

The World Is Waiting For You...



Business Startup Guide

Introduction:

So, you have an idea for a product or service that will make the world a better place? Well, that's just fantastic! Whatever it is, I can tell you that it's desperately needed. But unless you are independently wealthy or have already started a business, chances are pretty good that you're going to need help getting your idea out of your head and into the marketplace. And you will probably need help with all the nitty gritty details of starting a business. No worries! We can help!

Since every business is different, it's difficult to make a definitive statement regarding the best way to get started, but I can say that this guide will point you in the right direction. In this *Business Startup Guide*, we are going to take the guess work out of what is required to get your business off the ground and running. We'll discuss formation, registration, several different legalities, personal documents, and other formalities associated with making your business legal.

Keep in mind that every business is different and certain items discussed may or may not apply to your situation. That said, most startups are fairly simple in the beginning stages, and this guide is sure to help launch your business in the shortest time frame possible! So what are you waiting for? Print this guide and keep it close by. Read it, write on it, and most importantly, go start your business!

The next page has a checklist for you to use to see where you are in the business formation process. Keep it up to date and share your achievements with friends and family. It's great to have someone to help cheer you along and keep you accountable. Good luck and have fun!

Checklist for Progress:

- Choose Your Business Name
- Create Your Business Logo
- Choose Your Business Structure
- Start A Business File
- Register Your Business
- Reserve Your Domain
- Obtain Tax Identification Number
- Create Operating Agreement
- Open Business Bank Account
- Create Resume
- Create Personal Financial Statement
- Obtain Collateral Documents
- Obtain Credit Report
- Gather Legal Documents
- Read: *Guide to Marketing* (on our website)
- Read: *Writing Your Business Plan* (on our website)
- Create Your Business Plan
- Read: *Funding Your Business Idea* (on our website)
- Acquire Funding
- Start Selling

Choose Your Business Name:

Let's do the fun stuff first! Have you thought of a name yet? Even though this may seem like something you can do later, it's not a good idea to put this off. Nothing irritates a loan officer more than seeing a name of "TBD" or "The Company" on a business plan or loan application. Choosing an appropriate business name shows forethought and creativity. And it's fun! Here's how you do it:

Take the task of choosing a name very seriously. It may be one of the most important decisions you make for your business. Your name has a tremendous impact on how your customers and investors view you. Use the following guidelines to come up with a list of choices:

- * Make it unique, timeless and unforgettable
- * Avoid unusual spellings
- * Make it easy to pronounce and easy to remember
- * Keep it simple
- * It must make sense
- * Ensure the name communicates your business
- * Make sure the website name is available (we'll discuss this more later)
- * Make sure the business name is available in your state, or state you will register in
- * Don't restrict your future business opportunities

Now that you've come up with some choices, sample these names with your friends and family. See what they like and don't like and then make your final decision. That wasn't so hard now was it?

Create Your Business Logo:

Ok the fun isn't over yet! Have you thought about a business logo yet? It should go hand in hand with your business name, and should be thought about right away. It adds to your level of professionalism when handing out business plans and applying for bank loans. And of course it's your main source of advertising. Every business has a logo of some form, and it doesn't necessarily have to be a photo, image, or drawing. Some businesses simply use their name in a certain font, position, and color scheme.

When creating your business logo, you should follow the same guidelines regarding choosing your business name from the previous section. Keep it consistent with your business and test it out with family and friends. It may take several edits before you reach a finished product. And don't be surprised if you change it again after that, further down the road in your business planning. The important thing, is to finalize it before you begin selling. You don't want to confuse your customers by changing your logo a month after sales begin. They will begin to lack confidence in your brand and may stop buying.

Not everyone is a graphic designer or even a good drawer. If this is you, don't worry! You can shop around online or in your local town for someone to create a logo for you. Cost can vary greatly depending on who you hire, what kind of design you're looking for, and how many changes you make to their design.

Choose Your Business Structure:

When starting your business, you must decide what form of business structure you will establish. This will determine legal and tax implications in the future. Your structure will also affect daily operations and your personal risk level. It's important to choose a structure that offers you the best legal protection and business benefits. Additional information can be found on the Small Business Administration's [website](#).

Sole Proprietorship: This is the most basic type of business to establish. You alone own the company and are responsible for its assets and liabilities. Since you don't have a separate business entity, your business assets and liabilities are not separate from your personal ones. This is a great low-risk business, but can often find difficulty in raising money.

Partnership: Partnerships are the easiest form of business for two or more persons. There are two types of partnerships: limited partnerships (LP) and limited liability partnerships (LLP). LPs offer limited liability to one general partner, while LLPs offer limited liability to every owner.

Limited Liability Company: A LLC is designed to provide the limited liability features of a corporation and the tax efficiencies and operating flexibility of a partnership. LLCs can have one or more members and protect each of them from personal liability. This means your personal assets won't be at risk in case your business defaults or is sued.

Corporation: A corporation is more complex and generally suggested for larger, established companies with multiple employees. Few businesses start as a corporation, but it's not unheard of. Profits are double taxed, and shareholders cannot deduct losses of the corporation.

S Corporation: Similar to a corporation, but you are taxed only on the personal level. Certain limitations apply to S corporations

Nonprofit: Nonprofit corporations are created to do charity, religious, education, literary or scientific work. Since these companies provide a benefit to the public, they are tax-exempt from paying taxes on profits. An exemption must be filed with the IRS and several rules apply.

Start A Business File:

Now that you've figured out your business name and structure, you need to start a business file for all the paperwork you're about to acquire. It's important to keep everything in one place while you are in the start up phase. Continue to keep everything in this file for the life of your business. It's a great way to stay organized and will help you immensely in the future.

Items to keep filed:

- * Articles of Organization
- * IRS Tax Identification Number
- * Operating Agreement
- * Business Bank Account Documents
- * Registration Forms
- * Resume
- * Personal Finance Statements
- * Credit Reports
- * Business Plan
- * Other Legal Documents
- * Receipts

Basically, if it's paper and pertains to your business, you should file it! As your business grows, so will your files. Begin to create folders for each aspect of your business and stay organized. There's nothing worse than needing a document and not being able to find it. It may seem tedious at first, but businesses thrive on organization and so will you once you're used to it.

Register Your Business:

Your new business will have to be registered with the appropriate authorities. This is usually done through state and local governments. Your business structure will determine this process. Check out your state's government website to determine the exact requirements. Most states require you to register through the Secretary of State. Some require you to register through a business agency or bureau. If you're a sole proprietorship and doing business under your own name, then you won't need to register at all. Begin to do some research online and determine your state's requirements.

In addition to state requirements, there are certain federal registration requirements depending on your type of business. If you're a nonprofit corporation, you'll need to register with the IRS to gain tax-exempt status. If you're looking to patent a product or obtain a trademark, you'll need to file with the US Patent & Trademark office. You'll also need to acquire an Employer Identification Number (EIN). More on this later.

If you want to do business in more than one state, you'll need to file a foreign qualification in those states as well. This will also require you to pay taxes and file annual reports in all states you're registered in. Check with each state to determine registration requirements and fees.

As for local registrations, you may need to file with your county or city depending on your business. Do you need permits or licenses to sell or distribute your product or service? If so, check out your local government websites to determine exactly what's required.

As with your business files, keep everything up to date. Most registries require annual or biennial registration. Put a reminder in your calendar, make a list of deadlines, etc. Do whatever it takes to stay up to date with these requirements. You don't want your business to suffer or stop because you forgot to file a \$100 annual report.

Reserve Your Domain:

Reserving a domain is both simple and fun! Go to a domain registry such as GoDaddy, HostGator or BlueHost and enter your chosen name. It's important to use the suffix ".com" when you are looking for availability. Sometimes the registrar will show that the ".com" suffix is taken, but the .biz or .co or other less popular options are available. DO NOT settle for anything but ".com". This is the only suffix that indicates a serious business and not a personal website. If you're a nonprofit organization, then ".org" is preferred.

Keep trying until a name that you like is reported as available. Please don't change the spelling or add pointless numbers to find a name that is available. "Here4u" is cute and catchy, but potential customers won't find you when they are looking for "Here For You". If the common spelling is not available, move on. Go back to the drawing board and come up with another great name. They are out there, you just have to get creative.

Try out potential names with friends and family members. Make sure they get what you are trying to convey with your name. If they look at you like you have three heads when you tell them your name, then it's probably not a great choice. Keep looking!

If a name you like comes back as available, purchase it immediately! Someone else might have the same great idea. Each name only costs around \$15, so buy as many as you want and then sort them out later. Once you buy it, it's yours, so the pressure is off.

Finally, don't worry about hosting your domain or creating your website yet! You don't want to spend any time or money on this until you've gotten through the rest of this guide. This will save you money in the long run.

Obtain Tax Identification Number:

Your tax ID number is simply an identifying number used for tax purposes. It is basically a social security number for your business. The tax ID number is also known as an Employer Identification Number (EIN) and is assigned by the IRS to identify your business. This number is required of all businesses, regardless of ownership. Use your EIN on all of the items that you send to the IRS and the Social Security Administration (SSA).

Be advised, an EIN is for use in connection with your business activities only. Do not use your EIN in place of your social security number (SSN). To get your ID number, visit the IRS [website](#). Follow the directions and submit your application online. It only takes a few minutes and your EIN will be instantly available for immediate use.

After submitting your application, you should print several copies of your EIN validation. Once you leave the IRS website, it's very time consuming to acquire this number again. The last thing you want to do is spend hours on hold waiting for the IRS to look up your EIN.

Create Operating Agreement:

If you've decided on a LLC for your business structure, then you'll need to create an Operating Agreement. This document outlines the business' financial and organizational rules and regulations. Additionally, this document is used to govern the operations of your business and layout specific requirements of each member. It explains all aspects of current and future operations within the company and offers protection to all members. It may include rights and responsibilities, contributions, and allocation of profits and losses of all members.

Some states require a LLC to have this document, and few require you to file it with your registration documents. However, most banks often require operating agreements to be filed with them in order to open a business bank account.

As with any legal document, you may wish to consult an attorney or financial advisor before signing. This document could affect your business, income, and liability and should be taken very seriously.

Open Business Bank Account:

Your business should have its own bank account for record keeping and tax purposes. A checking account is your best option for flexibility as you launch your business and it's also a great idea to get overdraft protection for obvious reasons!

Simply visit your local bank to set up a dedicated account. It might also be a good idea to shop around to see which bank has the best rates for what you want to do. Depending on the size of your business, a simple business checking account should be free with no minimum balance requirements. If you're a large scale business with employees, there will be other charges to have those types of accounts.

Remember, all banks want your business, so you may be able to negotiate some free or discounted services. Ask friends, family, or coworkers who they bank with and why. Once you've decided on a bank and opened your account, it is time to sever the tie between your personal finances and your business finances. Banks want to see that you're able to manage these accounts separately. Keeping these accounts separate will also reduce your legal liability and can help manage your taxes more efficiently. If you're audited, you will also be well prepared.

Now may be the time to find an accountant or financial advisor to keep your records straight. You should also look into accounting software to maintain your financial records. There are several companies that offer software you can use in your own home and they will save you lots of money. However, if you're not interested in accounting or don't want to maintain these records, then an accountant is definitely worth looking into.

Create Resume:

Financial institutions want to see a resume to show continuity between your past and your future plans. Since you probably do not have much of an employment history, now is the time to impress the bank with your creativity and plans for helping others. They will accept any kind of life experience, hobbies or volunteer work that show how your current life meshes with your future business plans.

Prepare or update your resume to impress the viewer with your business and personal skills that show how you will be a successful business owner. Keep your resume to one page and do not include photos or images of any kind. Black and white is preferred, unless you're a graphic designer. Include the following:

- * Name & Address
- * Email Address
- * Phone Number
- * Education (Include GPA)
- * Work Experience
- * Business Related Knowledge or Expertise
- * Skills & Abilities
- * Hobbies
- * Volunteer Work
- * References (Personal & Professional)

Run this one by your family and friends too. They are a great source for editing and can provide suggestions for improvement.

Create Personal Financial Statement:

In addition to the business loan application, most banks will require a Personal Financial Statement from both you and your co-signer. Do yourself a favor and gather up all of your financial information BEFORE you tackle any bank loan applications. It's much easier to retrieve the data from this one document than it is to sift through a pile of unorganized papers.

The following chart contains the information that may be required from you or your co-signer:

Assets:	Liabilities:
Bank Accounts	Installment Loans
Cash	Mortgage
Accounts Receivable	Taxes Owed
Securities	Notes Payable
Real Estate	Unsecured Debt
Furniture, Automobiles	All other liabilities
Investments (Stocks, Bonds)	Investors

You should also have the following documents readily available:

- * Pay Stubs
- * Bank Statements
- * Tax Returns

Having this information available ahead of time is key to keeping your business formation moving quickly and smoothly. In some cases, a Personal Financial Statement may not be necessary. If you're unsure, create one anyway. That way you're prepared at all times.

Obtain Collateral Documents:

The term collateral refers to something pledged as security for repayment of a loan. For example, if you use your car as collateral for a loan, the bank has the right to take your car if you don't make your loan payments. Collateral could be your vehicle, a home, or anything else that holds value.

Collateral documents vary greatly. Some loan programs do not require collateral at all, while some require substantial security. The higher the risk for default, the more collateral will be required. Strong business plans and financial statements can help you avoid putting up collateral. In any case, it's a good idea to prepare a collateral document that describes the value of personal or business property that could be used to secure a loan, either from you or your cosigner.

Examples of collateral documents include a security agreement, collateral agreement, pledge agreement, mortgage, deposit account control agreement and security account control agreement.

Obtain Credit Report:

This is a no brainer, but may not be applicable to you, as much as it will be to your cosigner. At any rate, it is guaranteed that the loan officer will be looking at the personal credit report of at least one of you, so make sure you look at it first! Order a copy immediately, so you will have time to correct any errors and injustices. It takes time to go through the correction process, so the sooner you get started, the better.

Once a year, you are allowed to get a free copy of your report from each of the three credit bureaus. Simple instructions are available on each website. You can even call them to obtain your report. The simplest method is to go the free credit report [website](#). Do this every 4 months and alternate between the three credit bureaus to minimize discrepancies in your report.

A credit report contains information on where you work and live, how you pay your bills, loans and payment amounts. They may also include whether you've filed for bankruptcy or any other public information. The three nationwide consumer credit reporting companies are:

- * Equifax
- * Experian
- * TransUnion

Get your free annual credit report at www.annualcreditreport.com.

Gather Legal Documents:

If you're looking into financing to start your business, then there are several legal documents you may need to procure. Investors may ask for one thing, while banks may require other documents depending on the loan's specific requirements. Your business plan may also require certain documents to be included. Make sure you have the following items readily available so you're not held up down the road.

- * Articles of Organization (Certificate of Formation, Application for Authority, etc.)
- * Licenses
- * Permits
- * Contracts
- * Franchise Agreements
- * Commercial Leases
- * Other Legal Documents

This is also a great time to be thinking about a small business attorney, financial advisor and certified public accountant (CPA). Although expensive up front, these people will most likely end up saving you lots of money and time in the long run.

Acquire Funding:

It may seem early to discuss funding, and it probably is. However, it's a good idea to at least read over the process and requirements of these funding sources. It's way better to be prepared for this step now, when you aren't necessarily ready for a loan. That way, when you are ready, you'll be ahead of the game. Funding can often keep great businesses from coming to fruition, so having this background knowledge will help you immensely. Here is brief overview of some of the main funding sources:

Friends & Family: Friends and family should be your primary source of non-personal funds during the early stages. Go prepared, with a business plan and ask nicely. If they say no, thank them anyway for their time and move on to the next funding source. Most investors will assume you have already tried to get money from your friends and family. After all, if they don't believe in your business, then why should anyone else?

Investors: Investors come in many different forms and sizes. Venture capital is one form of equity financing, but is typically very difficult to get. Venture capitalists tend to only lend money to highly established companies. Another form is Angel Investors. They are affluent individuals who provide capital for a business startup in exchange for equity in the company. Not all are millionaires, and many can be found in your own town.

Loans: Bank loans come in various forms. There are line of credit loans, installment loans, balloon loans, secured and unsecured loans, personal loans, commercial loans, and the list goes on and on. Some research will be required to determine which type of loan best fits your needs. You'll probably need good credit history, collateral and other assets, or a cosigner.

Crowdfunding: Crowdfunding is very much the opposite of obtaining loans and investors for large sums of money. Instead, crowdfunding works by asking for small amounts of money from large crowds of people. Just like all sources of funding, crowdfunding comes in various forms too. The three primary types are donation based, rewards based, and equity based crowdfunding. Investors can expect no return on donation based crowdfunding, a small reward from reward based crowdfunding, and equity shares for equity based crowdfunding.

For more information, visit our website and click on [*Funding Your Business Idea*](#).

Funding Exercise:

Below is a list of questions to think about and answer before submitting an application for a bank loan. They also work for other forms of business funding. Use the questions at any time during your business startup process. Then do it again later on and keep your answers up to date. When the time comes, you'll be ready to apply for anything!

Questions to answer before submitting a loan application:

- * Why are you applying for this loan?

- * How much money are you requesting and when can you pay it back?

- * How will the loan money be used?

- * What equipment needs to be purchased?

- * Who will you buy your supplies from?

- * What business debt do you have?

- * Who is on your management team (if any)?

- * What collateral are you offering to secure the loan?

- * Business Information: legal name, address, website, nature of business, when established, structure, annual gross sales (projected).

- * Owner Information: salary, bank account balances, assets, liabilities, net worth, etc.

- * What is your business bank account balance?

- * Any past bankruptcy or negative credit history?

Start Selling:

Wow you made it! Congratulations! It's time to start selling your product or service and begin making some money. Hopefully you found the information in this guide helpful in your journey. Remember, each business is different and some of the material in this guide may or may not apply to your business. Additionally, there may be topics or situations you encountered or will encounter that weren't in here. Topics like hiring employees, buying insurance, bookkeeping, and filing taxes. There are lots of online resources, books, videos and people you can find to help you. All you have to do is ask!

In fact, post your questions online using social media, or whatever form suits you best. You may just find the answer you need. Also, please share your experiences for others to read too. Nobody wants to go through this process alone, and your posts are sure to spark conversation and may even be the inspiration others need to start their business.

