

## Thinking about starting a business?

- § Be your own boss, make your own decisions (and mistakes!).
- § Your effort benefits YOU directly.
- § Potentially high growth and high earnings.
- § Excitement and satisfaction.

Other questions:

- § Are you a self-starter: decisive, able to take risks, willing to deal with uncertainty?
- § Will family and other personal obligations allow for 18+ hour days?
- § Can you fund the startup phase?
- § Do you plan and organize well?
- § Do you have the stomach for sales, marketing, competition, ...?

## What sort of business?

- § Consulting—sell time and expertise.
- § Manufacturing/Design—have a product like a device, software, etc.
- § Services—provide specific solutions, like computer setup, maintenance, PCB manufacturing, etc.
- § Franchise—buy a license to operate an existing business entity (typically retail, but also service).

Other questions:

→ *Will you need a facility or just work out of your home? Will clients/customers need to visit your place of work? Need to investigate licensing and zoning requirements?*

## Basic business types

### Sole proprietorship

- § Easy to start: just do it!
- § Few regulations, but also few protections (e.g., liability). Benefits but also risks both business and personal property.
- § File an IRS Schedule C and handle business income similarly to personal income.

### Partnership

- § General and limited partnership.
- § Advisable to get a legal partnership agreement.
- § Need to spell out equity, compensation, distribution, dispute settlements, etc.

## Corporation

- § Corporation is a separate entity that the law views separately from the owners (shareholders).
- § Primary advantage is limited liability.
- § Corporate entities are subject to taxes and other restrictions.
- § Chapter “S” corporations: taxed on individuals (like a partnership)
- § LLC: Limited Liability Company—has liability advantages and tax advantages.

## ***MONEY: finding startup finances.***

- § Personal savings
- § Family gifts and loans
- § Money from friends and relatives
- § Investors, Bank loans, Other sources (government SBIR program, etc.)

## **Bootstrapping vs. initial financing**

### **Convincing lenders and investors: the business plan**

- § **Basic Information:** your name, name of business, address, and so forth.
- § **Business Description:** what your business does, how long, history, current major assets, etc. Also describe the business structure (legal ownership, incorporation, etc.).
- § **Management Profile:** give background and short bio for each owner/manager.
- § **Market Description:** describe the market, competitors, your products, your current and potential customers, and how you plan to address the market.
- § **Financial Information:** income statements and balance sheets (or reasonable estimates if business is new). Also include personal financial information on each owner.
- § **Three year detailed business description:** current assets, projected earnings and justification, explicit assumptions, etc.

## ***Things to think about...***

- § Most new business “fail” in the economic sense.
- § There is lots of support and assistance out there: people with a lot less education than you have started and maintained successful businesses!
- § Seek out advice and assistance: formal and informal.
- § Think very hard before making long-term expenditure commitments.
- § Make good professional contacts and collaborations.
- § Will you have employees? Review tax and legal implications.
- § Learn how to operate in a business-like manner: get paid for what you do, account for all income and expenditures, maintain professional records, follow through on commitments, etc.

RESOURCES: SBA (small business administration), IRS, Montana business offices, and many, many more.