THIS LAUNDROMAT?**

By asking this question, you'll orient your mind toward looking for ways to improve the business before it even belongs to you. Doing this will have a double bonus of likely increasing your cash flow while simultaneously boosting the value of your business and the equity in it. If you recall, these are two of the three legs of the [Wealth Tripod](#)!

Finding these quick wins not only boosts your cash flow and equity in the laundromat, it also boosts your confidence! And confidence is half the battle. Confidence (and some extra money) will allow you to invest more in your laundromat, if it needs it, in order to improve the customer experience and provide even more returns for you! It's a beautiful cycle.

You may be wondering what you would even look for to improve a laundromat. Some obvious things might be replacing old machines, fixing burned out lights, etc. However, there's more to keep an eye out for than that. We have put together a [FREE Value Add Checklist](#) for you to download and go through as you're doing your due diligence. This will help get you started looking for places to add value (and money in your pocket).

*Chapter Five*

**CLOSING THE DEAL ON YOUR  
NEW LAUNDROMAT**





# CLOSING THE DEAL

You're in the final stretch! You have all the information you need to buy your first laundromat and your finger is on the trigger, prepped to pull it. But, before you do, there's still some work to be done. Take a peek at our [FREE Acquisition Process Summary](#) to get an overview of the whole process.

## RENEGOTIATION

If you remember, you made your initial offer based on the numbers that the seller provided to you. It is likely that the numbers that you have uncovered for yourself are, at best, slightly different, or, at worst, drastically different from the numbers that were provided to you by the seller. It is now time to revisit that offer and determine if any adjustments need to be made based on your findings.

There is a pretty good chance that the income is not quite what the seller claimed, the expenses are a bit more than divulged, and the condition of the laundromat or machines may require a little more budget than anticipated. It is entirely acceptable to renegotiate the purchase price and terms towards the end of the due diligence period.

You may need to renegotiate the price lower or request that the seller make some repairs. Remember, you are making this purchase based on numbers, not on emotions. You have a lot invested in this process at this point and it is understandable to not want to lose the laundromat. Trust me, losing the deal at this point will sting far less than securing the deal and living with the negative consequences of a bad purchase. I, unfortunately for me but fortunately for you, know this from experience. Again, don't be like me. It's embarrassing and costly. Learn from my mistakes!

## YOUR FIRST LAUNDROMAT

If you follow these steps, you'll be well on your way to owning your first laundromat and finding financial freedom through laundromat ownership! The high cash flow returns, forced equity opportunities, and tax advantages make laundromats

a rapid wealth builder for the savvy investor!

If you like what you've learned, but still aren't feeling confident enough to move forward alone, utilize our [coaching program or one-time consultations](#) to help you navigate the process. We can also connect you to a laundromat and/or commercial real estate broker in our network anywhere in the U.S.

Finally, sign up to join the [Laundromat Resource Buyers Email List \(BEL\)](#) to get first access to laundromats for sale in our network.

If you're looking for more details about how to find, analyze, buy, and run a laundromat, of course, check us out on [LaundromatResource.com](#). We have a blog, videos, and a podcast (coming soon!) all designed to help you find financial freedom through laundromat ownership! And, don't forget our many [FREE resources](#) available for you to download, no email required.

If you want a more detailed book, filled with even more incredible information, lessons, tips, examples, and tons of bonus content, [sign up to be on the email list](#) to get updates about the upcoming release of The Key Resource for Buying Your First Laundromat, scheduled for April 2020! It will be available anywhere you can buy books, but we will offer it at [LaundromatResource.com](#) with [bonus content and features included!](#)

You now have all the information, resources, and connections you need to pursue your own financial freedom through laundromat ownership! Continue on your path of learning and growing, but don't let your pursuit of knowledge make you stagnant. Real growth and real progress comes through action! Start taking the steps outlined in this book to purchase your first laundromat. Financial freedom is within your grasp!

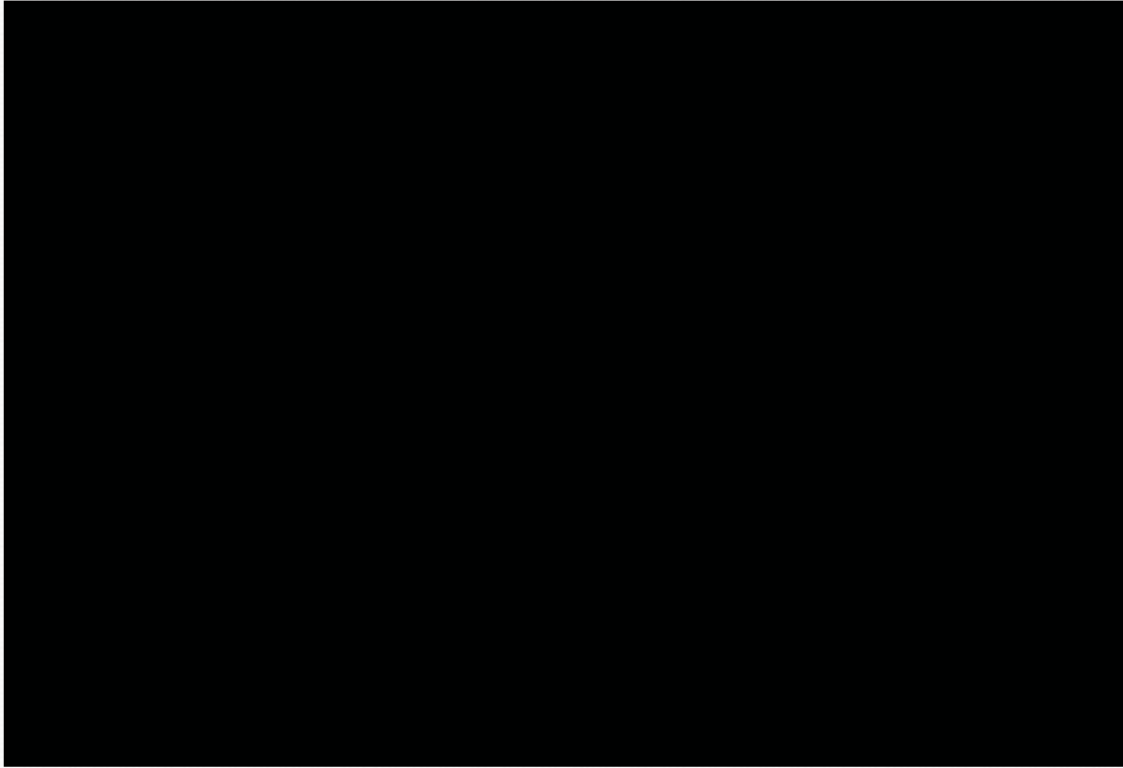
## **GET THE NEW BOOK!**

Sign up now to be on the email list to get updates about the upcoming release of The Definitive Resource for Buying Your First Laundromat, scheduled for April 2020!

[LaundromatResource.com/book](https://LaundromatResource.com/book)







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*Sometimes you need a good subheader too*

When writing your ebook content, focus on staying succinct, not verbose. Your readers saw a headline that captured their attention. Simply use the content inside your ebook to provide the information you promised in your title.

Bullets can help structure your content. Here are some additional tips for creating ebooks:

- Incorporate Visuals: Screenshots, photos, graphics, and other visuals can help further illustrate your core points.
- Add Links: Link to other tools or resources that can help your reader. For example, we have 160 free business-themed stock photos that may help you with visuals: <http://bitly.com/1aWz5J4>
- Proof Content: Even if you have no editor in your department, find someone who would be willing to read your content and proof it for basic grammar and spelling.