

Starting Your Own Business

by Lisa Whyte, CPA

So you think you want to start a business? There is a lot of work that will need to be done:

1. Get thinking
 - a. What kind of business would you want to start
 - b. What talents or special skills do you have to bring to this business
 - c. What skills are lacking that are needed for a successful business
 - d. What is the income potential of this business
 - e. How long until you expect to make a good profit? Can you live without a steady income until then? Keep in mind that you may need to pay business expenses out of your personal funds for a while.
 - f. Take advantage of a free starting your own business course
 - g. Talk about your business idea with friends and other business owners. What advice/suggestions do they have?
 - h. Assess your personal financial situation. List out your personal assets & liabilities. What other revenue sources do you have and what monthly expenses do you have?

2. Get a Plan
 - a. Decide the type of business that you want
 - b. Figure out how much startup capital you will need
 - c. Figure out how you'll get the startup capital (loans, savings, investors, and partners) If you need to get \$ from others, your business plan should be more formalized.
 - d. Determine what your expenses will be
 - e. Determine the location or ideal type of location
 - f. How will you find your customers
 - g. Put together a timeline showing dates different steps need to be done and follow through.
 - h. Determine the legal structure of your business
 - i. Consider what business entity type is ideal (discuss with attorney and accountant)

3. Start shopping
 - a. Find a suitable location for your business. Consider location, rent expense, utilities, parking, ease of access, modifications necessary, etc.
 - b. Find sources of materials, if you are going to be building or need inventory. Consider total value – quantity and quality.
 - c. Find marketing sources. Remember that sales people will make false promises. Hopefully you can talk to another person in your industry (if you don't already have this knowledge) about the advertising methods that work and that don't. Every industry is different.
 - d. Get insurance – workers comp, general liability & professional liability (if necessary)

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- e. Open up bank accounts
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4. Get help.
 - a. Find a good accountant. An accountant can help you with a lot of the steps involved.
 - b. Discuss your plans with an attorney.
 - c. Find a business banker that can help you get started.
 - d. Have discussions with people with similar businesses (but not direct competition) to learn about the marketing methods and business methods that work for them.

 5. Get legal
 - a. If your type of business requires special occupational licensing, verify that you meet the requirements and obtain the licensing.
 - b. You may need to obtain a sales tax license.
 - c. Pick a name for the business. Register it as a DBA, LLC, or corporation.
 - d. Get an Employer Identification Number
 - e. If you will have employees, you will need to register for payroll taxes and learn about the payroll rules.

 6. Set up an accounting system
 - a. This is more than just buying QuickBooks
 - b. Use an accountant to make sure you have proper accounts set up.
 - c. This will need to be monitored regularly ... before the business starts (to track startup costs) and after the business begins operations

 7. Open your doors
 - a. Let friends and family know your business is open and ask them to spread the word
 - b. Depending on the type of business, hold an Open House or Grand Opening.
 - c. Take advantage of every free marketing/promotional activity possible.

If your funds are limited, it is a good idea to start the business small-scale and then expand as revenue increases. If you spend more than you can afford up front, it is more likely that the business will fail.

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After your business is started:

1. Monitor it:

- a. Keep track of the amount of money in your bank account at all times. I recommend reconciling your bank account monthly. If you make a lot of adjustments during the reconciliation, you should monitor it on a daily or weekly basis until those issues are resolved.
- b. If you have receivables, make sure you have a good policy for tracking them and collecting on them.
- c. Make sure that you are getting your bills paid on time
- d. Occasionally, price check your vendors
- e. Watch for trends in revenue and expenses. If revenue drops or expenses increase, ask yourself why.

If you're making a profit, make sure that you have funds set aside for taxes and are making quarterly estimate payments, if required. Your accountant can help you monitor your tax liability year-round.

2. Keep up with filing requirements

- a. Payroll taxes may need to be paid monthly, or even more regularly
- b. You will need to file quarterly payroll taxes if you have employees.
- c. You will need to file 1099 forms and annual payroll forms at the end of the year.
- d. Depending on the business type, you may need to file a separate tax return for your business or include it on your personal tax return.
- e. If your business is profitable, you will probably need to make quarterly estimated tax payments.

3. Run your business