Steps To Starting A Business

Michelle Miller
Who we are

• Technical assistance provider for small business
• Focus on women & veterans – not exclusive to them
• Resources for people looking to start, grow and exit their businesses

What we do

• Consults
• Classes and workshops
• Networking events
• Annual one-day conference (WBLC)
• WBENC Certification
Session Goals
Goals:

• Provide understanding of the process for starting a business
• Provide information for next steps
• Provide resources for next steps
Steps to Starting a Business
1. Write a business plan
2. Determine a legal structure
3. Choose and register business name
4. Determine financing needs
5. Get employer identification number
6. Find a location (if applicable)
7. File for licenses and permits
8. Get insurance
9. Set up tax reporting and accounting
Why Write A Business Plan?
• Roadmap for your first years
• Minimizes risk
• Needed for financing
• Knowledge gained – Knowledge is power
• Increases chances for success
The Business Plan Outline
• Cover Page
• Table of Contents
• Executive Statement
  o Summary of Business Plan
• Description of the Business
  o Clear description of what you are going to do
  o Goals and strategies
• Market Analysis
  o Industry research
  o Industry trends
  o Target market research
• Competition
  o Competitive Advantage
  o Competition Matrix
• Pricing and Product Plan
  o Description of products/services
  o Costs and Prices
  o Gross Profit Summary
• Marketing Strategies
  o Marketing strategy
  o Promotions strategy
• Operations Plan
  o Purchase of supplies/equipment
  o Distribution processes
  o Management of services (i.e. inventory, quality control)
• Management and Personnel
  o Description of management team and duties
• Financial Plan and Statements
  o Financial need
  o Income and cash flow statements
  o Balance sheets
  o Break-even analysis
• Supporting documents (i.e. appendix)
Determining a Legal Structure
Sole Proprietorship:

You are self-employed and are the sole owner of an unincorporated business

• **Advantages**
  – Simplest form of legal structure
  – You are the sole owner
  – There are fewer governing regulations
  – Total control
  – Lawyer unnecessary for establishment
  – Pass-through taxation

• **Disadvantages**
  – You are personally liable
  – Difficult to get financing
  – Business is dependent on you
  – Limited growth potential
  – Death, illness or injury can endanger the business
Partnership:
Two or more persons own the business

• **Advantages**
  – Easy to form
  – Shared responsibility
  – Increased tax potential
  – Ease of operation

• **Disadvantages**
  – Dissolution can be difficult
  – Profits and losses correspond to equity share
  – Partners bound by each others’ decisions
  – Lawyer suggested to write buy/sell agreement
Corporation:
A legal entity; separate from owner

- **Advantages**
  - Liability on corporation
  - Greater access to business expertise
  - Greater opportunity for raising capital

- **Disadvantages**
  - Annual report and filing fee
  - Increased tax burden
  - Costs more to form and maintain
  - Must follow government regulations
  - Lawyer required to prepare and file documents
Limited Liability Company (LLC):
Similar to corporation and partnership; provides management flexibility and benefits of pass-through taxation

- **Advantages**
  - More flexibility than S Corp
  - Loss deductions are more liberal
  - Less restriction
  - More stock options
  - Lower cost to establish than C or S Corp

- **Disadvantages**
  - Rules are state dependent
  - Difficult to operate in other states
  - Converting an existing business may have tax implications
  - Annual filing fee
• Discuss liability issues with a lawyer
• Discuss taxation issues with a CPA

NOTE: You can change your structure from most base (sole proprietorship to more complex (corporation) as your business evolves
Choose and Register a Business Name
• **Considerations:**
  
  – Is it descriptive of my business?
  – Does my name have staying power?
  – Should I combine it with a logo? What kind of logo will go with my name?
  – Will my name be my domain name?
  – Is my name available as a domain name?

  **NOTE:** *If you search for a name you are considering, buy it for a short time until you decide for sure.*

  – Will my name function internationally?
  – How will I include my legal structure?
  – Will it include my personal name?
Determining Your Financing Needs
• What are start-up costs?
• When are you generating cash?
• Plan for cushion (if revenues are late or expenses higher than expected)
• If you plan to borrow or seek investors:
  – Be clear about intended use of funds
  – Choose right amount, right time, right terms and conditions
  – Open a business checking account
  – Establish relationship with banker
Get An Employee Identification Number
• How do you apply?
  – Online
    • Go to: http://www.irs.gov
    • Click on: Apply for an EIN online
  – Telephone
    • (800) 829-4933

NOTE: A sole proprietor can use their social security number instead, but an EIN is recommended to protect identity.
Finding a Location
How do you choose a location?

• **Consider:**
  – Visibility/accessibility
  – Target market
  – Competition
  – Sources of supply
  – Labor force
  – Cost
File for Licenses and Permits
• Requirements vary by business type & location
  – Federal licenses and permits
  – State licenses and permits
• SBA website – District office in Boston
• Mass.gov
• City or Town Hall
Get Insurance
• **Basic kinds of insurance**
  - Property & Liability
    - All businesses should have liability (minimum) to start
  - Life (Key person insurance)
  - Health
  - Employee Benefits
  - Worker’s compensation when you have employees
  - Disability (short and long term)
Set Up Tax Reporting & Accounting
• Get automated
• Consider hiring an accounting professional to help set up (QuickBooks, etc.)
• Keep books on schedule
• Know how to read financial statements
• Review financial statements monthly or more often to guide you in making good management decisions
Points to Remember...
• Use a business plan as a guide and update it often

• Use resources available to help you

• Commit to continuous learning about your industry and business management
To register for any of our programs or to learn more about our classes, please visit our website at www.cweonline.org or contact:

Michelle Miller
Director
mmiller@cweonline.org
508-453-9206

Samantha Pevear
Digital Media & Program Manager
spevear@cweonline.org
508-453-9209