

STARTING YOUR OWN BUSINESS



- 👉 Does a market exist for your service or product?
- 👉 Do you understand all phases of operation of the business?
- 👉 Can you develop the market to obtain the revenues needed?

Your choice of business should be based upon the knowledge and experience you possess relative to that business. Building a profitable enterprise is difficult enough without having to learn the business from the "bottom up" at the same time.



Personal Qualification



Formulate a Business Plan



Information & Assistance Sources



How the SBA Helps Small Business

Select type of Organization



Record Keeping



How Congress helps Small Business



Lenders



PERSONAL QUALIFICATION

Certain personal qualifications are essential to the success of anyone wishing to own and operate their own business.

A prospective business owner should be:

- 👍 Experienced in the type of business being started – preferably with management and/or supervisory background.
- 👍 Farsighted - have the ability to set goals and plan ahead.
- 👍 A natural leader who can direct the activities of others and accept responsibility for results.
- 👍 An organizer who can develop and establish routines and procedures for efficient execution of plans
- 👍 Able to make decisions and act on them.
- 👍 Self-Disciplined – gets things done on time.
- 👍 Willing to work long hours.
- 👍 A self-starter.
- 👍 Healthy, with the stamina and energy to do everything that is required in a business.
- 👍 Able to work with customers, employees, and suppliers and should like people.
- 👍 Willing to learn new techniques and procedures and be able to adapt to change.



SELECT TYPE OF ORGANIZATION



Your business structure affects how much you, pay in taxes, your ability to raise money, the paperwork you need to file, and your personal liability.

You'll need to choose a business structure before you register your business with the state. Most businesses will also need to get a tax ID number and file for the appropriate licenses and permits.

Choose carefully. While you may convert to a different business structure in the future, there may be restrictions based on your location. This could also result in tax consequences and unintended dissolution, among other complications.

Consulting with business counselors, attorneys, and accountants can prove helpful.

INDIVIDUAL PROPRIETORSHIP

Simplest of all legal forms of organization.

Owner is usually the manager and does not share control of the business

Income and expenses are reported on the owner's individual income tax return. Profits are taxed at owner's rate.

PARTNERSHIP

Partnerships are the simplest structure for two or more people to own a business together. There are two common kinds of partnerships: limited partnerships (LP) and limited liability partnerships (LLP).

Limited partnerships have only one general partner with unlimited liability, and all other partners have limited liability. The partners with limited liability also tend to have limited control over the company, which is documented in a partnership agreement. Profits are passed through to personal tax returns, and the general partner — the partner without limited liability — must also pay self-employment taxes.

Limited liability partnerships are similar to limited partnerships but give limited liability to every owner. An LLP protects each partner from debts against the partnership, they won't be responsible for the actions of other partners.

Partnerships can be a good choice for businesses with multiple owners, professional groups (like attorneys), and groups who want to test their business idea before forming a more formal business.

CORPORATIONS

Most formal and complex of all legal structures.

Formed under Articles of Incorporation, filed with the Secretary of State (your state), governed by laws (rules) set down in its Charter (license)

Business Profits are Taxed separately from earning of owners and executives. A corporation is a separate legal entity, has a separate, continuous life.

Most Business start as proprietorships or partnerships. If the business experiences continuous growth, incorporation may become necessary.

If and when you decide to incorporate, it is advisable to consult an account or tax consultant to review the possible tax advantage / disadvantages. Information about the various types of legal structures can be obtained from the U.S. Small Business Administration (SBA) at their web site www.sba.gov.

Do not substitute the information contained in this guide for legal advice. In forming a partnership or corporation, it is vital to seek professional advice in order to protect your interests.

FORMULATE A BUSINESS PLAN



Define carefully the business you are going to start.

Market

- What is the sales potential?
- How are you going to attract customers?
- How are you going to sell to the customer?

Plan for Buying

- From whom?
- How – what terms?

Inventory Control

- What is on hand?
- What is on order?
- What has been sold?

Getting the work done

internal organization

- Who is responsible for what?
- Are your job descriptions clearly defined?

Clearly defined job descriptions make sure each employee knows what tasks he will be required to do.

Determine your money needs

Startup costs
Operating expenses

- Break down the expenses
- Match expected sales revenues and expenses
- Will sales bring in enough money to pay the bill on time?

Sources of Additional Capital

- Commercial banks
- Tradecreditors, equipment manufacturers
- Small loan companies, factors, commercial credit companies,
- Sales finance companies, and insurance companies.

Control and feedback- is the Business progressing according to plan?

Monthly financial statements
Control systems which cover:

- 👍 Inventory
- 👍 Sales
- 👍 Disbursements
- 👍 Break Even – at what sales level will income cover expenses?

Will your business plan work?

- 👍 You are trying to predict what will happen in the future, so you should review the plan to reassure yourself that you are being as realistic and accurate as possible.
- 👍 If someone else prepares the plan for you, make sure you go over it in detail with them. Be sure you understand the information it contains.

Put the plan into action

Keep the plan up to date

- 👍 This is accomplished through your systems of control and feedback.

RECORD KEEPING

Determine the record-keeping requirements.

- ✔ Consult an independent accountant.
- ✔ Be sure you understand whatever record-keeping system you decide to use.
- ✔ Open a company bank account
- ✔ Keep all business transactions separate from personal expenses – THIS IS IMPORTANT
- ✔ Deposit all receipts intact and promptly.
- ✔ Decide on check signer(s)
- ✔ Pay all expenses by check
- ✔ Open a tax account to keep tax collections (sales, social security, income) and estimates separate from sales revenues

Decide on how often you will need to see a Profit and Loss Statement and a Balance Sheet.

- ✔ Monthly Profit and Loss Statements are a good idea.
- ✔ Know the industry averages for your business and see how you compare.

For reference: Robert Morris Associates Annual Statement Studies; Dun & Bradstreet; or National Cash Register.

- ✔ If you do not know, learn to "read" a Profit and Loss Statement and a Balance Sheet. There is more to it than looking at the bottom line to see if you made or lost money.
- ✔ Records are the most important management "tool" you possess.
- ✔ If you seek management assistance from SBA, a bank, or an outside consultant, it will be virtually impossible for them to help you if you do not have good records.



INFORMATION & ASSISTANCE RESOURCES

The Self-Employed and Small Business Community has grown tremendously over the last several years. The State of Small Business: A Report of the President points out that the self-employed are one of the most amazing aspects of American economy. Since the early '70s, Small Business have increased and will continue to be the leading growth elements in the country. A good portion of that growth comes from cooperation among small business owners. There has been an increase in the number of entrepreneurial ventures aimed at assisting new business owners.

Who are the small business advisors?

You can find potential consultants / advisors through:

- Friends and business associates
- Local Chamber of Commerce
- Local Small Business Administration - SBA
- SCORE Association
- America's Small Business Development Centers

Federal Government

How the government helps small businesses:

- Contracting to supply products or services to the government can be very profitable.
- Many of the various departments and agencies provide business consulting services.
- Those agencies and departments could provide information which could lead to either direct or indirect financial assistance.

HOW CONGRESS HELPS SMALL BUSINESS



Don't forget that you have "hired hands" in Washington. You elected them. The representative of your congressional district and two senators from your state are there when you need them.

Legislative assistants can help you in a number of ways:

- As a go-between if you haven't gotten the response you want from government.
- Assistance on late payments on government contracts.
- Help steering you toward the correct federal departments to assist you with your questions.

Legislation pertaining to small business is handled by two congressional committees formed specifically for that purpose.

Senate Small Business Committee

Russell Building, Room SR-428A (202) 224-5175
www.sbc.senate.gov/

House Small Business Committee

Rayburn Building, Room 2361 (202) 225-4038
www.sbc.senate.gov/

Remember that the squeaky wheel always gets the grease. Your opinion can make a difference in how your elected officials vote. Put it in writing to them and address your correspondence as follows:

The Honorable _____

U.S. Senate
Washington DC 20510

Dear Senator:

The Honorable _____

U. S. House of Representatives
Washington, DC 20515

Dear Congressman/woman:

HOW THE SBA HELPS SMALL BUSINESS



The U.S. Small Business Administration provides many services for small business owners through their various departments.

Most major cities have a local SBA field office. Check www.sba.gov for the closest field office. These field offices conduct workshops and seminars on small business. These informative meetings can be a valuable source of information.

The departments listed below all fall under the jurisdiction of the SBA and can be reached by calling the main number- 800-827-5722. Visit www.sba.gov for a complete list of all services

Funding Programs:

Loans – Start or expand your business with loans guaranteed by the Small Business Administration - <https://www.sba.gov/funding-programs/loans>

Investment Capital – Find an investor for your business. Investors make both debt and equity investments - <https://www.sba.gov/funding-programs/investment-capital>

Disaster Assistance – get help after a disaster with low-interest disaster loans from the SBA - <https://www.sba.gov/funding-programs/investment-capital>

Surety Bonds – protect your work and your client with an SBA-guaranteed surety bond - <https://www.sba.gov/funding-programs/surety-bonds>

Grants – Look for government grants that help business do scientific research and development - <https://www.sba.gov/funding-programs/grants>

Office of Advocacy - <https://advocacy.sba.gov/>

The Office of Advocacy of the U.S. Small Business Administration is the independent voice for small business within the federal government, the watchdog of the Regulatory Flexibility Act, and a source of small business statistics and research. Advocacy advances the views and concerns of small business before Congress, the White House, federal agencies, federal courts, and state policymakers.

Contracting and Assistance Programs - <https://www.sba.gov/federal-contracting>

Contracting Guide – Learn how to find and win contracts with the federal government <https://www.sba.gov/federal-contracting/contracting-guide>

Contracting Assistance Programs – Gain a competitive edge with help from the SBA's business development programs - <https://www.sba.gov/federal-contracting/contracting-assistance-programs>

Counseling and Help – Find counseling and training resources to help you understand contracting process - <https://www.sba.gov/federal-contracting/counseling-help>

**The SBA is tremendous resource center for information to
Plan, Launch, Manage and Grow your business**

Visit www.sba.gov for a complete list of all services

**For additional information use the SBA's Guide to Start Your Business
<https://www.sba.gov/business-guide/10-steps-start-your-business>**

LENDERS



WHAT ARE YOUR OPTIONS?

Several sources for obtaining financial loans:

- 👍 Personal savings
- 👍 Friends, family, or private investors
- 👍 Sale of stock under Regulation D of the Securities and Exchange Commission
- 👍 Local and regional commercial banks
- 👍 Commercial lending institutions
- 👍 Federal, state, local government agencies
- 👍 Certified development companies
- 👍 Small business investment companies
- 👍 Credit unions
- 👍 Venture capital firms

Types of loans:

Repayment schedule determines the type of loan:

- 👍 Short-term loans-periods - less than a year.
- 👍 Intermediate loans - from one to five years.
Usually, will require some sort of collateral.
- 👍 Long-term loans-longer than five years.
Always require Collateral. Large sum, paid in periodic installments.
- 👍 Unsecured loans - require collateral or pledged assets and are usually short term.
- 👍 Venture capital - long term money for new or unusual investments.
Carries higher returns for lenders.

<https://www.sba.gov/business-guide/10-steps-start-your-business>