

Successful Planning For Small Businesses



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For Free copies of this and other E-Books

“Starting Your Own Business”

“How to earn income on the Internet”

“Earning a Living with E-Bay and Online Auctions”

“Starting Your Own Franchise Business”

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Introduction

We are pleased to provide you with the latest information and resources on how to start a small business. For many individuals going into business for themselves is the fulfillment of a lifetime dream.

With rightsizing, downsizing, and reorganizations, a number of individuals have decided to leave traditional employment and operate their own business. Such business ownership is rapidly becoming a viable alternative to what is perceived as an unstable work environment.

Today there are 25 million small businesses across the country accounting for:

- Two of every three new jobs created
- 54 percent of the private work force
- 52 percent of all sales volume, and
- 50 percent of all U.S. production

Women-owned businesses now number 9.1 million, employing 27.5 million workers and contributing \$3.6 trillion to the U.S. economy.

The Director of the U.S. Small Business Administration (SBA) www.sba.gov has initiated a well thought out, easy to learn training program on how to succeed as a small business owner. The thrust of that program is contained in this booklet along with a number of resources available by clicking the blue links in each section. An index to all links is provided at the end of this document.

We suggest that you take advantage of other resources found at your local colleges, NXLevel training centers, community development offices, SCORE, and other organizations that provide small business training.

Are you ready?

Is Entrepreneurship For You?

“Write down your goals and what you plan to do to achieve them. Aim high, for you are capable of eternal blessings.”

Thomas S. Monson

In business, there are no guarantees. There is simply no way to eliminate all the risks associated with starting a small business - but you can improve your chances of success with good planning, preparation, and insight. Start by evaluating your strengths and weaknesses as a potential owner and manager of a small business. Carefully consider each of the following questions.

Are you a self-starter?

It will be entirely up to you to develop projects, organize your time, and follow through on details.

How well do you get along with different personalities?

Business owners need to develop working relationships with a variety of people including customers, vendors, staff, bankers, and professionals such as lawyers, accountants or consultants. Can you deal with a demanding client, an unreliable vendor, or a cranky receptionist if your business interests demand it?

How good are you at making decisions?

Small business owners are required to make decisions constantly - often quickly, independently, and under pressure.

Do you have the physical and emotional stamina to run a business?

Business ownership can be exciting, but it's also a lot of work. Can you face six or seven 12-hour workdays every week?

Research indicates that poor planning is responsible for most business failures. Good organization of financials, inventory, schedules, and production can help you avoid many pitfalls.

Is your drive strong enough?

Running a business can wear you down emotionally. Some business owners burn out quickly from having to carry all the responsibility for the success of their business on their own shoulders. Strong motivation will help you survive slowdowns and periods of burnout.

How will the business affect your family?

The time and money you invest in learning how to run a successful small business will return to you a hundred fold.

The first few years of business startup can be hard on family life. It's important for family members to know what to expect and for you to be able to trust that they will support you during this time. There also may be financial difficulties until the business becomes profitable, which could take months or years. You may have to adjust to a lower standard of living or put family assets at risk in the short-term.

For more information:

[Checklist for starting a business](http://app1.sba.gov/survey/checklist/)
<http://app1.sba.gov/survey/checklist/>

Why Small Businesses Fail

Success in business is never automatic. It isn't strictly based on luck - although a little never hurts. It depends primarily on the owner's foresight and organization. Even then, of course, there are no guarantees.

Underestimating the difficulty of starting a business is one of the biggest obstacles entrepreneurs face. However, success is possible if you are patient, willing to work

hard, and take all the necessary steps.

According to the U.S. Small Business Administration, over **50% of small businesses fail in the first year and 95% fail within the first five years.** On the positive side NXLevel, a nationwide training center reports that business success can reach 80 percent if the business owner receives training. In his book *Small Business Management*, Michael Ames gives the following reasons for small business failure:

1. Lack of experience
2. Insufficient capital
3. Poor location
4. Poor inventory management
5. Over-investment in fixed assets
6. Poor credit arrangements
7. Personal use of business funds
8. Unexpected growth

Gustav Berle adds two more reasons in *The Do It Yourself Business Book*:

- Competition
- Low sales

For more Information:

[10 reasons why businesses fail](#)

[Top 10 Reasons Small Businesses Fail](#)

[Why Most Internet Businesses Fail!](#)

On the Upside

It's true that there are many reasons not to start your own business. But for the right person, the advantages of business ownership far outweigh the risks.

- You will be your own boss.
- Hard work and long hours directly benefit you, rather than increasing profits for someone else.
- Earning and growth potential are far greater.
- A new venture is as exciting as it is risky.
- **Keep the counsel of President Ezra Taft Benson:**

“A man may succeed in business ... but if he fails in his home, he will face an eternity of disappointment.”=

- Running a business provides endless challenge and opportunities for learning.
- For more information on assessing your readiness download the SBA's:

Other factors needed to Succeed in Business

1. Be honest in all of your dealings.

Be a person of honesty, integrity and good will. Always maintain the highest standards in both personal behavior and professional ethics. Be a role model.

2. Place your Family First.

Small businesses require an abundant amount of time and energy. Workweeks of 60-80 hours are not uncommon for new business owners. If your business requires too much time away from your family, perhaps you may want to reconsider self-employment.

3. Treat your Suppliers with respect. They are the lifeblood of your company.

4. Be Community Minded. Get involved in community affairs, support local activities and become active in the local Chamber of Commerce and other organizations.

5. Be a Good Boss. Treat employees with respect and friendliness. Find ways to help others. Pay a fair wage. Be considerate of special circumstances that your employees may have.

Finding a Niche

A market in its entirety is too broad in scope for any but the largest companies to tackle successfully. The best strategy for a smaller business is to focus on manageable market niches. Small operations can then offer specialized goods and services attractive to a specific group of prospective buyers.

There are undoubtedly some particular products or services you are especially suited to provide. Study the market carefully and you will find opportunities. For a example, surgical instruments used to be sold in bulk to both small medical practices and large hospitals. One firm realized that the smaller practices could not afford to sterilize instruments after each use like hospitals did, but instead simply disposed of them. The firm's sales representatives talked to surgeons and hospital workers to learn what would be more suitable for them. Based on this information, the company developed disposable instruments, which could be sold in larger quantities at a lower cost. Another firm capitalized on the fact that hospital operating rooms must carefully count the instruments used before and after surgery. This firm met that particular need by packaging their instruments in pre-counted, customized sets for

different forms of surgery.

While researching your own company's niche, consider the results of your market survey and the areas in which your competitors are already firmly situated. Put this information into a table or a graph to illustrate where an opening might exist for your product or service. Try to find the right configuration of products, services, quality, and price that will ensure the least direct competition. Unfortunately, there is no universally effective way to make these comparisons. Not only will the desired attributes vary from industry to industry, but there is also an imaginative element that cannot be formalized.

A well-designed database can help you sort through your market information and reveal particular segments you might not see otherwise. For example, do customers in a certain geographic area tend to purchase products that combine high quality and high price more frequently? Do your small business clients take advantage of your customer service more often than larger ones? If so, consider focusing on being a local provider of high quality goods and services, or a service-oriented company that pays extra attention to small businesses.

If you do target a new niche market, make sure that this niche does not conflict with your overall business plan. For example, a small bakery that makes cookies by hand cannot go after a market for inexpensive, mass-produced cookies, regardless of the demand.

Buying a Business

Many find the idea of running a small business appealing, but lose their motivation after dealing with business plans, investors, and legal issues associated with new start-ups. For those disheartened by such risky undertakings, buying an existing business is often a simpler and safer alternative.

Advantages

The main reason to buy an existing business is the drastic reduction in start-up costs of time, money, and energy. In addition, cash flow may start immediately thanks to existing inventory and receivables. Other benefits include pre-existing customer goodwill and easier financing opportunities, if the business has a positive track record.

Disadvantages

The biggest block to buying a small business outright is the initial purchasing cost. Because the business concept, customer base, brands, and other fundamental work has already been done, the financial costs of acquiring an existing business is usually greater than starting one from nothing. Other possible disadvantages include hidden problems associated with the business and receivables that are valued at the time of purchase, but later turn out to be non-collectable. *Good research is the key to avoiding these problems.*

For more Information:

[Entrepreneurship: Starting & Managing Your Own Business](#)

Buying a Franchise

An important step in the small business start-up process is deciding whether or not to go into business at all. Each year, thousands of potential entrepreneurs are faced with this difficult decision. Because of the risk and work involved in starting a new business, many new entrepreneurs choose franchising as an alternative to starting a new, independent business from scratch.

Although the success rate for franchise-owned businesses is significantly higher than for independent businesses, no individual franchise is guaranteed to succeed. One of the biggest mistakes you can make is to hurry into business, so it's important to understand your reasons for going into business, and to determine if owning a business is right for you.

If you are concerned about the risk involved in a new, independent business venture, then franchising may be the best business option for you. But remember that hard work, dedication, and sacrifice are essential to the success of any business venture, including franchising.

What is Franchising?

A franchise is a legal and commercial relationship between the owner of a trademark, service mark, trade name, or advertising symbol and an individual or group wishing to use that identification in a business. The franchise governs the method of conducting business between the two parties. Generally, a franchisee sells goods or services supplied by the franchiser or that meet the franchiser's quality standards.

Franchising is based on mutual trust between the franchiser and franchisee. The franchiser provides the business expertise (marketing plans, management guidance, financing assistance, site location, training, etc.) that otherwise would not be available to the franchisee. The franchisees bring to the franchise operation the entrepreneurial spirit and drive necessary to make the franchise a success.

There are primarily two forms of franchising:

- Product/trade name franchising and
- Business format franchising.

In the simplest form, a franchiser owns the right to the name or trademark and sells that right to a franchisee. This is known as "product/trade name franchising." The more complex form, "business format franchising," involves a broader ongoing relationship between the two parties. Business format franchises often provide a full range of services, including site selection, training, product supply, marketing plans, and even assistance in obtaining financing.

To learn more about:

- The advantages and disadvantages of franchising,
- The franchiser's responsibilities,
- What is contained in a franchise packet, and
- Understanding the franchise contract,

For more information:

[Read SBA's "Is Franchising for Me?" Workbook \(.pdf file\)](#)

[Franchise Registry](#)

[Franchise Directories & Evaluation](#)

[Consumer Guide to Buying a Franchise](#)

Protecting Your Ideas

It's not easy to think about ideas as property, but for some businesses it's vital. Most of us have had an idea for a new product or service only to dismiss, postpone, or neglect it. Sometimes we later find that others had the same idea, but took it to market before we did. By that time, it is too late for us to take advantage of the idea.

Ideas are relatively easy to come by, but inventions are more difficult. It takes knowledge, time, money, and effort to refine an idea into a workable invention, even on paper. Turning an invention into an innovation - a new product accepted by the marketplace - takes a lot of effort and a little luck. There are substantial barriers in the path of those who pursue innovation. Overcoming them requires careful planning

and plenty of input from others.

Hundreds of thousands of inventors and innovators file each year for protection under U.S. patent, trademark and copyright laws. However, it can be hard to decide which of the three vehicles is most appropriate for the protection of a particular invention. Although a single product or service may require a patent, a trademark, and a copyright, each category protects a distinct aspect of a creative work or expression.

Patents, copyrights and trademarks, as well as know-how or trade secrets, are often collectively referred to as intellectual property. Many firms have such property without even being aware of it or of the need to take measures to protect it.

Many people's notions of intellectual property are unrealistic. Some believe, for example, that simply having a patent on a product will enable one to succeed in the marketplace. Consequently, they may spend thousands of dollars to obtain the exclusive rights to market something that no one wants or can afford to buy. Others may decide that intellectual property protection is not worth the trouble.

People who may not be interested in protecting their own rights must still take precautions to avoid infringing on the rights of others. This calls for more than the avoidance of copying. Some copying is unavoidable; but one can easily infringe on the rights of others without deliberately imitating specific features of goods or services.

For more Information:

[U.S. Patent and Trademark Office - Patent Section](#)

[U.S. Patent and Trademark Office - Trademark Section](#)

[U.S. Copyright Office](#)

[Trademarks](#)

[Copyright](#)

[Trade Secrets](#)

[Federal vs. State Laws](#)

Product Basics

Products may be described in terms of their features and benefits. Features are product characteristics; benefits are customer needs served by those features. Some examples of features are size, color, horsepower, functionality, design, hours of business, and fabric content. Benefits are less tangible but always answer the customer's question: What's in it for me?

While product features are usually easy to define, product benefits can be trickier because they exist in the customer's mind. The most compelling product benefits are those that provide emotional or financial rewards. It's not the brighter smile that the toothpaste offers that is its benefit; it's what the smile might bring you (a good-looking mate, a better job, etc.).

Emotional rewards run the gamut of human emotions, but basically allow the buyer to feel better in some way. For example, sending flowers to a friend or family member allows the buyer to feel supportive or loving. Buying products made from recycled materials offers the buyer the chance to feel environmentally responsible.

Products that deliver financial rewards allow the buyer to save money (e.g., a discount long-distance phone plan) or make money (e.g., computer software for managing a home-based business).

Discovering Your Product's Benefits

To identify your product's benefits, you must consider your customers' needs. Imagine yourself in your customers' shoes, talk to them directly, or conduct surveys asking about their needs and perceptions.

If possible, hire an independent firm to conduct a focus group with a sample group of customers to test your product for usability and desirability.

Examine customers who have purchased your product in the past. What do their customer profiles tell you about your product's benefits?

Once you have a basic sense of your product's benefits, you can set up systems to develop and track their evolution:

- Ask customers for suggestions for improvement.
- Pay careful attention to customer complaints and prospect inquiries. Train and reward employees for questioning customers and prospects to learn what they like and don't like about your product.
- Watch your competitors. Do the changes in their product offerings suggest product benefits you hadn't yet considered?

It is recommended that you review the information provided in this hyperlink. It provides valuable information on many of the upcoming sections.

[Specific Training](#)

Business Planning

Business Plan Basics

A business plan precisely defines your business, identifies your goals, and serves as your firm's resume. The basic components include a current and balance sheet, an income statement, and a cash flow analysis. It helps you allocate resources properly, handle unforeseen complications, and make good business decisions. Because it provides specific and organized information about your company and how you will repay borrowed money, a good business plan is a crucial part of any loan application. Additionally, it informs sales personnel, suppliers, and others about your operations and goals.

Plan Your Work

The importance of a comprehensive, thoughtful business plan cannot be overemphasized. Much hinges on it: outside funding, credit from suppliers, management of your operation and finances, promotion and marketing of your business, and achievement of your goals and objectives.

“The business plan is a necessity. If the person who wants to start a small business can't put a business plan together, he or she is in trouble,” says Robert Krummer, Jr., chairman of First Business Bank in Los Angeles.

Despite the critical importance of a business plan, many entrepreneurs drag their feet when it comes to preparing a written document. They argue that their marketplace changes too fast for a business plan to be useful or that they just don't have enough time. But just as a builder will not begin construction without a blueprint, eager business owners should not rush into new ventures without a business plan.

Before you begin writing your business plan, consider four core questions:

- What service or product does your business provide and what needs does it fill?
- Who are the potential customers for your product or service and why will they purchase it from you?
- How will you reach your potential customers?
- Where will you get the financial resources to start your business?

Using the Plan

A business plan is a tool with three basic purposes: communication, management, and planning.

As a communication tool, it is used to attract investment capital, secure loans, convince workers to hire on, and assist in attracting strategic business partners. The development of a comprehensive business plan shows whether or not a business has the potential to make a profit. It requires a realistic look at almost every phase of business and allows you to show that you have worked out all the problems and decided on potential alternatives before actually launching your business.

As a management tool, the business plan helps you track, monitor and evaluate your progress. The business plan is a living document that you will modify as you gain knowledge and experience. By using your business plan to establish timelines and milestones, you can gauge your progress and compare your projections to actual accomplishments.

As a planning tool, the business plan guides you through the various phases of your business. A thoughtful plan will help identify roadblocks and obstacles so that you can avoid them and establish alternatives. Many business owners share their business plans with their employees to foster a broader understanding of where the business is going.

For more Information:

[Sample Business Plans](#)

Writing the Plan

What goes in a business plan? The body can be divided into four distinct sections:

1. Description of the business
2. Marketing
3. Finances
4. Management

The plan should include an executive summary, supporting documents, and financial projections. Although there is no single formula for developing a business plan, some elements are common to all business plans. They are summarized in the following outline:

I. Elements of a Business Plan

1. Cover sheet
2. Statement of purpose
3. Table of contents

II. The Business

- A. Description of business
- B. Marketing
- C. Competition
- D. Operating procedures
- E. Personnel
- F. Business insurance

III. Financial Data

- A. Loan applications
- B. Capital equipment and supply list
- C. Balance sheet
- D. Breakeven analysis
- E. Pro-forma income projections (profit & loss statements)
 - Three-year summary
 - Detail by month, first year
 - Detail by quarters, second and third years
 - Assumptions upon which projections were based
- F. Pro-forma cash flow

IV. Supporting Documents

- A. Tax returns of principals for last three years Personal financial statement (all banks have these forms)
- B. For franchised businesses, a copy of franchise contract and all supporting documents provided by the franchiser
- C. Copy of proposed lease or purchase agreement for building space
- D. Copy of licenses and other legal documents
- E. Copy of resumes of all principals
- F. Copies of letters of intent from suppliers, etc.

Sample Plans

One of the best ways to learn about writing a business plan is to study the plans of established businesses in your industry.

For more Information:

[Review examples of real business plans.](#)

[SBA's Startup Guide](#)

[Business Plan Workshops](#)

Financing

Startup Costs

Every business is different, and has its own specific cash needs at different stages of development, so there is no generic method for estimating your startup costs. Some businesses can be started on a shoestring budget, while others may require considerable investment in inventory or equipment. It is vitally important to know that you will have enough money to launch your business venture.

To determine your startup costs, you must identify all the expenses that your business will incur during its startup phase. Some of these expenses will be one-time costs such as the fee for incorporating your business or price of a sign for your building. Some will be ongoing, such as the cost of utilities, inventory, insurance, etc.

While identifying these costs, decide whether they are essential or optional. A realistic startup budget should only include those things that are necessary to start that business. These essential expenses can then be divided into two separate categories: fixed expenses (or overhead) and variable expenses (those related to producing sales for the business). Fixed expenses will include things like the monthly rent, utilities, administrative costs, and insurance costs. Variable expenses include inventory, shipping and packaging costs, sales commissions, and other costs associated with the direct sale of a product or service.

The most effective way to calculate your startup costs is to use a worksheet that lists all the various categories of costs (both one-time and ongoing) that you will need to estimate prior to starting your business. The following tools will assist you in performing that task:

For more Information:

[PaloAlto Startup Cost Estimator](#)

[Business Know-How Startup Calculator](#)

Breakeven Analysis

Breakeven analysis is a tool used to determine when a business will be able to cover all its expenses and begin to make a profit. For the startup business it is extremely important to know your startup costs, which provide you with the information you need to generate enough sales revenue to pay the ongoing expenses related to running your business.

A startup business owner must understand that \$5,000 of product sales will not cover \$5,000 in monthly overhead expenses. The cost of selling \$5,000 in retail goods could easily be \$3,000 at the wholesale price, so the \$5,000 in sales revenue only provides \$2,000 in gross profit available for overhead costs. The breakeven point is reached when revenue equals all business costs.

To calculate your breakeven point you will need to identify your fixed and variable costs. Fixed costs are expenses that do not vary with sales volume, such as rent or administrative salaries. These costs have to be paid regardless of sales and are often referred to as overhead costs. Variable costs vary directly with the sales volume, such as the costs of purchasing inventory, shipping, or manufacturing a product.

The formula for determining your breakeven point requires no more than simple arithmetic.

For more Information:

[Will Your Business Make Money
On-line Breakeven Calculator](#)

Personal vs. Business

Starting up a business can be a tremendous strain on your personal finances. It can take six months or more before your new venture is profit able and can provide financial support for you and your family. Before going into business it is always wise to get your finances in order.

Write a monthly household budget that accounts for your income and your household expenses. Be as conservative as possible, because it is vital to your success that you have the resources to maintain your household expenses while your business is growing. Any strain on your personal budget will put the financial success of your business at risk.

It is also a good idea to check your personal credit situation. Too often, entrepreneurs think that their business credit and personal credit are separate. A business' credit is built upon the owner's personal credit. Because you have not established a business credit history, lenders and suppliers will use your personal credit history to determine your terms of credit.

Your credit report determines how potential lenders and suppliers will perceive you. You should know what appears on your credit report because you may find errors that you will want to have corrected. To get a copy of your credit report, refer to one of the three major credit bureaus:

For more Information:

[Equifax](#)

[Experian](#)

[Trans Union](#)

[What is Credit Scoring?](#)

[Fair Credit Reporting](#)

[Federal Trade Commission Consumer Protection](#)

[Fair Isaac FICO Scoring](#)

Financing Basics

While poor management is cited most frequently as the reason businesses fail, inadequate or ill-timed financing is a close second. Whether you're starting a business or expanding one, sufficient ready capital is essential. But it is not enough to simply have sufficient financing; knowledge and planning are required to manage it well. These qualities ensure that entrepreneurs avoid common mistakes like securing the wrong type of financing, miscalculating the amount required, or underestimating the cost of borrowing money.

Before inquiring about financing, ask yourself the following:

- Do you need more capital or can you manage existing cash flow more effectively?
- How do you define your need? Do you need money to expand or as a cushion against risk?
- How urgent is your need? You can obtain the best terms when you anticipate your needs rather than looking for money under pressure.
- How great are your risks? All businesses carry risks, and the degree of risk will affect cost and available financing alternatives.
- In what state of development is the business? Needs are most critical during transitional stages.
- For what purposes will the capital be used? Any lender will require that capital be requested for very specific needs.
- What is the state of your industry? Depressed, stable, or growth conditions require different approaches to money needs and sources. Businesses that prosper while others are in decline will often receive better funding terms.
- Is your business seasonal or cyclical? Seasonal needs for financing generally are short term. Loans advanced for cyclical industries such as construction are designed to support a business through depressed periods.

- How strong is your management team? Management is the most important element assessed by money sources.

Perhaps most importantly, how does your need for financing mesh with your business plan? If you don't have a business plan, make writing one your first priority. All capital sources will want to see your for the start-up and growth of your business.

Not All Money Is the Same

There are two types of financing: equity and debt financing. When looking for money, you must consider your company's debt-to-equity ratio - the relation between dollars you've borrowed and dollars you've invested in your business. The more money owners have invested in their business, the easier it is to attract financing. If your firm has a high ratio of equity to debt, you should probably seek debt financing. However, if your company has a high proportion of debt to equity, experts advise that you should increase your ownership capital (equity investment) for additional funds. That way you won't be over-leveraged to the point of jeopardizing your company's survival.

Equity Financing

Most small or growth-stage businesses use limited equity financing. As with debt financing, additional equity often comes from non-professional investors such as friends, relatives, employees, customers, or industry colleagues. However, the most common source of professional equity funding comes from venture capitalists. These are institutional risk takers and may be groups of wealthy individuals, government-assisted sources, or major financial institutions. Most specialize in one or a few closely related industries. The high-tech industry of California's Silicon Valley is a well-known example of capitalist investing.

Venture capitalists are often seen as deep-pocketed financial gurus looking for start-ups in which to invest their money, but they most often prefer three-to-five-year old companies with the potential to become major regional or national concerns and return higher-than-average profits to their shareholders. Venture capitalists may scrutinize thousands of potential investments annually, but only invest in a handful. The possibility of a public stock offering is critical to venture capitalists. Quality management, a competitive or innovative advantage, and industry growth are also major concerns.

Different venture capitalists have different approaches to management of the business in which they invest. They generally prefer to influence a business passively, but will react when a business does not perform as expected and may insist on changes in management or strategy. Relinquishing some of the decision-making and some of the potential for profits are the main disadvantages of equity financing.

You may contact these investors directly, although they typically make their investments through referrals. The SBA also licenses Small Business Investment Companies (SBICs) and Minority Enterprise Small Business Investment companies (MSBIs), which offer equity financing. Apple Computer, Federal Express and Nike Shoes received financing from SBICs at critical stages of their growth.

For more Information:

[Raising Money through Equity Investments](#) - Inc. Magazine

Debt Financing

There are many sources for debt financing: banks, savings and loans, commercial finance companies, and the U.S. Small Business Administration (SBA) are the most common. State and local governments have developed many programs in recent years to encourage the growth of small businesses in recognition of their positive effects on the economy. Family members, friends, and former associates are all potential sources, especially when capital requirements are smaller.

Traditionally, banks have been the major source of small business funding. Their principal role has been as a short-term lender offering demand loans, seasonal lines of credit, and single-purpose loans for machinery and equipment. Banks generally have been reluctant to offer long-term loans to small firms. The SBA guaranteed lending program encourages banks and non-bank lenders to make long-term loans to small firms by reducing their risk and leveraging the funds they have available. The SBA's programs have been an integral part of the success stories of thousands of firms nationally.

In addition to equity considerations, lenders commonly require the borrower's personal guarantees in case of default. This ensures that the borrower has a sufficient personal interest at stake to give paramount attention to the business. For most borrowers this is a burden, but also a necessity.

Estimating Costs

In order to determine how much seed money you will need, you must estimate the costs of your business for at least the first several months. Every business is different, and has its own specific cash needs at different stages of development, so there is no universal method for estimating your startup costs. Some businesses can be started on a shoestring budget, while others may require considerable investment in inventory or equipment. It is vitally important to know that you will have enough money to launch your business venture.

To determine your startup costs, you must identify all the expenses that your business will incur during its startup phase. Some of these expenses will be one-time costs such as the fee for incorporating your business or price of a sign for your building. Some will be ongoing, such as the cost of utilities, inventory, insurance, etc.

While identifying these costs, decide whether they are essential or optional. A realistic startup budget should only include those things that are necessary to start that business. These essential expenses can then be divided into two separate categories: fixed and variable. Fixed expenses include rent, utilities, administrative costs, and insurance costs. Variable expenses include inventory, shipping and packaging costs, sales commissions, and other costs associated with the direct sale of a product or service.

The most effective way to calculate your startup costs is to use a worksheet that lists all the various categories of costs (both one-time and ongoing) that you will need to estimate prior to starting your business. The following tool will assist you in performing that task:

For more information:
[Startup Cost Calculator](#)

Finding Capital

Raising capital is the most basic of all business activities, but it may not be easy; in fact, it is often a complex and frustrating process. However, if you have studied and planned effectively, raising money for your business will go as smoothly as possible.

Finding the Money You Need

There are several sources to consider when looking for financing. It is important to explore all of your options before making a decision.

Personal savings: The primary source of capital for most new businesses comes from savings and other personal resources. While credit cards are often used to finance business needs, there are usually better options available, even for very small loans.

Friends and relatives: Many entrepreneurs look to private sources such as friends and family when starting out in a business venture. Often, money is loaned interest-free or at a low interest rate, which can be beneficial when getting started.

Banks and credit unions: The most common sources of funding, banks and credit unions, will provide a loan if you can show that your business proposal is sound.

Angel Investors and Venture capital firms: These individuals and firms help expanding companies grow in exchange for equity or partial ownership.

A source of venture capital is the SBA's Small Business Investment Company (SBIC) Program. SBICs, licensed and regulated by the SBA, are privately owned and managed investment firms that use their own capital, plus funds borrowed at favorable rates with an SBA guarantee, to make venture capital investments in small businesses.

For more information:

[Read SBA's Venture Capital Primer for Small Business](#)

Additional Sources on Capital

[Credit Cards](#)

[Customer Financing](#)

[Factoring Accounts Receivables](#)

[Home Equity Loans](#)

[Mergers and Acquisitions](#)

[Purchase Order Financing](#)

[State-Specific Economic Development Programs \(search your individual state\)](#)

[Strategic Partnering](#)

[Read SBA's Financing for the Small Business](#)

Borrowing Money

It is often said that small businesses face difficulty borrowing money, but this is not necessarily true. Banks make money by lending money. However, the inexperience of many small business owners in financial matters often prompts banks to deny loan requests. Requesting a loan when you are not properly prepared suggests to your lender that you are a high risk.

To successfully obtain a loan, you must be prepared and organized. You must know exactly how much money you need, why you need it, and how you will pay it back. You must be able to convince your lender that you are a good credit risk.

Types of Business Loans

Terms of loans vary from lender to lender, but there are two basic types: short-term and long-term.

Generally, a short-term loan has a maturity of up to one year. These include working capital loans, accounts receivable loans and lines of credit.

Long-term loans have maturities greater than one year but usually less than seven years. Real estate and equipment loans may have maturities of up to 25 years. Long-term loans are used for major business expenses such as purchasing real estate and facilities, construction, durable equipment, furniture and fixtures, vehicles, etc.

SBA loan programs are intended to encourage long-term small business financing, but actual loan maturities are based on the ability to repay, the purpose of the loan proceeds, and the useful life of the assets financed. However, maximum loan maturities have been established: twenty-five years for real estate; up to ten years for equipment (depending on the useful life of the equipment); and generally up to seven years for working capital

For more Information:

[Read SBA's "The Benefits of Making Your Banker Your Friend"](#)

How to Write a Loan Proposal

Approval of your loan request depends on how well you present yourself, your business, and your financial needs to a lender. Remember, lenders want to make loans, but they must make loans they know will be repaid. The best way to improve your chances of obtaining a loan is to prepare a written proposal.

A well-written loan proposal contains:

General Information

- Business name, names of principals, Social Security number for each principal, and the business address
- Purpose of the loan - exactly what the loan will be used for and why it is needed
- Amount required - the exact amount you need to achieve your purpose

Business Description

- History and nature of the business - details of what kind of business it is, its age, number of employees and current business assets.
- Ownership structure - details on your company's legal structure

Management Profile

- Develop a short statement on each principal in your business, provide background, education experience, skills and accomplishments.

Market Information

- Clearly define your company's products as well as your markets.
- Identify your competition and explain how your business competes in the marketplace.

Profile your customers and explain how your business can satisfy their needs.

Financial Information

Financial statements - balance sheets and income statements for the past three years. If you are starting out, provide a projected balance sheet and income statement.

Personal financial statements on yourself and other principal owners of the business
Collateral you are willing to pledge as security for the loan

For more Information:

[Balance Sheet](#)

[Income Statement](#)

Prepare a balance sheet, income statement and/or cash flow statement for your business. Use [SBA's Template Forms](#) to build your own financial statements.

[Read SBA's "How to Prepare a Loan Package"](#)

[Read SBA's "Never Take No for an Answer - \(When the Bank Says No\)"](#)

How Your Loan Request Will Be Reviewed

When reviewing a loan request, the lender is primarily concerned about repayment. To help determine its likelihood, many loan officers will order a copy of your business credit report from a credit-reporting agency. Therefore, you should work with these agencies to make sure they present an accurate picture of your business. Using the credit report and the information you have provided, the lending officer will consider the following issues:

- Have you invested savings or personal equity in your business totaling at least 25 percent to 50 percent of the loan you are requesting? Remember, no lender or investor will finance 100 percent of your business.

- Do you have a sound record of credit-worthiness as indicated by your credit report, work history and letters of recommendation? This is very important.
- Do you have sufficient experience and training to operate a successful business?
- Have you prepared a loan proposal and business plan that demonstrate your understanding of and commitment to the success of the business?
- Does the business have sufficient cash flow to make the monthly payments?

Applying for a Loan

When applying for a loan, you must prepare a written loan proposal. Make your best presentation in the initial loan proposal and application; you may not get a second opportunity.

Always begin your proposal with a cover letter or executive summary. Clearly and briefly explain who you are, your business background, the nature of your business, the amount and purpose of your loan request, your requested terms of repayment, how the funds will benefit your business, and how you will repay the loan. Keep this cover page simple and direct.

Many different loan proposal formats are possible. You may want to contact your commercial lender to determine which format is best for you. When writing your proposal, don't assume the reader is familiar with your industry or your individual business. Always include industry-specific details so your reader can understand how your particular business is run and what industry trends affect it.

Description of Business:

Provide a written description of your business, including the following information:

- Type of organization
- Date of information
- Location
- Product or service
- Brief history
- Proposed Future Operation
- Competition
- Customers
- Suppliers

Management Experience: Resumes of each owner and key management members.

Personal Financial Statements:

SBA requires financial statements for all principal owners (20% or more) and guarantors. Financial statements should not be older than 90 days. Make certain that you attach a copy of last year's federal income tax return to the financial statement.

Loan Repayment:

Provide a brief written statement indicating how the loan will be repaid, including repayment sources and time requirements. Cash-flow schedules, budgets, and other appropriate information should support this statement.

Existing Business: Provide financial statements for at least the last three years, plus a current dated statement (no older than 90 days) including balance sheets, profit & loss statements, and a reconciliation of net worth. Aging of accounts payable and accounts receivables should be included, as well as a schedule of term debt. Other balance sheet items of significant value contained in the most recent statement should be explained.

Proposed Business:

Provide a pro-forma balance sheet reflecting sources and uses of both equity and borrowed funds.

Projections:

Provide a projection of future operations for at least one year or until positive cash flow can be shown. Include earnings, expenses, and reasoning for these estimates. The projections should be in profit & loss format. Explain assumptions used if different from trend or industry standards and support your projected figures with clear, documental explanations.

Other Items As They Apply:

- Lease (copies of proposal)
- Franchise Agreement
- Purchase Agreement
- Articles of Incorporation
- Plans, Specifications
- Copies of Licenses
- Letters of Reference

- Letters of Intent
- Contracts
- Partnership Agreement

Collateral:

List real property and other assets to be held as collateral. Few financial institutions will provide non-collateral based loans. All loans should have at least two identifiable sources of repayment. The first source is ordinarily cash flow generated from profitable operations of the business. The second source is usually collateral pledged to secure the loan.

The 5 C's of Credit

Your bank is in business is to make money. Consequently, when a bank lends money it wants to ensure that it will be paid back. The bank considers the following 5 "Cs" of credit each time it makes a loan:

Capacity to repay is the most critical of the five factors. The prospective lender will want to know exactly how you intend to repay the loan. The lender will consider the cash flow from the business, the timing of the repayment, and the probability of successful repayment of the loan. Payment history on existing credit relationships - personal and commercial - is considered an indicator of future payment performance. Prospective lenders also will want to know about your contingent sources of repayment.

Capital is the money you personally have invested in the business and is an indication of how much you will lose should the business fail. Prospective lenders and investors will expect you to contribute your own assets and to undertake personal financial risk to establish the business before asking them to commit any funding. If you have a significant personal investment in the business you are more likely to do everything in your power to make the business successful.

Collateral or guarantees are additional forms of security you can provide the lender. If the business cannot repay its loan, the bank wants to know there is a second source of repayment. Assets such as equipment, buildings, accounts receivable, and in some cases, inventory, are considered possible sources of repayment if they are sold by the bank for cash. Both business and personal assets can be sources of collateral for a loan. A guarantee, on the other hand, is just that - someone else signs a guarantee document promising to repay the loan if you can't. Some lenders may require such a guarantee in addition to collateral as security for a loan.

Conditions focus on the intended purpose of the loan. Will the money be used for working capital, additional equipment, or inventory? The lender will also consider the local economic climate and conditions both within your industry and in other industries that could affect your business.

Character is the personal impression you make on the potential lender or investor. The lender decides subjectively whether or not you are sufficiently trustworthy to repay the loan or generate a return on funds invested in your company. Your educational background and experience in business and in your industry will be reviewed. The quality of your references and the background and experience of your employees will also be considered.

For more Information:

[SBA's Preparing and Presenting a Loan Proposal](#)

[SBA's Loan Package Checklist](#)

Cash Management

Business analysts report that poor management is usually the main reason for business failure. Poor cash management is probably the most frequent stumbling block for entrepreneurs. Understanding the basic concepts of cash flow will help you plan for the unforeseen eventualities that nearly every business faces.

Cash vs. Cash Flow Cash is ready money in the bank or in the business. It is not inventory, it is not accounts receivable (what you are owed), and it is not property. These can potentially be converted to cash, but can't be used to pay suppliers, rent, or employees.

Profit growth does not necessarily mean more cash on hand. Profit is the amount of money you expect to make over a given period of time. Cash is what you must have on hand to keep your business running. Over time, a company's profits are of little value if they are not accompanied by positive net cash flow. You can't spend profit; you can only spend cash.

Cash flow refers to the movement of cash into and out of a business. Watching the cash inflows and outflows is one of the most pressing management tasks for any business. The outflow of cash includes those checks you write each month to pay salaries, suppliers, and creditors. The inflow includes the cash you receive from customers, lenders, and investors.

Positive Cash Flow

If its cash inflow exceeds the outflow, a company has a positive cash flow. A positive cash flow is a good sign of financial health, but by no means the only one.

Negative Cash Flow

If its cash outflow exceeds the inflow, a company has a negative cash flow. Reasons for negative cash flow include too much or obsolete inventory and poor collections on accounts receivable (what your customers owe you). If the company can't borrow additional cash at this point, it may be in serious trouble.

What are the Components of Cash Flow?

A Cash Flow Statement shows the sources and uses of cash and is typically divided into three components:

Operating Cash Flow

Operating cash flow, often referred to as working capital, is the cash flow generated from internal operations. It comes from sales of the product or service of your business, and because it is generated internally, it is under your control.

Investing Cash Flow

Investing cash flow is generated internally from non-operating activities. This includes investments in plant and equipment or other fixed assets, nonrecurring gains or losses, or other sources and uses of cash outside of normal operations.

Financing Cash Flow

Financing cash flow is the cash to and from external sources, such as lenders, investors and shareholders. A new loan, the repayment of a loan, the issuance of stock, and the payment of dividend are some of the activities that would be included in this section of the cash flow statement.

How Do I Practice Good Cash Flow Management?

Good cash management is simple. It involves:

- Knowing when, where, and how your cash needs will occur
- Knowing the best sources for meeting additional cash needs
- Being prepared to meet these needs when they occur, by keeping good relationships with bankers and other creditors

The starting point for good cash flow management is developing a cash flow projection. Smart business owners know how to develop both short-term (weekly, monthly) cash flow projections to help them manage daily cash, and long-term (annual, 3-5 year) cash flow projections to help them develop the necessary capital strategy to meet their business needs. They also prepare and use historical cash flow statements to understand how they used money in the past.

For more Information:

[SBA's "Learn to Project Cash Flows to Avoid Financial Trouble"](#)

[SBA's "Preparing Your Cash Flow Statement"](#)

Marketing Basics

To succeed, entrepreneurs must attract and retain a growing base of satisfied customers. Marketing programs, though widely varied, are all aimed at convincing people to try out or keep using particular products or services. Business owners should carefully plan their marketing strategies and performance to keep their market presence strong.

What is marketing?

Marketing is based on the importance of customers to a business and has two important principles:

1. All company policies and activities should be directed toward satisfying customer needs.

2. Profitable sales volume is more important than maximum sales volume.

To best use these principles, a small business should:

- Determine the needs of their customers through market research
- Analyze their competitive advantages to develop a market strategy
- Select specific markets to serve by target marketing
- Determine how to satisfy customer needs by identifying a market mix

Market Research

Successful marketing requires timely and relevant market information. An inexpensive research program, based on questionnaires given to current or prospective customers, can often uncover dissatisfaction or possible new products or services.

Market research will also identify trends that affect sales and profitability. Population shifts, legal developments, and the local economic situation should be monitored to quickly identify problems and opportunities. It is also important to keep up with competitors' market strategies.

Marketing Strategy

A marketing strategy identifies customer groups, which a particular business can better serve than its target competitors, and tailors product offerings, prices, distribution, promotional efforts, and services toward those market segments. Ideally, the strategy should address unmet customer needs that offer adequate potential profitability. A good strategy helps a business focus on the target markets it can serve best.

Target Marketing

Owners of small businesses usually have limited resources to spend on marketing. Concentrating their efforts on one or a few key market segments - target marketing - gets the most return from small investments. There are two methods used to segment a market:

1. Geographical segmentation - Specializing in serving the needs of customers in a particular geographical area. For example, a neighborhood convenience store may send advertisements only to people living within one-half mile of the store.
2. Customer segmentation - Identifying those people most likely to buy the product or service and targeting those groups.

Managing the Market Mix

Every marketing program contains four key components:

- Products and Services
- Promotion
- Distribution
- Pricing

These are combined into an overall marketing program.

Products and Services

Product strategies may include concentrating on a narrow product line, developing a highly specialized product or service, or providing a product-service package containing unusually high-quality service.

Promotion

Promotion strategies include advertising and direct customer interaction. Good salesmanship is essential for small businesses because of their limited ability to spend on advertising. Good telephone book advertising is also important. Direct mail is an effective, low-cost medium available to small business.

Price

The right price is crucial for maximizing total revenue. Generally, higher prices mean lower volume and vice-versa; however, small businesses can often command higher prices because of their personalized service.

Distribution

The manufacturer and wholesaler must decide how to distribute their products. Working through established distributors or manufacturers' agents generally is easiest for small manufacturers. Small retailers should consider cost and traffic flow in site selection, especially since advertising and rent can be reciprocal: A low-cost, low-traffic location means spending more on advertising to build traffic.

The nature of the product or service is also important in making decisions. If purchases are based largely on impulse, then high traffic and visibility are critical. On the other hand, location is less a concern for products or services that customers are willing to go out of their way to find. The recent availability of highly segmented mailing lists, purchased from list brokers, magazines, or other companies, has enabled certain small businesses to operate from any location yet serve national or international markets.

Marketing Performance

After implementing a marketing program, entrepreneurs must evaluate its performance. Every program should have performance standards to compare with actual results. Researching industry norms and past performance will help to develop appropriate standards.

Entrepreneurs should audit their company's performance at least quarterly. The key questions are:

1. Is the company doing all it can to be customer-oriented?
2. Do employees ensure the customers are satisfied and leave wanting to come back?
3. Is it easy for the customer to find what he or she wants at a competitive price?

Finding Employees

Once you have identified the skills needed for the positions you want to fill, there are many sources that can help you recruit job applicants.

LDS employment services

Talk with your ward or stake employment specialist, or visit your local **LDS Employment Resource office**.

Public Services

Each State has an employment service (often called Job Service, Public Employment, Unemployment Bureau, or Employment Security Agency). All are affiliated with the United States Employment Service, and local offices are ready to help businesses recruit employees. The employment service will screen applicants with aptitude tests if they are available for the skills you specify.

Fee-Based Searches

Employment agencies specialize in finding industry or skill-specific employees. The primary advantages are the professional screening services provided by such agencies, including background checks and aptitude tests. Employers typically pay a considerable fee to the agency for its services.

Online job sites such as Monster.com are still the fastest growing method for employer-employee matchmaking. These specialized sites, along with the online classified sections from major newspapers, often provide the largest pool of prospective employees. However, most online sites do not offer the professional screening services offered by employment agencies. Additionally, businesses advertising on such sites are often inundated with applicants.

Interns

Colleges and universities usually have a distributive education program in which students work for you part-time or volunteer as interns while they learn about your business. Interns typically expect to learn skills or useful information relevant to their chosen field of study. Prior to contacting a school regarding interns, make sure that you have a clear idea of how an intern will benefit from working with you. If you're looking for someone to do clerical work with little or no opportunity for learning on the job, it's generally best to hire low cost help instead.

“Help Wanted”

If you have a traditional storefront and are seeking generalists, one of the oldest and most reliable recruitment tools is a simple sign in your window. The most obvious advantage to this recruitment method is that it is free. There are serious disadvantages, however, including attracting unqualified applicants with a vast variety of skill sets, and the difficulty of talking to prospective applicants while conducting business.

Alternative Staffing Solutions

How do you cope with unexpected personnel shortages? Many businesses face this question because of seasonal peaking, inventory, special projects, several employees simultaneously on sick leave, or an unexpected increase in business.

Entrepreneurs must also cope with the rising costs of employee benefits, as well as all the payroll record keeping required by local, state, and federal government. This section discusses alternatives available to meet these staffing challenges. Options include temporary help services, employee leasing, and service contracting.

Temporary Help Services

Most businesses need extra help sometimes, and temporary shortages are especially difficult for smaller businesses. A temporary personnel service hires employees and assigns them to companies requesting help. The service is responsible for payroll, bookkeeping, tax deductions, workers' compensation, fringe benefits, and all other employee costs. Most national temporary personnel companies also offer performance guarantees and fidelity bonding at no added cost.

Workers supplied by a temporary service firm are quickly available. Usually they can start the day after a request is made, and sometimes the same day. Although the rate paid to a temporary service firm is higher than that paid to a permanent employee,

the costs of recruiting, record-keeping, training, overtime, and idle periods are much less.

Evaluate temporary personnel services using these factors:

Reliability: Is the service well established, with a history of success and financial stability?

Recruiting:

The firm with an aggressive recruiting program is more likely to have the most skilled and reliable employees.

Testing and evaluation: How does it test and evaluate personnel?

Training programs: Does the company train personnel in modern office methods, word processing, records management, and other important skills?

Quality control: Does the company check the quality of work of its temporary employees?

A temporary service will ask for information about the department the employee will be working in, duration of the assignment, working hours, dress code, smoking rules, and other important information. If possible, send samples of the work. Be sure to give the exact location of your business, transportation available, parking information, and the name and title of the person to whom the temporary employee will report.

Temporary help services are not appropriate for all needs. Businesses needing a temporary worker for six months or longer should hire a full-time employee. For jobs that require extensive supervision, it may be cheaper to pay overtime to a regular employee than to use a temporary worker.

Employee Leasing

Employee leasing is similar to employing temporary personnel, but involves permanent employees. An employer transfers employees to the payroll of a leasing firm that, in turn, leases them back to the employer. The leasing firm becomes the legal employer and is responsible for payroll and leaves; record keeping; benefits and services; and participation in hiring, evaluation, and firing.

Advantages:

Savings of time and money

Improved employee benefits

Help with personnel policies and employee handbooks

Records uniform and easily audited

Disadvantages:

Leasing company exercises certain controls over employment policies
Employer retains responsibility for productivity and conduct
Termination may be more difficult

For more Information:

[Employees Taxes](#)
[Employment Law](#)
[Employee or Contractor](#)
[Employee Benefits](#)
[Specific Training](#)

Labor union contracts or state law might keep certain employers from leasing certain employees

Most leasing firms require the value of one full payroll in an escrow or trust account in addition to regular payroll costs
Service Contracting

Because of the infrequency of the need or the specialized nature of the work, contracting for the service rather than hiring permanent employees better meets many business needs.

Services often contracted:

When starting a new business you may need to wear a number of hats and perform many tasks listed below. In some situations it may be wise to subcontract the work to an outside company where your skills are limited (payroll accounting, data processing or other functions). Review the list below and determine what function you can perform and which ones would be best contracted out. Remember each task takes time and if you perform all of these services your hours may be expanded beyond your liking.

Security
Janitorial
Grounds upkeep
Equipment/mechanical maintenance
Merchandise delivery
Payroll accounting
Taxes
Printing
Records processing
Messenger

Interior decorating (Building displays)
Specialized services (installation, servicing and cleaning of appliances, carpeting, and furniture)

In you enter into a contract with a person or company to perform any of the above services the terms of the contract must cover in detail who is expected to perform the service and other requirements for successful completion. It is the contracting firm's responsibility, not yours, to provide staff, pay, and supervision.

Payroll Taxes

Withholding Taxes

Employers are responsible for withholding taxes from employees' paychecks, sending them to the proper government agencies, and other employer tax obligations. The major employer paid taxes (FICA, federal unemployment, and state unemployment taxes) will be explained later in this section.

Social Security and Medicare Taxes

The Federal Insurance Contributions Act (FICA) provides for a federal system of old age, survivors, disability, and hospital insurance. The first three are financed by the social security tax, while hospital insurance is financed by the Medicare tax. To learn more about the five major benefits covered by Social Security taxes (retirement, disability, family benefits, survivors and Medicare), please refer to the Social Security Administration's Web site.

Employers must withhold social security and Medicare taxes from employees' wages and pay a matching amount. These taxes have different rates and only the social security tax has a wage base limit. There is no wage base limit for Medicare tax; all covered wages are subject to Medicare tax.

Federal Unemployment Tax

The Federal Unemployment Tax Act (FUTA), together with state unemployment systems, provides for payments of unemployment compensation to workers who have lost their jobs. Most employers pay both a federal and a state unemployment tax. Only the employer pays FUTA tax; it is not deducted from the employee's wages. Generally, employers can take a credit against FUTA tax for amounts paid into state unemployment funds. This credit cannot be more than 5.4% of taxable wages. Those entitled to the maximum 5.4% credit have an effective FUTA tax rate of 0.8% after the credit. The IRS has tests to determine whether a particular business must pay FUTA tax.

State Unemployment Tax

State unemployment taxes are also paid by the employer and are not deducted from the employee's wages. Each state has a different rate and different wage limits from which the taxes are calculated. For information on state-specific unemployment taxes and contact information for the agency that administers your state's unemployment tax, use the Business Owner's Toolkit.

Payroll Services

Generally, hiring a payroll service is a good idea for businesses in which payroll isn't the same from pay period to pay period. Businesses with hourly employees or employees earning commissions can save time and money by using a payroll service. One of the chief benefits is avoiding costly mistakes in payroll processing like failing to remit payroll taxes in a timely manner. Payroll companies calculate the amount of each paycheck and the tax obligations for each employee; print the checks; and provide payroll reports.

Federal Income Tax

Different business structures (sole proprietorship, partnership, corporation, or limited liability company) have different income tax requirements regarding filing dates, forms required, and tax rates and calculations. The IRS lists the various business taxes and forms required for each legal structure:

For more Information:

[Self-Employment Tax](#)

[State Taxes](#)

[Local Taxes](#)

[Sales and Use Tax](#)

[Specific Training](#)

[EIN](#)

[Sole Proprietorships](#)

[Partnerships](#)

[Corporations](#)

[S Corporations](#)

[LLCs or LLPs](#)

Federal income tax is a pay-as-you-go tax. Business owners generally pay income taxes in quarterly estimated income tax payments. For more information on estimated income tax payments, refer to IRS Publication 505, Tax Withholding and Estimated Tax.

Business Resource Plan

Now that you have completed your study on starting a new business including the:

- Booklet, "Starting your own Business"
- Supplementary readings provided in the hyperlinks
- Other resources

It's time to make a personal assessment. Do I have the following skills and understandings to successfully operate a business?

- | | | |
|-------------------------------------|------------------------------|-----------------------------|
| • Basic Entrepreneurship? | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| • Business Planning? | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| • Legal Aspects of the business? | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| • Business Management? | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| • Marketing? | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| • Money Management? | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| • Managing Employees? | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| • Impact of business on the family? | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| • Other business considerations? | Yes <input type="checkbox"/> | No <input type="checkbox"/> |

If you answered no to any of these questions continue your study until you have the needed understanding or in some cases consider whether operating a small business is for you.

PLANNING GUIDE		
What additional training or recourses are needed	Where can they be acquired	Timetable List specific dates
1.	1.	1.
2.	2.	2.
3.	3.	3.
4.	4.	4.
5.	5.	5.
6.	6.	6.
7.	7.	7.
8.	8.	8.
9.	9.	9.
10	10	10

The following chart outlines planning steps and timeframes that you should consider before you open the doors of your business:

T MINUS 1 YEAR

KEEP TO THIS SCHEDULE, AND USE THE YEAR LEADING UP TO YOUR BUSINESS'S GRAND OPENING MOST EFFECTIVELY.

One year before you open: Research your idea and take a business workshop.

Six months before: Do a competitive analysis, start writing your business plan, and think about where you might locate your business based on demographics.

Four months before: Do a cost analysis; review potential leases with an attorney. Choose your business structure with the help of a lawyer and an accountant. Join some business and trade organizations.

Three months before: Establish your rough financial objectives, sales forecast and pricing; write your marketing and personnel plan. Prepare your income statements and balance sheets, and settle on a business name. Consult with an accountant.

Two months before: Meet with a banker to review your business plan and secure financing. Then get ID numbers, open your bank accounts, decide on a merchant services company, get insurance coverage, set up your bookkeeping system, order first inventory and schedule any leasehold improvements.

One month before: Do a final check on financial statements, office setup and display, legal, licensing and utilities. Send out announcements and start your promotional push.

Open your doors!

Source: The Pennsylvania Small Business Development Center/Gannon University SBDC

Links to advice and articles

SBA - Small Business Startup Guide, starting your business

http://www.sba.gov/starting_business/startup/guide.html

10 reasons why businesses fail

<http://www.bcentral.com/articles/wuorio/150.asp>

Top 10 Reasons Small Businesses Fail

<http://www.allbusiness.com/articles/content/10207.asp>

Why Most Internet Businesses Fail!

<http://www.anyonecansellonline.com/why-businesses-fail.shtml>

Score's Top 5 Business Tips

http://www.score.org/a_1

Business and Legal Forms

<http://www.nolo.com>

<http://www.homebusinessonline.com/a&r/elibrary/legal/index.shtml>

<http://www.nebs.com/NASApp/nebsEcat/index.jsp>

Tax forms

<http://www.irs.gov/formspubs>

<http://www.taxforms.com>

Start a Business

<http://www.sba.gov>

<http://www.startupjournal.com>

Business Plans

http://www.sba.gov/starting_business/planning/basic.html

<http://www.bplans.com>

<http://www.businessplans.org/>

Other

[Do You Have What it Takes?](#)

[Assessing Your Skills, Education, and Experience](#)

[Entrepreneurial Test](#)

[Know Yourself](#)

SCORE'S TOP 5 BUSINESS TIPS	
Business Planning	Marketing & Public Relations
E-Business	Office Management
Finance & Capital	Sales & Customer Service
Human Resources	Tax
Leadership	Training
Legal	

Score is the “**Service Corps Of Retired Executives**” that offers key business tips to success in the following business areas:

About The Author

Harold Carey Jr. first entered the computer field in 1977. He has over 20 years experience in computer and business consulting, multimedia, technical writing, teaching, editing, typesetting, and publishing books.

In 1990 Harold worked as a contract consultant to develop a multi-media software program for the [Orange County Department of Education](#) on the [State of California](#) "Anti-Drug Gang Violence" campaign. He also has conducted computer-training class for hundreds of [Coca-Cola](#) and McDonnell Douglas, (now [Boeing](#)) employees.

In 1996 Harold left **BYU** to start his own [Internet Company](#). Within two years he created and was managing and maintaining over 65 web sites. Some of his first [web sites](#) were for the [Daily Herald newspaper](#), (one of the first online newspapers), [American Home Business Association](#), [Moxtek](#), [1-800-Contacts](#), and [Learn2.com](#) (Yahoo most informative site of 1997).

In 1998 he contracted with [Utah Valley State College](#) to do its first [online Internet courses](#). He designed and created the **Electronic Campus** and the courses Introduction to Algebra, Foundations in Algebra, and Biology.

He served as a web site consultant for [Utah Governor Michael O. Leavitt's](#) successful re-election campaign (*michaelleavitt2000.com*) and his [Muhammad Ali Sports web site](#) was featured in a [Microsoft commercial](#) "Heroes on the Internet."

He has been interviewed in [newspapers](#), on the radio and on [television](#). Harold is the author of hundreds of articles and numerous books, including "[Utah Job Guide](#)," "Starting Your Own Business," "How to earn income on the Internet," and "Earning a Living with Online Auctions."

Harold is currently an **Internet Marketing and Business Consultant** helping small and home-based businesses to effectively market their good or services. He has helped numerous Internet-only and brick-and-mortar businesses succeed in their offices and online, as well as helping larger businesses to effectively use the web to reduce costs and save both time and money.

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