Advisers caution new Latin investors to study US rules

BY PAOLA IUSPA

With the economic up roar in some Latin American countries, many families choose to sell all they have at home to invest in businesses in South Florida—but before they do that, experts say, they should understand the rules of the market and cultural differences.

"Many of my clients are Venezuelian, Colombian and Argentinean who seek to buy a business or a franchise here," said Jorge Barragan, a business broker at Collins & Collins Investments in Miami and Franquicias & Strategias in Colombia. "Others like to diversify their existing businesses at home. But in either case, these new entrepreneurs need to be educated in the American way. Doing businesses here is very different from doing businesses at home."

As an example, he said, many foreign investors are used to paying cash when buying a home. Here, it is often preferable to make a down payment and finance your house for 15 or 30 years.

"When I explain this to my clients, some are in shock," Mr. Barragan said. "For them, it is hard to understand this economy was designed for people to live indebted."

Before they start something they are not familiar with, he said, they should hire an attorney to review the purchase agreement and an accountant to oversee escrow money given as a deposit until the sale is complete.

To buy a business, Mr. Barragan said, it takes a minimum of $50,000. For a franchise, it takes between $50,000 and $80,000. The buyer must speak English, be disciplined and follow the policy of the chain and make a high level of commitment.

Shepherd King, a tax expert for Greenberg Traurig Attorney at Law, said investors should see a tax advisor before bringing their capital to the United States to avoid paying gift, state or generation taxes.

"Before becoming a U.S. taxpayer," he said, "they should see an accountant or an attorney to rearrange the money transfer without incurring liabilities."

Ricardo Doncon, who moved to West Palm Beach from Colombia in April, said buying a franchise and getting the business operating meant overcoming many unexpected developments.

"The permitting process is so different from Colombia," Mr. Dondono said, who bought a Cash Plus franchise seven months ago and would have invested $200,000 by the time he opens. His business raises checks and issues money orders, among other financial transactions.

"I am still in the process of building my office," he said. "I need a permit for every single thing. One to install the lights, another to paint, another to re-do the plumbing and so on. In Colombia, you hire a handyman and he does it all at once."

Although he said he was frustrated at times, Mr. Dondono said he understood the permitting process had been drafted to minimize potential structural problems.

Another obstacle that delayed operations, Mr. Dondono said, was finding a property that had the dimensions required in his franchise agreement in a neighborhood that had the right demographics, he said.

"I didn't think it was going to take long to find the right place," Mr. Dondono said.

Emmanuel Roussakis, acting chairman of the department of finance in the college of business at Florida International University, said using a business broker doesn't guarantee success.

"They only bring them in touch with the other party," Mr. Roussakis said. "A good performance has to do with sticking to what you know best or take classes to learn a new field. Don't buy a business without acquiring the know-how first."

A great risk is investing all one has into a business one has zero expertise on, he said.

"If they want to import things from their countries to the US, they need to know the specifics of the domestic market," Mr. Roussakis said.

He said those who in their countries were architects should do something in that field "instead of opening a boutique" just because they think the boutique has more potential for success. Those who want to change fields should get a partner who knows the business or they could learn it, Mr. Roussakis said.

"A student of mine who was a contractor from El Salvador," he said, "wanted to establish a bank here. Like in his '40s, he came to FIU and took banking classes to learn the principles of establishing and operating a bank. Finally, he was able to put a bank together."

Without expertise, foreign investors may not be able to get loans from banks, Mr. Roussakis said. Also, he said it is important to have a business plan before going to a bank in search of working capital.

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