

TOOLBOX

8 steps to starting your own business



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Whether you're a victim of the recent economic downturn or have always been an entrepreneurial-type, you might be thinking about starting your own business. Where do you start?

Starting a business, like learning how to dance, may seem overwhelming, but once you know the basic steps, you'll be on your way.

1 Research the business opportunity. Sure, you have a great business idea. But what if it turns out someone else has the same idea? Or the opportunity you have discovered won't be profitable? Enthusiasm needs to be combined with careful, objective research.

2 Write a business plan. A business plan generally includes an executive summary, business description, market strategies, competitive analysis, design and development plan, operations and management plans, and financial projections.

Resources are available to startups at the Small Business Administration or Small Business Development Center offices. You can also hire a consultant.

3 Determine the legal structure of your new business. Determine your business ownership structure – sole proprietorship, partnership, limited liability company or corporation. Each has different tax and liability implications, so it's wise to consult with an adviser to help determine which structure is appropriate. Then prepare the necessary legal agreements. If your business involves partners, for example, it's vital to have a buy-sell provision in case one of you dies,

becomes disabled or decides to leave the business.

4 Register your business. You'll need to register your business with the state. The specifics of your filing depend upon your business structure.

5 Get a tax identification number. Obtain a tax identification number for your business from the Internal Revenue Service and the New York State Department of Taxation and Finance so you can pay taxes.

6 Finance your business. Determine how much capital you'll need and how you'll finance your business.

Generally, there are three kinds of startup situations:

- Businesses that need customers more than financing, at least at the beginning.
- Businesses that need somewhat more startup money. These are often funded by credit cards, friends and family, or by borrowing against existing assets, such as a home equity loan or other bank line of credit. Credit agreements must be carefully reviewed, as they place restrictions on the way you operate your business and impose consequences for failing to comply.

- Entrepreneurs who've previously started successful businesses and have good track records. These businesses typically can access angel investment and venture capital. Investors usually have negotiating strength; it's important that the entrepreneur ensures his/her interests are well represented.

7 Operating your business.
Choose a location.

Will you lease space or operate from home? If leasing, you'll need to sign an office or commercial lease. Have a lawyer experienced with leasing review the terms to ensure they are standard and that you have the provisions needed to operate and grow your business.

Obtain any required business licenses and permits.

Get a list of, and obtain, any licenses and permits required for your business.

Hire employees.

If your business isn't a sole proprietorship, you'll need to obtain workers' compensation, unemployment and disability insurance. Depending upon the number of employees, your business may be subject to additional laws and regulations.

Buy or lease your equipment.

This is particularly important for manufacturing equipment. An accountant can help calculate the true costs of your buy/lease options, taking into consideration such factors as depreciation and tax benefits.

Develop standard customer agreements.

Prepare a standard form of agreement that protects your right to be paid for your products and/or services and limits your liability in the event you or your business doesn't perform its obligations.

Market your product or service.

How you market and advertise your business will depend largely on your budget and type of business.

Hire an accountant.

Hire an experienced business accountant to set up your accounting systems.

8 Protect your investment. Register trademarks and service marks for unique products or aspects of the business identity, such as logos, with the U. S. Patent and Trademark Office.

Purchase appropriate business insurance.

For certain industries, it's a necessity. Insurance products include product liability, professional liability, business continuity and environmental insurance.

You can now look forward to the issues of managing a small business.