



DISCOVER YOUR **TRUE** WEALTH
MONEY-MORPHOSIS®

Blueprint for Effective Negotiations

“Let us never negotiate out of fear. But let us never fear to negotiate.” John F. Kennedy

Many people are uncomfortable negotiating. Developing this skill, however, will benefit you in making both big and small purchases.

The more you negotiate, the more natural it becomes. Once you start thinking of negotiating as helping both you and the other person, it becomes a positive money-saving tool. You will become more confident as you gain experience.

Kindness and honesty are the key. The goal is to make both parties feel good afterward. Rarely, if ever, play “hardball.” Whether you are the seller or the buyer, always present your offer in a positive light. Negotiating should never be emotional. Negotiating is not like bickering at a flea market. Negotiating is finding an agreement that will benefit you both.

Prepare by understanding what the other party values most. Listen carefully and choose your words carefully, so they will recognize that you, too, have their best interest in mind. Be clear about your own goals, too, and tell the other party what are non-negotiable points for you.

Key Negotiating Thoughts

- * The process is positive, regardless of the outcome.
- * Prices for products and services include significant profit margin, and a person would rather reduce the profit margin (price) than lose the sale.
- * You are not "hurting" the other person or business by asking them for a discount. You are actually helping them make a sale, because otherwise you would go to the lower-cost vendor and purchase elsewhere.
- * Negotiating works best when you are willing to walk away from the purchase.
- * Get multiple bids. Always try and determine the lowest price available before negotiating. Check the Internet or call to get quotes from two-three other vendors. Then use this knowledge to negotiate with your top choice.
- * Always ask, "Is there any way you could reduce the price?" You have nothing to lose and everything to gain.
- * Be creative. If someone won't reduce the price, maybe they will throw in something additional or split closing costs or provide some other service.
- * Don't take it personally if negotiating occasionally does not work. Keep trying. It will work the majority of the time.

The "Sandwich Approach"

Plan your negotiations using the "Sandwich Approach" by saying something positive at the beginning and end of the negotiations.

1. Compliment their work or product.

2. Tell them you really want to buy from them, but their price is higher than others. Ask them if there is any way they would take a lower price, or ask what is the lowest price they would accept.
3. Thank them, no matter what the outcome. Always end the negotiations with a positive comment.

Example—Buyer’s Standpoint:

I need new tires for the car. I do research on the Internet to find the specific tires I want. I call three local tire stores and ask them for their best price, installed. They are higher than Internet prices. I tell them I have heard a lot of good things about them and would like to buy from them, but their prices are higher. They ask me what price I can get at other places, and they immediately offer to beat that price. I enthusiastically thank them for their offer and schedule the installation.

Large Purchases

When you are negotiating large purchases, such as a house or car, you should always counter their offer with a lower offer such as, “I can offer you \$\$\$ amount.” Never pay asking price—the seller of a large-ticket item expects you to negotiate and will actually lose respect for you if you do not ask to negotiate.

For large purchases, be prepared to walk away. Make an offer, attempt your best negotiations, and then, if they decline, say thanks and walk away. Remember you can always contact them later and pay the higher price, and they may contact you later and accept your lowest offer!

Example—Buyer’s Standpoint:

I want to purchase a building lot. I really want this specific lot, but I do not let the sellers know this. They paid \$40,000 for the lot two years ago, but have been unable to resell the lot. The lot is currently for sale for \$39,000. I offer \$30,000 (a low offer to “shock” them and lower their expectations). They counter with \$32,000. I offer \$31,000. They say that \$32,000 is the lowest they can go. I thank them for the offer, and ask them to

let me think about it. I call them the next day and accept their offer of \$32,000.

Example—Buyer’s Standpoint:

I need a loan. I call banks and check the Internet to determine the “best rates” available. I tell my preferred bank, who is charging a higher rate, that I can get a lower rate elsewhere, and they immediately match the lowest rate. They would rather lower the rate than lose the loan.

Example—Buyer’s Standpoint:

I am digging a septic tank. The company gives me a bid of \$10,000. I ask them if they can go lower. They say they can go to \$8,000.

Example—Seller’s Standpoint:

I am selling a house for \$175,000. I get an offer for \$165,000. I respond that I am not willing to reduce the price, because I just put the house on the market, but if I do not sell it in four-six weeks, I will consider their offer. If I do not get higher offers, six weeks later I counter their offer with \$170,000, which they accept.