How to Sell Your Residuals – Selling Merchant Account Portfolio

Do you know if you really own your residuals? The best way to find out is to ask your credit card processor if they want to buy you out—that is, purchase some of your future income steams. If you need fast cash, this is a great way to go. Let's look at some of the details:

For example, what if you closed twenty deals in October, and each of those yielded $50 in profit. If you have a 50% split, then your residuals would be $25 for each account per month. This makes for about $500 dollars a month total in residuals, which is $6,000 dollars per year. Not bad, right? Especially considering that your portfolio will only increase from there.

Just like any other asset, you can sell your portfolio, though. If you need cash upfront, you can sell the right to this long-term passive income to your processor. How much would they pay? Well, typically, they will pay the same as about 15 months of your residuals, which in this case is $7,500. And then they would pay you another $4,500 throughout the year ($500 x 9), depending on the retention of your accounts. That's a pretty handsome amount for closing just 20 accounts.

There are some rules to consider when you're doing a buyout, though, so let's take a look at some individual guidelines:

1.) First, the residuals need to be from a merchant account that has been activated for awhile—at least a month, but more often around three months. Why? Consider this: your processor will decide what to pay you based on the average income generated over the past three months. You don't want one or two of those months to be a 0.

2.) Selling your residuals shouldn't affect your upfront payment for closing the deal.

3.) You're more likely to get that second payment if less accounts cancel, so sometimes it's better to sell more accounts to your processor to increase your chances. Another thing you can do is to get a buyout that is 100% upfront, though usually this isn't as lucrative in the long run.

Do you feel like you're a bit more familiar with buyouts now? The above guidelines are good things to keep in mind, but how do you know when a buyout would be helpful?

1.) To break your fall when you're first getting started. Running a business can be a difficult challenge and sometimes this requires putting money upfront. It might be fine to work off savings and initial capital for a few months, but eventually you're going to have to start earning income from your business to be able to avoid running out of money. If expansion is happening slower that you thought and you need some money to put into savings or to invest in your business when you're brand new to the industry, a buyout may just help you find the liquid cash that you need without having to go into debt.

2) When you need stability. You might be tempted to go with a buyout as a way to pay for the cost of

growing—for example, getting a fancy advertising campaign going, or moving to a bigger office—but don't do it. Selling your residuals is not a long-term strategy, so it should not be used to meet long-term goals like growth. You may have more money upfront, but it will obviously lower the amount of your monthly residuals. It is not worth it; the point of this business it to build your monthly income over time. Only perform a buyout when you really need liquid cash upfront to put out a fire and return your business to the status quo—not to add more complexities and growth.

When *shouldn't* you sell your residuals? Well, there are a few situations where it's not recommended:

- When you want to slow your business down / take time off. The buyout is something of an emergency options—it's not meant to help you relax. In fact, it is taking monthly income away from your business!

- If you are tempted to sell more than how fast you are growing. You should always be able to replenish what you lost within a few months. If not, then don't do the buyout. Your goal should be to get those residuals coming in again.

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