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When the Folks Give You the Business

By SUE SHELLNBARGER



Watching fellow college students working for \$7.50 an hour after graduation, Tana Walther, a fashion-design major at Kent State University in Ohio, snapped up an alternative offered by her father—to run a Pita Pit restaurant franchise he would buy.

"I guess I bought her a job," says her father, Jan Walther, of North Canton, Ohio. Prospects of a career in fashion seemed remote, and Tana, a college athlete, loved eating at Pita Pit restaurants while traveling with her track team. Her first new restaurant opened last year near campus in Kent, and the 25-year-old hopes to open several more.

Parents often say they would do anything for their child. Setting a child up in business is surely one big test of that bond. A lot is at stake: Small-business failures are common, and parents risk losing their entire investment, their life savings, or more. They also risk straining their relationships with young-adult children intent at this stage on independence.



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Dero Sanford for The Wall Street Journal

Nolen Hughes, left, runs a hauling franchise in Arkansas purchased by his dad, Dave, center. Nolen's brother Andy, right, helps out as well.

Still, many parents see business ownership as a better bet for their kids' future than a graduate degree. And in this era of renewed interest in entrepreneurship, some parents I interviewed described it as a way of recapturing for their children a stake in "the American dream"—the opportunity to control their destiny and have a chance at gaining wealth.

Even when such start-ups work well, both parents and adult children have to make sacrifices. Dave Hughes, North Little Rock, Ark., bought a College Hunks Hauling Junk franchise last year for his son Nolen, then 22 and graduating from college. Dave had to cash in a retirement account, and Nolen had moved back home with his dad to conserve money.

"You have to be willing to make sacrifices when you own your own company," Dave told Nolen. When the two disagree, Dave says he has learned to step back. "If we butt heads, most of the time I just walk away and say, 'OK, fine, I told you what I had to

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say,' " Dave says. But Nolen has worked hard, often rising before dawn to drive his big trash-hauling truck around the city during rush hour. "It's a big billboard," he says.

His father is pleased. "Nolen has more business savvy than I did at his age," Dave Hughes says. He heaved a sigh of relief when the business broke into the black a few months ago. After that, "I didn't worry any more. I think Nolen will be rolling on his own by next year," Dave says.

Journal Community

DISCUSS

Finally, the "American Dream" as it truly should be, the opportunity to control their destiny and have a chance at gaining wealth. Not home ownership or guaranteed financial security, but an opportunity that one can take or leave...and even taking the opportunity can result in failure. That is truly the American Dream, unlike the cookie-cutter suburban life that politicians try and tell us we should all be living.

—John McLaughlin

pocket," he says, amid all the anxiety of a start-up.

Many parents choose franchises for their kids because they seem to offer marketing, branding and management support. While no data on failure rates is available, a study by the Small Business Administration's Inspector General in 2002, the latest available, said there was no evidence that franchises succeed any more often than independent businesses. Start-up costs, including leases for space and equipment, range from roughly \$5,000 to \$10,000 for such low-cost operations as cleaning franchises, to \$1 million or more for popular fast-food restaurants. Information on risks and legal pitfalls for franchisees can be found at BlueMauMau.org, an online trade journal.

Howard Bundy, a Kirkland, Wash., lawyer who represents franchisees and franchisors, says parents considering such a venture need an attorney experienced in representing franchisees, and both an accountant and an experienced business mentor familiar with both franchising and the target industry.

Mr. Bundy also warns that parents run a high risk of losing their investment. One mother lost \$250,000 when a fast-food franchise she purchased for her son failed, Mr. Bundy says. In another case, parents lost \$350,000 on a coffee-shop business they financed for their daughter.

For some parents, the potential rewards seem worth the risk. "As a parent, the best gift you can ever receive is to

Respecting an adult child's need for autonomy while watching them make mistakes can be painful, says Marvin Himel, a Jacksonville, Fla., sales-training consultant. After Mr. Himel bought his son Drew an Internet-consulting franchise, WSI, in 2007, Drew at first underestimated the need to get out and sell his services, spending time studying the Internet instead.

"Those first few months you want to step in and do it for them, but at the same time you want them to grow and learn on their own," Marvin Himel says. "Finally I just stepped in and said, 'Look, nothing is ever going to happen if you don't make a sale.' "

At first, Drew, then 23, dug in. "I was pretty independent-minded. I'd say, 'OK, Dad, what you say is great. I can see that you're a success. But I'm going to pave my own path.' "

But when sales fell short of his goals, he relented and asked his dad for advice. "I told him, 'I'm going to follow what you say verbatim. Tell me what to do.' From that point on, I started to have a lot of success," Drew says. Drew has hired two employees, his income has risen and the business is growing.

The setups can be stressful for young adults, too. Jon Kelecyc's father, a Tampa, Fla., financial executive, set him up recently in a franchise for Fibrenew, a leather- and plastic- restoration business. Jon, 26, of Gainesville, Fla., loves the work and appreciates his dad's support. But he dislikes "being in his

see your children happy and successful," and equipped to make a living, Marvin Himel says.

None of the parents I interviewed expect any short-term return on their investment. A few viewed it as a gift. Some structured it as a loan and deferred repayment. Others took stock in the business, with an agreement that their child would use future earnings to buy it back.

Some parents look farther ahead, hoping their child's business will support them in retirement. After supporting his own father in old age with proceeds from his Canton, Ohio, restaurant, Walther's Cafe, Mr. Walther says he hopes his daughter will do the same for him.

Ms. Walther says she welcomes the prospect, adding, "this is a partnership."

Write to Sue Shellenbarger at sue.shellenbarger@wsj.com

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