Business Basics
SBDC-?

• SBDC Network
• Our Role in Small Business
• Counseling/Education
• William Paterson University
• Rutgers SBDC
• SBA
• Lending Institutions
Purpose of Tonight’s Session

- Understand the preparation process to start a small business
- The assessment process required to start your own business
- Starting a Business (Business Entities, etc.)
- What do lenders (Banks, Venture Capitalists, Angels, Family, etc.) look for?
- Business Plan Overview
- Key Websites
Small Business Facts

- About 30% of the companies in the US have 19 employees or less
- Economy growth is and will continue to grow and come from Small Business
- Approximately 20 million people are running home businesses (Zoning)
- Every year over three million people start a new business
- **Bad News- Small Business Failure Rate**
  
  *First year…..40%*
  
  *Fifth year…..70-80%*
Why do Businesses Fail?

• No Business Plan
• No Board of Advisors
• Insufficient Working Capital
• No Exit Strategy
• Personality Conflict
• Time Management
Bad Reasons to Start a Business

- Don’t want to work hard
- Hate your boss
- Spend more time with your kids
- Want to do something different
- Fear of being laid off from your job
- Get rich fast and retire
Why Start a Business?

• You identify a need in the marketplace
• You identify a means and a way to capitalize on your skills
• You are in a unique position to do something
• You are ready to commit your time, energy and passion
“Vision/Goals”

• How much money are you earning?
• What kind of lifestyle are you and your family enjoying?
• How big is your business?
• How does the business reflect you and your values?
• Imagine your customers. What are they like? How many?
• Where is your business located?
• What do the premises look like?
• What are you doing in business? Do you like it?
Assessment Process

• Personal
• Business Assessment
• Market
Personal Assessment

• Income expectations
• Credit (Credit Report), Collateral
• Hours
• Support Level
• Commitment to family, community, personal activities
• Can I afford the personal financial risk?
• How much money can I invest?
• Can(and should) I attract other investors
• What do I do well and what do I like to do?
• What would I like to be doing five years from now?
• Exit Strategy?
Credit Bureaus

• Experian
  1-888-397-3742
  www.experian.com

• Trans Union Corp
  1-800-916-8800
  www.tuc.com

• Equifax
  1-800-685-1111
  www.equifax.com
Business Assessment

• Does my business idea excite me?
• Do I have business experience in this business?
• Have I researched my idea?
• Do I have business experience in a related field?
• Is the product or service well-defined and well-focused?
Market Assessment

• Who will my customers be?
• Do I know how to reach the Market?
• What’s happening in the Industry?
• What are the trends and outlook for my industry?
• Is the idea: Simple? Personalized? Customized? Or Specialized?
• Will I have a competitive edge when I am in the market? My competitors?
Starting a Business

**Administration**
- Registering Business
- Tax ID
- Bank Account
- Federal/State Tax
- Insurance
- Accountant
- Attorney
- Personal Credit Check up

**Operations**
- Research
- Space/Zoning
- Start Up Cost
- Working Capital
- Product/Service
- Management Team
- Business Network
- Business Plan
- Obtain Financing
Factors in Choosing the Type of Business Entity

- Your need for capital
- Your type of business
- Your ability to finance your business
- Number of people involved in the business
- The liability and risks you are willing to assume
- Your personal tax situation
- Your plan for taking money out of the business
- Your plan for continuing the business if something happens
- Your long-range business plan
Sole Proprietorship

**Advantages**
- Ease of Formation
- Least Expensive
- Fewer Records
- Taxed as Individual
- Total Control

**Disadvantages**
- Unlimited Liability
- Less Available Funds
- Limited Growth Potential
- Heavy Responsibility
Partnership Advantages

- Ease of formation
- Shared Responsibility
- Increased growth Potential
- Ease of Operation and less Government Control
Partnership
Disadvantages

• Unlimited Personal Liability
• Lack of Continuity
• Difficult to obtain large sums of Capital
• Difficult to dispose of Partnership Interest
• Distribution of Responsibility in Bankruptcy
• Partner’s Responsibility
• Profits
Corporation
Advantages

• Ownership is transferable
• Increased options for growth and fundraising
• The corporation is a separate legal entity
• Authority can be delegated
Corporation
Disadvantages

• Extensive Government Regulations
• Expensive to Form and Maintain
• Increase Tax Load
Limited Liability Company
Advantages

• More liberal loss deductions
• More stock options
• Less restrictions on participation
Limited Liability Company
Disadvantages

• Difficulty in expansion of business out of state.
• Transferability restriction test
• Lack of uniform code
• Restriction on type of business
S Corporation

• No double taxes
• 75 or fewer shareholders
• All shareholder consent to S corporation election
• Only one class of outstanding stock
• There are no non-resident shareholders
Choosing the Right Source for Financing

- Bank Loans….Personal, Business, Home Equity
- SBA Guarantee Program
- City/Town Loan Sponsored Programs….Economic Development, Community Development
- Venture Capital, Angels
- Small Business Investment Corps (SBIC’s)
- Family, Friends and Personal Savings
- Credit Cards
- Barter
- Suppliers, Customers
- Grants

- Existing Businesses
What do Lenders Look For?

- Character
- Your Background
- Credit History (Credit Report)
- Tax Returns (Earnings History)
- Collateral
- Business Plan
- Lending Climate (Economic, Local)
Business Plan
Overview

• Executive Summary
• Organization
• Marketing
• Financial
• Additional Info
Business Plan Considerations

• Assumptions (Pricing/Costs)
• Written documents support Financials
• No set number of pages
• Have it reviewed by a credible resource
• Executive Summary “Your commercial”
• Supporting Documents
Review

• Assessment Process
• Personal Financial Check up
• Steps to Starting a Business
• Business Plan
• Select Multiple Lenders
• Go for It!!!!!!!!!!
Internet Resources

• SBDC’S (njsbdc.com)
• State of New Jersey (nj.gov/njbiz)
• SBA (sba.gov)
• IRS (irs.gov)
• Export/ import (customs.gov)
• SBE Certification (njsbdc.com/sbe)
• Business Filing Services (bizfilings.com or mycorporation.com)
• Franchise (entrepreneur.com or bison.com)
Websites

- Myfico.com
- Americanfactfinder.com
Upcoming Seminars

Call our office @ 973-754-8695 for a Complete schedule and to Register