



Small Businesses—Tips for Getting Started

Starting or buying a business is a complicated process that can be both overwhelming and rewarding. These tips will help you get your business off the ground in no time.

STICK TO WHAT YOU KNOW AND LOVE

Before starting a business, be sure you have evaluated your knowledge and skills. Your success relies on your passion and commitment to the product and services you offer.

GET SMART

The more you know, the better your chances for success. Learn all the details of your industry by researching and investigating the competition. Use the Internet, subscribe to magazines and attend association meetings so you can become knowledgeable and informed and make important contacts.

CHOOSE AN ORGANIZATIONAL STRUCTURE OR "ENTITY"

Businesses can be established as partnerships, corporations or limited liability companies. Or you can operate as a sole proprietorship, without organizing as a separate business entity.

There is no single best form of ownership for a business. However, keep in mind that your decision affects both your income taxes and personal liability, so be sure you understand the pros and cons of each. Here are the basics:

- Sole Proprietorship—Owned by one person, this type of business is easy to set up and maintain. The owner is personally responsible for paying both income taxes and business debts.

- Partnership—In a partnership, two or more people form a business for mutual profit. The specific partnership agreement details how profits and responsibilities are divided.
- Corporation—Corporations provide the greatest shield from personal liability, however they are generally subject to federal income tax—so your earnings may be subject to both corporate and personal income taxes.
- Limited Liability—Limited liability companies offer certain protections from liability, as well as more flexibility in structuring and governance than corporations.

NAME YOUR BUSINESS

This is not as easy as it sounds. It's best to select a name that is short, easy to remember, descriptive of the type of business you're in, and is likely to attract attention.

WRITE A BUSINESS PLAN

This is your blueprint for success. A business plan helps organize your thoughts and ideas about the business, keeps you focused, and will assist you in securing financing. Specifically, it should include a strong introduction/executive summary, a description of the service or product you will provide, your market positioning and financial objectives.

FIND THE BEST LOCATION

This is often a critical factor in a business' success. You should check area competitors, and measure vehicle and pedestrian traffic during business hours.

GET FUNDING

There are two main types of business financing—debt and equity. Debt involves borrowing money, such as from a bank or credit union. Equity involves selling parts of the business to investors—including private investors, venture capital firms and investment clubs. Although the first place to look might be your own assets—borrowing against a retirement plan, life insurance policy or home equity—asking friends and family for assistance is also an option.

MAKE IT LEGAL

Governments often require licenses and permits to conduct business. Some are more difficult to obtain than others. Limited Liability Corporations must file an “articles of organization” with the LLC division of the state government. Sole proprietorships and partnerships must fulfill local registration requirements, such as obtaining a business license, an employer identification number from the IRS and a seller’s license. If you’re unsure of what you need, consult a professional.

INSURE YOUR BUSINESS

Insurance serves many purposes for a business. Be sure to obtain a business owner’s policy that protects your business from property damage, personal injury suits and other forms of financial loss—you can obtain business interruption coverage. Some insurance premiums are even tax deductible.

PLAN TO WORK EXTREMELY HARD

Many people start their own business in the hopes of not having to work hard, and not being tied down to a job. However, new business owners typically work longer and harder than most employees, especially in the beginning.

LEAN ON THE EXPERTS

Don’t make the mistake of turning to professionals only when you are in trouble. Professional advisers who specialize in small businesses can provide valuable, objective advice and help strengthen your business.

