

Thinking About Starting a Business? Don't Quit Your Day Job...Yet

Part 1 of 2

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If you've ever fantasized about quitting your job and starting a business, you're certainly not alone. However, it's definitely not something to do on a whim – you'll need time and good advice.

One of the favorite parts of my job is consulting with business startups. Owning a business is, in many ways, the great American dream. It's a terrific feeling to be able to help a company get on its feet. But I like to compare going into business to getting married: it is much easier to get into it than it is to get out. The more advance planning, the better your chance of success. So – what do you need to do before you open your doors?

Prepare a business plan

A lot of people skip this step because they don't know where to start and they're in a hurry to get started. Even if you hate paperwork, you should prepare a simple business plan to guide your decisions. Note that if you are applying for financing, such as with the SBA, you'll be using your lender's formats and will prepare more formal paperwork. Your plan should have, as a minimum:

- The purpose for your business: What is your idea that will make money? This is a good time to consider your mission statement. While the wording may change as your business grows, your mission statement should define why you exist and give you a touchstone to refer to when making decisions.
- An analysis of the competition: Will you have competitors? If so, how can you be different and better? If there is *no* competition, why? Can your idea be duplicated easily by others?
- How you will promote and sell your idea: Word of mouth and networking? Paid advertisements? Demonstrations and giveaways? Check out [Duct Tape Marketing](#) by John Jantsch. We follow this book's principles in our office and frequently give copies to clients.
- A budget and forecast: If you are not hiring outside help for this, you can do it with simple spreadsheet software. Of course, you are just "guesstimating", but it could highlight gaping holes in your plan and the need for outside financing. Or – it could show you that your business may not be viable. Finally, you can compare results to your projections and refine the process as you grow.

Plan the paperwork

The sheer volume of documentation that is required to manage a business is usually a big surprise to those who have just received a W2 and filed a simple tax return until now. Often, spouses will team up on this project with one person handling the bookkeeping, payroll, etc. (working "on" the business) while the partner works "in" the business. Since many people don't really enjoy filling out forms or know how to prepare complicated tax returns, owners often outsource this function when possible so that they can concentrate on building the business.

Line up your business advisors

If you don't already have these relationships in place, you should interview candidates before making a decision. Take a list of questions with you and don't be afraid to ask them. Tip: Ask if you will be working with the person you meet with, or if you will be assigned to someone else in the firm.

Get referrals for the following:

- CPA
- Banker
- Corporate attorney
- Commercial insurance agent

Decide on your business form

When I ask someone why they have formed an LLC or corporation, the answer often goes some-

thing like this, “I heard *something...somewhere...*” (fill in the rest) A lot of consideration should go into this decision, whether you are buying or starting a business. Find a CPA who works frequently with business startups. You should schedule an initial consultation (usually free) to find out if you are compatible. Here are some considerations:

- Whether asset protection is a concern
- Whether another person (including your spouse) will be an owner
- If you will have employees
- Any important benefits, including the type of retirement plan, if any
- Whether you will own real estate
- The state in which you are located, and whether you will operate in multiple states
- Whether you plan to eventually sell your business
- If estate planning is a consideration

Get unbiased feedback

Particularly if you've never owned a business, find someone you trust who has “been there and done that”. A mentor can be invaluable in steering you in the right direction, especially when it comes to the hard decisions. Knowing someone who is not afraid to disagree with you can save you both time and money when your enthusiasm overtakes your common sense. If you don't have such a relationship, check with your local Chamber of Commerce and your business advisors. Or (assuming your marriage is in good shape!) just get your spouse involved – after all, most lenders will require you both to sign any financing agreements.

Questions or comments? Feel free to contact me by phone or email (see below). Speaking of financing, November's article will shine a laser beam on financial considerations for starting a business!

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