

Invest in Yourself Start Your Own Business

The decisions and steps you must
consider before you start your
own business.

Thomas Burns, Consultant 916-912-3880
www.theSBSF.com Thomas@theSBSF.com



Specialty Skill vs. Business Model

Open a business based on the skills you have and the enjoyment it brings you.	Open a business based on background information, capital required and gut instincts
Usually start out by themselves and hopes to add employees later on as the business grows	Usually begins with employees because they either buy an existing business or a franchise.
Startup is usually faster, requires less capital, but highly risky and prone to costly mistakes.	Requires learning new skills immediately, takes 100% commitment and good help.



Fictitious Business Name Business License

- Fictitious Business License: Sacramento County, Licensing Office, 700 I Street. (916) 874-6644
\$65.00
- Business License: Sacramento County, 700 I Street
Minimum \$135
- Business License: Sacramento City, 901 I Street,
(916) 264-8500 / Minimum \$50.00
- Business License: Elk Grove, 8401 Laguna Palms
Way (916) 478-2211
- www.irs.gov: To obtain your federal EIN number



Types of Business Structure

Sole Proprietorship: To start, all you need to do is begin selling your product or service, keep separate business records and a separate checking account, pay self-employment taxes on a regular basis, and report all income on your individual tax return.

General / Limited Partnerships: Creates a business entity between two people who are both considered business owners who contribute time, money, skills and other things in order to share business profits, assets and losses. The partnership can buy and sell property, products and services as a separate legal entity, but both you and your partner must report the income from the partnership on your individual tax returns.

C Corporation: All publicly-traded companies are C Corporations which are considered a separate legal entity from the owners (also called the shareholders or stockholders) of the business. Because of this, the shareholders are not responsible for fees, liabilities and losses associated with a company organized under this business structure.



Business Structure Part 2

S Corporation: Here, the corporation's income is divided among all of the shareholders who report the earnings on their individual tax returns. This is a tax-efficient way to structure your business if you expect losses in the short term because the individual shareholders can report the losses on their tax returns rather than paying the double taxation of the C Corporation. The downside is that to become an S Corporation, you must run the company according to a fiscal calendar year, have less than 35 individual stockholders who are all U.S. residents, and have only one class of stock, in addition to other guidelines.

Limited Liability Corporation: Currently, the most popular small business structure. This structure combines qualities of a corporation with a limited partnership. Like a corporation, an LLC is a separate legal entity so the owners are not responsible for the debts and liabilities of the company. However, no stocks are issued.



Business Structure Part 3

Upside

Downside

<p>Sole Proprietorship</p> <ul style="list-style-type: none"> • Easy to start • Low cost • No double taxation 	<ul style="list-style-type: none"> • High risk/liability • All responsibilities on single owner • Only one owner allowed
<p>Partnerships</p> <ul style="list-style-type: none"> • Easy to start • Low cost • No double taxation 	<ul style="list-style-type: none"> • High risk/liability • Each partner responsible for liabilities • More costly than sole proprietorship
<p>C Corporation</p> <ul style="list-style-type: none"> • Simple to start and inexpensive • Low risk/liability • Can sell stock shares • Easy to add owners and investors 	<ul style="list-style-type: none"> • Less flexible • Double taxation • Strict guidelines
<p>S Corporation</p> <ul style="list-style-type: none"> • Easy to add owners and investors • Low risk/liability • No double taxation 	<ul style="list-style-type: none"> • 100 shareholder limit • Shareholders must be U.S. residents or resident aliens • Strict guidelines
<p>LLC</p> <ul style="list-style-type: none"> • Same legal protection as a C Corp • Flexible profit distribution • Flow Thru Taxation 	<ul style="list-style-type: none"> • Limited Life • Unable to Go Public • Complicated Paperwork

The Importance of a Business Plan

1) Validation of your idea's or goals.

Before you spend time, energy and money starting a business, you need to prove to yourself that “Yes” this is truly something I need, want or have to do. The only way to do that is to investigate all aspects of your business and learn how much work, time and money it will take to see the results you expect.

2) Roadmap for Success

As a roadmap, it points out how you are going to work through challenges and obstacles. A well-written business plan will help prevent you from making costly mistakes now and in the future.

3) To Secure Funding or Investors

Most people who decide they need a business plan, do so only because a bank, investor or potential business partner is asking for it.



Conclusion

People will tell you that starting a small business is one of the hardest things to do. I disagree. Starting a business is pretty simple. Managing, growing and turning a startup into a successful business is one of the hardest things you can do. While there are no guarantees in life, the more research, investigation, capital and resources you apply before you open your business, the greater your chances are for creating a successful business.

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