

## Chapter 1

# Serving Seniors

*The trends reveal an abundance of new opportunities for entrepreneurs who want to combine caring with nurturing. Baby boomers—members of the generation born between 1946 and 1964—are approaching 60. By the year 2020, 1 in 4 people in the United States will be over the age of 65.* The elderly population is increasing at nearly twice the rate of the general population—the 85-plus segment will swell more than 33 percent by 2010.

The evolving needs of older generations are having a major influence on what resources are necessary to prepare for the social and economic impact of the “senior boom.” Considering starting a business serving this market? Then you must know how urgent the need is for senior services.

As people grow older, their needs and lifestyles change. There comes a time when even healthy, able-bodied seniors want to move from their larger homes into smaller ones that are easier to care for, or they may consider retirement communities. As their physical abilities naturally decline, seniors who want to stay in their own homes look for outside assistance with daily tasks, such as preparing meals, housekeeping and managing personal hygiene. Seniors who are no longer able

to drive may seek out reliable transportation to medical appointments, social functions or shopping expeditions. And when seniors are no longer able to live alone, they may move in with family members or relocate to an assisted living facility. Almost 6.5 million seniors currently need assistance with their daily activities, and this number is expected to double by 2020.



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On the other hand, seniors are healthier now than people of the same age were 30 years ago. Wellness for seniors has become an important issue in our society. As human longevity increases, there is a keen desire to remain healthy and independent for as long as possible. These active seniors have time on their hands and disposable income in the bank, and many want to travel to interesting and exotic places.

All these trends mean opportunity for savvy entrepreneurs who want to start businesses serving this lucrative and growing market. Senior relocation specialists help their older clients with moving and downsizing. Home care, home health-care, and senior day-care operations all provide services to help people live at home for as long as possible. And a travel agent who specializes in making arrangements for seniors is just the ticket to send them off on a fun-filled adventure.

When you serve seniors, you typically wear many hats—and often more than one at a time. We'll help you discover the ones that fit the best by showing you how to design a business that complements your talents and your demographics.

You may already know what type of senior services business you want to start,

or you may still be exploring your options. In this guide you'll find the information and tools you need to start a senior adult day-care center, a senior relocation business, a home care or home health-care business, a senior concierge service, a senior transportation service, or a senior travel service.

We'll start with an overview of the market, look at the specific services you'll want to consider offering, and then go through the step-by-step process of setting up and running your new venture. You'll learn about basic requirements and startup costs, daily operations, and what to do when things don't go according to plan. We'll discuss how to find, hire and keep good employees. Plus, you'll gain a solid understanding of the sales and marketing process, as well as how to track and manage the financial side of your business. Throughout the book, you'll hear from business operators who are serving seniors. They have built successful companies and have invaluable insight to share with you.

The best way to read this book is from beginning to end, and don't skip any chapters—even if you feel some may not apply to you or the type of business you want to start. For example, you may decide that you want to zero in on senior transportation, but if you also read the chapter on senior adult day-care businesses, you may find some good ideas on how to interact and network with those centers. Or you may decide to blend one or two of the concierge services with your senior relocation or travel business.

What you won't learn is how to get rich quick or become an overnight success. Being an entrepreneur requires hard work, dedication and commitment. In addition, working with seniors can be challenging; it requires empathy, patience and understanding of their special needs. But it can also be



### Stat Fact

According to the Administration on Aging ([www.aoa.gov](http://www.aoa.gov)), the older population—persons 65 years or older—numbered 35.6 million in 2002, representing 12.3 percent of the U.S. population, or about 1 in every 8 Americans. By 2030, there will be about 71.5 million older persons, more than twice the number in 2002.

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### Stat Fact

As part of their retirement planning, many of today's middle-aged baby boomers are starting businesses that they intend to sell in 10 to 20 years. They plan to use the revenue from the sale of their company as retirement income.

tremendously rewarding—monetarily and personally—as you discover what a tremendous difference you can make in someone's life.

### SHOULD YOU BUY A FRANCHISE?

Typically, you think of fast food and full-service restaurants when you think of franchising, but virtually every business form has the potential to be franchised, and there are many franchised businesses that target seniors. In fact, once your business is established, you may want to consider growing it by franchising your concept.

Franchising is popularly referred to as being in business for yourself but not by yourself, and it can be a great way to start a business. Franchising is not an industry but rather a method of distributing products or services. There are at least two levels of participants: the franchisor, who lends his trademark or trade name and business system, and the franchisee, who pays a royalty and often an initial fee for the right to do business under the franchisor's name and system. The contract binding the two parties is the franchise, but that term is also used to describe the business the franchisee operates.

The franchising system is designed to provide a formula for operating a successful business. An established franchisor has

worked the kinks out of the system and is available to help franchisees when new challenges arise. According to the SBA, most businesses fail due to inadequate management skills. This is less likely to happen with a franchised business because the franchisor is there to help you.

### The Cost Of A Franchise

Even though buying a franchise may reduce your investment risk, it can still be expensive. Costs typically include:

● **Initial franchise fee and other expenses:**

The initial franchise fee, which may be non-refundable, may run anywhere from several thousand to several hundred thousand dollars. Depending on the type of business, you may also incur costs to rent, build and equip an outlet, as well as to purchase initial inventory. Other costs include operating licenses, insurance, and perhaps a promotional fee paid to the franchisor.

● **Continuing royalty payments:** You may have to pay the franchisor royalties based on a percentage of your weekly or monthly gross income. Because royalties are usually paid for the right to use the franchisor's name, you may have to pay royalties even if the franchisor fails to provide promised support.

● **Advertising fees:** Many franchisors require franchisees to pay into an advertising fund, and some of these fees may be spent on national advertising or to attract new franchise owners, not to promote your particular outlet. Some franchisors also require franchisees to spend a certain amount of money on local advertising.

### The Drawbacks

While there are many benefits to owning a franchise (such as security, training and marketing power), there are some drawbacks. The most important is that you have to give up some of your independence. You're required to comply with the various

## **Before You Buy**

**Doing your homework before** buying a franchise is essential. You'll be making a huge financial commitment, so you need to be sure the business suits you.

The International Franchise Association recommends that you investigate the following points:

- The type of experience required
- The business itself (you need a complete understanding of it)
- The hours and personal commitment necessary to run the business
- Who the franchisor is, what its track record has been, and the business experience of its officers and directors
- How other franchisees in the same system are doing
- How much the startup costs are (the franchise fee and other startup costs)
- How much you're going to pay for the continuing right to operate the business (royalties)
- If there are any products or services you must buy from the franchisor, and how and by whom they are supplied
- The terms and conditions under which the franchise relationship can be terminated or renewed, and how many franchisees have left the system during the past few years
- The financial condition of the franchisor

controls and procedures established by the franchisor; if you like to make your own decisions and do your own thing, a franchise may not be right for you. You also have no control over how the franchisor operates, and decisions may be made at the corporate level with which you disagree or that may even reduce your profitability. That's why it's so important to thoroughly research a franchise; you want to see a positive operational pattern before making a commitment.

Much of the information you'll need about a franchise will be provided in a disclosure document known as the UFOC, or Uniform Franchise Offering Circular. Under Federal Trade Commission (FTC) rules, you must receive this document at least 10 business days before you are asked to sign any contract or pay any money to the franchisor.

## **BUYING AN EXISTING BUSINESS**

An alternative to buying a franchise or to starting your own senior services business is to take over an existing operation. It may seem like an attractive and simple shortcut to skip the work involved in building a business from scratch and get started in an operation that's already equipped and generating revenue, but you should approach this option with caution.

You'll find a variety of businesses for sale advertised in trade publications, local newspapers and through business brokers. The businesses can often be purchased lock, stock and barrel, including equipment, office supplies and existing clients.

Of course, there are drawbacks to buying a business. Though the actual dollar amounts required depend on the size and

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type of business, it often takes more cash to buy an existing business than to start one yourself. When you buy a company's assets, you usually get stuck with at least some of its liabilities as well. And it's highly unlikely that you'll find an existing business that is precisely the company you would have built on your own. Even so, you just might find the business you want is owned by someone else.

Why do people sell businesses—especially profitable ones? There are a variety of reasons. Many entrepreneurs are happiest during the startup and early growth stages of a company; once the business is running smoothly, they get bored and begin looking for something new. Other business owners may grow tired of the responsibility or be facing health or other personal issues that motivate them to sell their companies. They may just be ready to retire and want to turn their hard work into cash for their golden years. In fact, some of the most successful entrepreneurs go into business with a solid plan for how they're going to get out of the business when the time comes.

It's also possible that the business is for sale because it has problems—and while they may not stop you from buying it, you should know all the details before you make a decision. The following steps will help you:

- Find out why the business is for sale. Don't accept what the current owner says at face value; do some research to make an independent confirmation.
- Examine the business's financial records for the previous three years and for the current year-to-date. Compare tax records with the owner's claims of revenue and profits.
- Spend a few days observing the operation. For example, if you're looking at a

### Smart Tip

If you buy an existing business, include a noncompete clause in your sales contract. Your new business won't be worth much if the seller opens a competing operation down the street a few weeks after you take over the old company.



home care or home health-care service, ride along with one or two aides. If you're considering an adult day-care, sit in at the facility for a few hours a day for several days.

- Speak with current clients. Are they satisfied with the service? Are they willing to give a new owner a chance? Ask for their input, both positive and negative, and ask what you can do to improve the operation. Remember, even though sales volume and cash flow may be a primary reason for buying an existing business, customers are under no obligation to stay with you when you take over.
- Consider hiring someone skilled in business acquisitions to assist you in negotiating the sale price and terms of the deal.
- Remember that you can walk away from the deal at any point in the negotiation process before a contract is signed.

### STARTING YOUR OWN BUSINESS

It may be that your best path to business ownership is starting a senior services company yourself, and that's what this book is all about. Let's start by taking a look at what it's like to be in the business of serving seniors.