



# FLYING SOLO

Many appraisers dream of running their own firm. However, making the leap is easier said than done. Here are five startup tips from appraisers and experts who not only leapt, but also landed.

By **MATT ALDERTON**

**S**tarting a business is a lot like skydiving. Their first time out, most people linger at the jump door, teetering on the edge as they contemplate the ground below. Over and over again, they imagine the forthcoming fall. In their mind's eye, they see the best outcome and the worst. They hesitate. Eventually — suddenly — they jump. When they do, it's terrifying. And thrilling.

James Tellatin, MAI, was 31 years old when he finally jumped. He'd been an appraiser for eight years, had just become a Designated member of the Appraisal Institute and was working for a real estate brokerage and management firm in St. Louis. Although he had started the firm's new appraisal division, he didn't feel in charge of it.

"The work that was being referred to me internally from the real estate brokerage was not desirable work; most of it was with clients who wanted a favor from their appraisal — make it high, make it low, make it fast, make it cheap," Tellatin recalls. "The work I liked doing was work I was selling myself. So eventually, just on the principle of it all, I decided to hang out my own shingle."

That was 30 years ago, in 1984. "I leased an office space for a year, bought furniture and got all the expensive computer equipment I needed, which back then cost as much as a new car," Tellatin says. "But none of that made me nervous. What made me nervous was where the business was going to come from. I really didn't know if I would have clients or not; I figured I'd just work really, really hard and see what happens."

Today, the firm of Tellatin, Short & Hansen, Chesterfield, Missouri, has about 20 employees, including 15 full-time appraisers.

The journey hasn't always been easy, Tellatin admits. Sometimes the jump felt like

flying; other times it felt like falling. Looking back, though, he's confident in his decision. "Do I ever have thoughts of walking away and going back to work for somebody else? Never," he says. "There is a certain pride that comes from owning your own business, and I wouldn't trade that for anything."

#### Rewards vs. Risks

Tellatin isn't alone. In fact, a 2014 poll by Wells Fargo Bank and Gallup found that 84 percent of small-business owners would start their own business all over again — despite the challenges they've faced. The top reasons why: independence (42 percent), pride (17 percent), flexibility (12 percent), customer interaction (11 percent) and earnings (7 percent) that they enjoy as entrepreneurs.

"When you own your own business, you live life on your own terms," says entrepreneur and small-business consultant Ruth King, author of *The Ugly Truth About Small Business: 50 (Never-Saw-It-Coming) Things That Can Go Wrong ... and What You Can Do About It*. "It's not as easy as everybody thinks, but if you run your business right, you can make more money, have more freedom and give more back to your community than you ever could working for somebody else."

And yet, entrepreneurship isn't for everyone. "Small-business ownership is not for the faint of heart," King says. "Everyone thinks

it's a bed of roses, but it's not."

Indeed, misconceptions abound. For instance, many people assume that owning their own business will give them more time and more money. "What they often find out is that they're actually working more and making less," says small-business consultant Barry Moltz, author of *How to Get Unstuck: 25 Ways to Get Your Business Growing Again*. "People don't understand the investment that goes into it."

Then there are minutiae like taxes, book-keeping and payroll. "Just because you're a fantastic appraiser doesn't mean you're going to be a fantastic businessperson," says business coach Jennifer Martin, principal at Zest Business Consulting in San Francisco. "There's a whole slew of things you have to do as a business owner that you might not have considered — like getting a business license, having a website or leasing an office. It's important that you go into this new experience with eyes wide open."

And with thick skin. "When you own a small business, there are a lot of good days and good years, but also a lot of bad days and bad years," Moltz says. "You have to be resilient to handle the ups and downs."

The risks are real — half of all new businesses fail within five years, according to the U.S. Small Business Administration — but so are the rewards. By all means, appraisers who dream of starting their own firm should therefore do so, according to Moltz; however, they should do so carefully, not quickly.

"Don't take big risks; take small risks," he says. "Take patient, iterative steps so you're not making huge mistakes, but small mistakes that you can correct as you go."



## HOW STARTUPS SUCCEED

Big or small, perhaps the best way to avoid mistakes is to learn from those already made by others. The valuation profession, for instance, is full of professionals who are not only excellent appraisers, but also successful business owners. Before you add “entrepreneur” to your résumé, ask them to share their biggest lessons and their best wisdom. Valuation magazine did exactly that and it yielded the following five tips for starting a successful firm:

FEATURE  
alternate  
routes



## 1 ESTABLISH YOUR REPUTATION

One of the biggest misconceptions people have about starting a business, according to King, is that companies live or die by how competitive their prices are. “Don’t assume that having the lowest price is going to get you a job,” she says. “It’s not always about your price. It’s about your reputation.”

Indeed, a bad reputation will doom your business from the start. Before you start your own firm, therefore, it’s important to spend time establishing a good track record and strong credentials.

That’s what Jennifer McGinnis, MAI, did. Before she started her firm, McGinnis Real Estate Appraisal Group of Polson, Montana, she made it a point to receive her MAI designation so she could attract more and better clients. “I was designated for two-and-a-half years before starting my firm,” says McGinnis, who was an entrepreneur before she was an appraiser, having previously owned two restaurants for 13 years. “The designation means a lot and can really help you [when you’re pursuing

clients]. I never would have gone out on my own without it.”

Like McGinnis, who started her firm in 2013, Claire Aufrance, MAI, received her MAI before striking out on her own. Equally important as the designation, however, was the good work she did before she had it, which gave her a good name on which to trade when she started her company, Aufrance Valuations, in 2011 in Greensboro, North Carolina. “Your MAI will open doors, but you have to lay the groundwork first,” says Aufrance. “Don’t expect to be able to start a business without having first built a reputation for doing good work.”

Mark Lowery, MAI, agrees: Pleasing clients before you start your business will stimulate referrals to new clients after you’ve started it. “This industry is very much a relationships industry; it’s all based on your reputation and integrity,” says Lowery, who started his firm, Dallas-based Lowery Property Advisors, in 2010. “It doesn’t happen overnight, but if you always do quality work, that’s your best advertisement.”

### Help for the Little Guy

Have questions?  
Need advice?  
Check out these  
free resources  
for small-business  
owners:

**U.S. Small Business Administration:** The SBA offers small business loans and grants, as well as an extensive online library of entrepreneurial advice. Additionally, it partners with universities and economic development agencies to operate dozens of Small Business Development Centers in local communities around the country, each of which offers free business consulting and low-cost training for

new and veteran business owners.

[www.sba.gov](http://www.sba.gov)

**SCORE:** SCORE supports small businesses by offering free business counseling and consulting through its nationwide network of more than 11,000 volunteers.

[www.score.org](http://www.score.org)

**Internal Revenue Service:**

The IRS Small Business and Self-Employed Tax Center is a repository of small business tax forms and advice.

[www.irs.gov/businesses/small](http://www.irs.gov/businesses/small)

**Wells Fargo Works for Small Business:**

Wells Fargo Works for Small Business connects small-business owners with

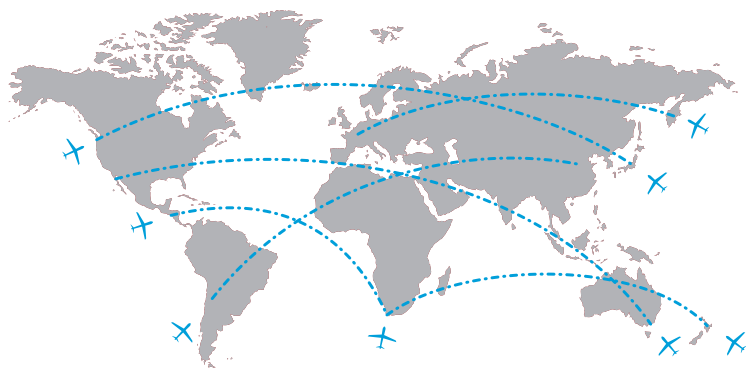
products, resources and guidance specific to starting, running and growing a business.

[www.wellsfargoworks.com](http://www.wellsfargoworks.com)

**Bplans:** Bplans claims to host the largest single online collection of free sample business plans.

[www.bplans.com](http://www.bplans.com)





## 2 BUILD YOUR NETWORK

Because reputation and referrals are so important, so is having a full database of contacts.

“Something I did before I started my business, that I think really helped me, was networking,” says McGinnis, who recommends volunteering with state and local real estate organizations, including state boards of real estate appraisers and state chapters of the Appraisal Institute. “I am currently vice president of the Montana chapter of the Appraisal Institute. It’s a great thing to be involved with because you’re automatically networking with other appraisers at the same time that you’re helping them.”

Although they’re a source of competition, other appraisers also can be a source of customers. “One of my biggest clients early on was sent to me by someone from the Appraisal Institute who recommended me,” Aufrance says. “Nobody can survive as a lone wolf in this industry; you need that community of professional appraisers who support each other and help each other.”

Volunteering isn’t the only way to be visible within the valuation community. You also can contribute thought leadership through writing and speaking opportunities, according to Tellatin, who has authored numerous industry articles. “Just getting your name out there is very important,” he says. “Certainly, one of the reasons I was able to grow from just myself in 1984 to having 15 appraisers today is because I wrote and developed educational [content] for The Appraisal Journal and the Appraisal Institute.”

## BANKING ON SUCCESS

Because cash flow is a major challenge for most small-business owners, a revolving line of credit can be critical. Although obtaining one isn’t always easy, doing your homework can help.

“Before you apply for credit, take time to understand what your business needs to do to be considered credit-ready and in the best position to secure financing,” explains Alice Hartnett, a small-business spokesperson for Wells Fargo Bank.

According to Hartnett, banks are more likely to extend credit to your business if:

- It generates steady cash flow and has the resources to repay new loans.
- Its current debt load is manageable, with a strong financial position to manage its debt payments and the ability to take on additional debt.
- It maintains a good payment history, which gives the bank confidence in its ability to repay.



## 3 MAKE A PLAN

Your network can help you spread the word about your firm when you start it. In addition to friends, however, new firms need a plan.

“One of the first considerations of becoming a business owner is to make sure you have a solid business plan,” says Alice Hartnett, a small-business spokesperson for Wells Fargo Bank. “That includes doing research to learn about your customers, your competitors and your industry, and meeting with a financial advisor to review projected cash flow.”

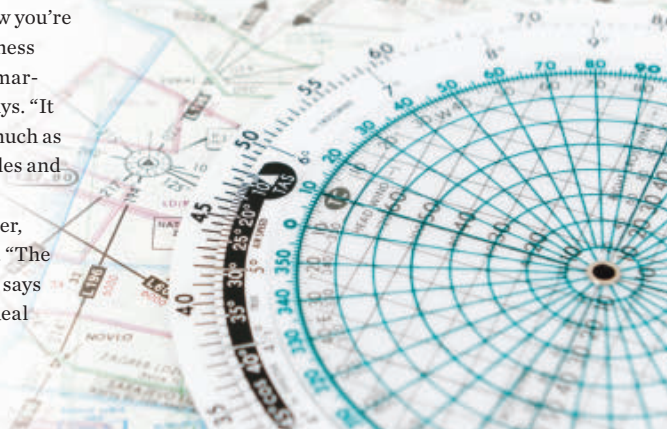
Financial planning is critical, agrees Martin, who recommends appraisers have at least six to eight months of business and personal expenses saved before they quit their day job. “The No. 1 mistake small-business owners make is not being prepared financially,” she says.

In fact, the Dun & Bradstreet Business Failure index attributes 92 percent of all business failures to two factors: a lack of financial management skills/knowledge and a lack of marketing skills/knowledge. The former is important for keeping your business going today, the latter for keeping it going tomorrow.

“You need to have an idea about how you’re going to fund and promote your business before you open your doors because marketing might take a while,” Martin says. “It can take as little as two weeks or as much as six months to see a return on your sales and marketing investment.”

In some cases it can take even longer, according to Mark Haller, MAI, SRA. “The first clients I went after were banks,” says Haller, who started his firm, Haller Real

Estate Advisors of Gadsden, Alabama, in 2012. “I was disappointed to find out how long it takes to get on some banks’ approved appraiser list. For some clients it took a year and a half. For others, it’s been two years and I still haven’t been approved. You have to be prepared for that.”





## 4 DIVERSIFY YOUR BUSINESS

The ebb and flow of business means diversification is especially important.

"I've seen a lot of people go out of business or struggle because all they did was lending work," explains Haller, who says diversification has helped his business increase revenues and reduce risk. "Don't just do lending work; do other types of work, as well. That's something I've tried to do in my business because when certain types of business are slow, other types pick up."

McGinnis likewise has embraced diversification: She and her husband are equal partners in the business; he does residential work while she does commercial work. "We're

able to offer the full spectrum of appraisal services, which I think gives us an advantage," she says.

Diversity can be geographic, as well, according to Tellatin, whose firm specializes in one type of appraisal — health care valuation — but works in numerous markets.

Whether you're diverse in geography or specialty, what's important is that you don't hang your hat on just one hook. "For several years, my business was heavily dependent on a single client," Tellatin says. "It turned out to be very lucrative for me, but I wouldn't recommend it because that plug can get pulled and all your business will just go away."

## ALL SMILES

The states of Utah, Idaho, Texas, Virginia and Louisiana were ranked as the friendliest to small businesses, according to a survey of more than 12,000 small-business owners that was published in April by business consultancy Thumbtack in partnership with the Kauffman Foundation, a private organization that encourages and supports entrepreneurs. California, Rhode Island and Illinois were rated as the least business-friendly.

The survey ranks states according to ease of starting a business, tax codes, licensing, zoning and other issues important to business owners. See a breakdown of each state at [www.thumbtack.com/survey/#/2014/1/states](http://www.thumbtack.com/survey/#/2014/1/states).

## 5 ASSEMBLE A TEAM

Whether you're a staff of one or 100, it's important to have support.

"They say it takes a village to raise a child. Well, I think it takes a village to create a prosperous business," Martin says. "The business owners who are successful are those who are willing to ask for help."

Your team can consist of family and friends for emotional support, but also should include individuals who can offer professional support — someone you can call for business answers and advice, such as a mentor, an accountant or an attorney.

When you're ready, a few tips can help you successfully grow your team with employees:

- **Hire in the right order:** "A good appraiser's first employee shouldn't be another appraiser," says Lowery, whose first of 10 employees was an office manager who handles HR, payroll, accounts payable and other administrative functions. "If you're good at writing appraisals, that's what you should spend your time doing; pay someone else to do the rest."
- **Fill the holes:** "Find people who are complementary to you," says Moltz, who recommends hiring staff whose strengths are your weaknesses. Early in his business, for instance, Tellatin struggled with writing; when he began hiring employees, therefore, he looked for people who received high marks in college English. "I always hire people who are smarter than me," he says.
- **Hire for attitude, not aptitude:** "You can teach anything to anybody, but you can't fix a bad attitude," Moltz says.

■ **Share the wealth:** Teams function best when team members have buy-in — literally. For that reason, Tellatin offers employees a path to partnership, which helps him retain appraisers who might otherwise leave and compete with him. "People work harder and are more conscientious when they have ownership in the business," he says.

## THE SECRET INGREDIENT ...

Appraisers can hire the expertise they lack, save the money they don't have and purchase the marketing they need. The one thing they can't acquire, however — they either have it or they don't — is the one thing they really need: passion.

"People who are successful have a few things in common.

One of them is: They love what they do," Martin says.

Lowery is one of those people. "I always knew I wanted to run a business, and that's what made me successful," he says. "If you're someone who loves writing appraisals, but you don't like all the other stuff that comes with being self-employed, you should probably just keep writing appraisals. But if you've always dreamed of being your own boss, by all means do it. You won't regret it." ▲

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