

Reeder CPA Group

Consultation Playbook for Franchise Success

Reeder CPA Group is an entrepreneurial accounting and consulting firm dedicated to helping prospective franchisees and new business owners make smart, confident decisions. Whether you're preparing to buy a franchise or already in the process, we provide guidance on entity setup, funding strategies, tax planning, and accounting so your financial foundation supports long-term success.

Overview of Services:

Our team works closely with franchise buyers to create a plan tailored to their goals and circumstances. We simplify complex decisions, from choosing the right entity to understanding tax benefits and navigating funding options. By providing clarity on key financial topics, we help ensure you're well-prepared for ownership and positioned to grow with confidence. Key services include:

- Accounting and Bookkeeping
- Strategic Tax Implementation
- Entity Structure
- Funding Strategies
- Financial Projections
- Resale Financial Statement Due Diligence
- Franchise Disclosure Document (FDD) Review

About this Consultation Guide

This consultation overview is designed to guide you through the key areas we'll discuss together. Inside, you'll find a summary of common funding strategies, an outline of entity structure and tax planning considerations, and our three-bucket framework for evaluating your startup costs, personal assets, and household income. Together, these sections provide a clear starting point for understanding your financial picture and preparing for a productive consultation.

Ready to Build Your Own Playbook? Attend a Free Webinar & Schedule a 1:1.

Attend a Webinar: Visit <https://app.livestorm.co/reeder-cpa-group/overview-consultation-how-a-cpa-guides-your-franchise-decision-from-start-to-finish> and register for an upcoming webinar.

Schedule a Free 1:1: Visit <https://reedercpagroup.com/consultation-intake/> and complete our consultation intake form. After submitting the form, you will receive an email from our team with our 1:1 consultation scheduling link.

Webinars and individual consultations are provided free of charge to candidates.

Consultation Overview: Topics & Strategies

The Three Buckets: Foundational Inputs for Planning

Before making any recommendations, we ask for insight into three key areas:

- **Investment Level** – Total business investment, including franchise fee, working capital, buildout costs, and number of territories.
- **Allocation of Assets** – Your mix of cash, retirement funds, brokerage accounts, real estate, and other liquid and illiquid holdings.
- **Household Income & Expenses** – Your expected ongoing income and living costs, including spouse income and W-2 wages.

These three buckets provide the foundation for both short-term and long-term strategy.

Entity Structure Overview

During your consultation, we explore how your entity type interacts with your goals and funding options.

LLCs are often preferred for their flexibility and tax advantages—startup losses can offset personal income, and you can elect **S Corp status** to reduce self-employment taxes.

C Corporations, while more rigid, are required for **ROBS** plans and can unlock powerful long-term benefits like QSBS tax-free exits if structured properly. Choosing the right structure depends on whether you're aiming for lifestyle income, portfolio growth, or a significant future sale.

Beyond these examples, we also review the full range of entity types—**Partnerships, Sole Proprietorships**, and other variations—discussing the pros and cons of each so you can make a fully informed decision.

Funding Strategies: Retirement Funds, Debt, and Capital

We evaluate multiple tools for funding your business, including:

Retirement Asset Strategies

- **401(k) Participant Loans** – Often ideal for small to mid-sized investments. Avoids ROBS structure and lets you borrow from retirement funds tax-free and repay over five years (with interest going back to yourself).
- **ROBS (C Corp Required)** – Suitable in specific scenarios but introduces complexity and compliance risk.
- **Roth IRA Original Contributions** – Can be withdrawn tax- and penalty-free anytime (not earnings).
- **Taxable Distributions from IRAs** – Sometimes feasible if losses from business startup can offset the tax hit.

Leverage Strategy: The Three Progressions

When it comes to funding, we follow a structured order of options—what we call **progressions**—to help you fund your business in the most strategic and tax-efficient way possible. These progressions reflect our preferred sequence: starting with the most protective and leverage-based options, and only moving toward asset liquidation if necessary. Each step builds on the last, always considering your comfort level, financial position, and long-term goals.

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Funding Strategies (continued)

Progression 1: Third-Party Debt

- SBA loans, local/state/federal loan and grant programs, or bank loans.
- “Strategic use of good debt” lets you build your business while keeping your nest egg intact.

Progression 2: Leverage Personal Assets (Non-Liquidating)

- Margin loans (against brokerage accounts)
- 401(k) participant loans
- Home equity lines of credit (HELOCs)

Progression 3: Liquidating Assets

- Tapping cash reserves or selling securities
- Taking taxable distributions from retirement accounts
- Used when the above two are unavailable or inadvisable

We balance technical strategies with your emotional comfort level around debt and risk.

Other funding topics discussed during a consultation can include:

- SBA Loans
- ROBS Program (making sure the candidate fully understands this type of structure)
- Other conventional business loans
- State-and-local-sponsored business loans
- 401k loans (lesser of \$50,000 or 50% of plan assets)
- Leveraging equity in assets on personal financial statement
- Cash
- Credit cards
- Note: Michael and Reeder CPA Group are not lenders, but the team can discuss funding strategies with business owners.

Tax Consultation Topics

Nearly every choice you make as a business owner has tax implications. From the type of entity you select to how you fund and operate the business, each decision shapes what’s possible from a tax perspective. In the consultation, we’ll highlight the areas where proactive planning can reduce liabilities and position you to keep more of what you earn.

Consultation topics can include:

- Income tax (federal and state)
- Social security and Medicare tax (aka self employment tax, FICA taxes)
- Other payroll taxes
- Sales tax
- Flow-through taxation vs C-Corp taxation
- Double Taxation
- Understanding how income taxes are different for self-employed individuals compared to employed individuals. The internal revenue code favors the former over the latter
- Income tax mitigation strategies

Accounting Consultation Topics

- Implementation of a bookkeeping system, often QuickBooks Online
- Tracking business expenses paid via personal funds and cash and recording on the books via journal entry
- Recording the Rollover as a Business Start-Up (ROBS) capitalization on the books
- Payroll journal entries
- Automation: syncing the business bank and credit card accounts to QuickBooks
- Bank and credit card reconciliations, bill pay, invoicing, inventory tracking, payroll
- Discussing who should be the day-to-day bookkeeper and who should be the reviewer of the books

Resale Financial Statement Due Diligence

Buy-Side Due Diligence

The Reeder CPA Group team works with buyers evaluating franchise resales to surface the financial and structural questions that too often get rushed during the LOI period. These conversations start on the free consultation call, with deeper analysis available on an hourly engagement.

Buy-Side Entity Structure and Funding Strategies

Entity formation and funding need to be evaluated together, before closing. Whether the deal is structured as an asset sale or a stock sale changes the buyer's tax basis, depreciation schedule, and assumed liabilities, and each funding path (SBA 7(a), ROBS, seller financing, conventional debt) carries its own structural requirements. Getting this sequence wrong creates tax friction the buyer lives with for years.

Quality of Earnings Reports

The SDE figure presented by a seller or broker often includes addbacks and adjustments that do not survive an independent review. A quality of earnings analysis normalizes the financials, separates recurring earnings from one-time items, and gives the buyer real leverage in price negotiations. Whether a buyer needs a formal QoE or a lighter-touch financial review depends on deal size, and that decision should be made before the offer is finalized.

Business Valuations

Asking price is not the same as fair value. Multiples vary by concept, market, lease terms, customer concentration, and trailing performance, and buyers need a clear view of what they are actually paying for. Our team helps buyers pressure-test the valuation framework behind the deal and connects them with credentialed appraisers when a formal opinion is warranted.

Sellers preparing for an exit, recapitalization, or partial sale can engage our team separately for sell-side readiness and deal structuring conversations.

Funding Projections

This is a great exercise for any person planning to buy a business. If you are going into business for yourself, then you should take the lead on creating your own business plan, including the financial projections section of the business plan. Funding Projection will be needed if a business plan is required as part of a loan application. Additional topics to discuss include addressing common candidate questions, such as:

- When am I going to hit break-even?
- When am I going to hit my replacement income?
- When am I going to hit a profit percentage of X? Y? Z?

Franchise Disclosure Document (FDD)

Current franchise owners are encouraged to periodically revisit their Franchise Disclosure Document (FDD) for several critical reasons. Keeping up to date with the FDD ensures franchisees are well-informed about various aspects of their franchise agreement and any changes that may affect their operations. Key reasons include:

- Regulatory compliance and legal changes
- Renewal of franchise agreements
- Expansion or acquisition of additional franchises
- Preparations for selling or transferring the franchise
- Updates and operational changes from the franchisor
- Maximizing franchisor support and training benefits
- Understanding dispute resolution processes

This regular review allows franchisees to remain aligned with current regulations, fully leverage franchisor resources, and make strategic decisions based on the latest information. It is a vital step in managing a successful franchise, ensuring that franchisees can navigate the complexities of franchise ownership with confidence and support. By staying proactive and informed, franchisees can enhance their operational effectiveness and contribute to the long-term success of their business.

Case Study

Michael Reeder recounts a conversation he had with a buyer:

“Coming into the call, the buyer was planning on using the ROBS C-Corp structure to invest in two hair salon franchise territories. This buyer’s plan was to keep his corporate job and invest in this business as a semi-absentee model. During the call, I devised a strategy going S-Corp for the first territory and C-Corp Robs for the second territory. By doing this, the buyer was able to take his loss from the build-out and start-up phase of the first territory and flow it through to his individual income tax return where it netted against his six-figure corporate W2 income, thus saving him thousands of dollars in taxes on his individual income tax return. This buyer continues to be one of my clients for ongoing accounting and tax services.”

Summary: Our Role in Your Success

At Reeder CPA Group, we don’t push one-size-fits-all solutions. Our job is to help you:

- Understand how each structure, tax, or funding tool affects your taxes now and in the future
- Layer short-term and long-term planning strategies to maximize value
- Navigate options with full transparency on risks and benefits

Whether you’re building a lifestyle business or positioning for a 7- or 8-figure exit, we’re here to help you build it right from the start—with a tax strategy that supports your vision.

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