



Starting a Business



LET'S START A CONVERSATION

We'd love to meet you, talk about your financial goals, and see if we're the right fit to help you get there.

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The Purpose of a Business Plan

A business plan is a written document created to detail all aspects of a business on a comprehensive level. Many banks and investors require a written business plan before lending to, or investing in, a business.

Executive Summary

The executive summary is an overview of the entire plan. It should be written when all other sections of a business plan are complete and should be less than one page in length. The executive summary should include enough detail to allow a user to read the summary and gain a basic understanding of the business.

Mission, Vision, and Description

- **Mission statement.** The mission statement should be less than 30 words and describe why a business exists, as well as its fundamental purpose at present.
- **Vision.** The vision statement defines the intended future state of an organization. It sets a high, long-term goal which is used to guide decisions of management and ownership.
- **Description.** The description section defines goals and objectives, business philosophy, target market, industry, and the legal entity under which the business will operate.

Products and Services

Provide a detailed description of the products and services the business will offer. Include pricing, unique features, and the required level of quality. Create an appendix for any photos, technical specifications, drawings, or brochures.

Marketing Plan

The marketing plan is developed by conducting (or having conducted) market research to define the clientele of a business and how to best market products and services.

Sales forecast. The sales forecast is the final element in a marketing plan. It forecasts over a 12-month period the quantities of each product or service expected to be sold. It is the base from which the financial plan will develop.

Operational Plan

The operational plan details the day-to-day operations of a business. Items discussed in an operational plan should include issues such as location, licensing, personnel, inventory, suppliers, credit policies, and managing payables.

Management and Organization

- **Key employees.** The term key employee refers to a person or persons who will manage the business on a daily basis. Include in the list the key employees' talent, experience, and distinctive competencies brought to the business. Incorporate job descriptions of key employees, as well as resumes of the owners and key employees if using a business plan to seek financing.
- **Management continuation plan.** Management continuation planning involves determining how a business will continue should one or more of the key employees be lost or become unable to fulfill his or her duties. The plan should specify the exact procedures for transferring duties when required, including arrangements with vendors, banks, employees, and owners.



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Personal Financial Statement

A personal financial statement (PFS) is a balance sheet for each owner on an individual basis. It includes values and detail of all assets owned, as well as amounts and terms for all debt obligations.

Business Agreements

- **Incorporation agreements.**
- **Partnership agreements.**
- **LLC agreements.** Consult an attorney to ensure compliance with state laws when forming a business entity.

The following issues should be addressed in an agreement to form a business entity.

- **Name and address of business.**
- **Names and addresses of owners.**
- **Description of business purpose.** Products, services, market.
- **Contributions to capital.** Loans to the business, repayment guarantees.
- **Special allocations for partnerships.**
- **Number and duties of employees.**
- **Responsibilities of owners.** (1) Administrative duties; (2) Services to be performed: Hours dedicated to business, time off, length of commitment, wages/guaranteed payments, contributions to retirement funds, other payments.
- **Divisions of responsibility.**
 - Authority to: Hire and fire employees, train employees, make loans, purchase inventory and supplies, enter into contracts, incur business debt.
 - Books and records: Responsibility for bookkeeping, accounting, and tax compliance, location of books and records, fiscal or calendar year, accounting method, tax elections, responsibility for legal compliance.
- **Payment of expenses not covered by business operations.** Stop-loss agreements, percentage contributions in case of shortfall, expenses to be paid personally by owners, provisions for additional capital contributions.
- **Draws.** Scheduled draws, limits on draws, restrictions on draws.
- **Amendment provisions.** Circumstances, authority, procedures.
- **Rights of owner withdrawal or transfer of interest.** Ability to withdraw, requirements for sale of interest, rights of first refusal, ability to sell to outside party, advance notice of retirement, methods of evaluating owner's share.
- **Death of an owner.** Buy/sell agreements, succession plan, rights and authority of relatives, location of each owner's will, right to divide interest of owner.
- **Decisions/disagreements.** Situations that will require a vote, majority or unanimous vote requirements, arbitration agreement.
- **Amending the agreement.** Situations where amendment is mandatory, situations where amendment is a choice, vote required for amendment.

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Financial Plan

- **Capitalization.** Capitalization is the source of cash used for start-up costs, including professional consulting, asset acquisition, and buying or leasing business property. Information about any debt or equity financing should be included in this section.
- **Forecasting cash flow.** For new businesses, cash flow, more than profit, is the best indicator of whether a business will survive. It determines whether a business will be able to pay its expenses and debts as they come due. A business plan should contain a statement of projected cash flow for the first 12 months of the business. Lenders or investors may require customized reports indicating cash flow and profit projections.

Starting a Business Checklist

✓ **Done.** Skip any item which does not apply to the business.

- | | |
|---|---|
| 1) <input type="checkbox"/> Develop a business concept | 15) <input type="checkbox"/> Open business bank accounts |
| 2) <input type="checkbox"/> Select and retain accountants and attorneys | 16) <input type="checkbox"/> Apply for required permits or licenses |
| 3) <input type="checkbox"/> Select a business entity | 17) <input type="checkbox"/> Select an insurance agent |
| 4) <input type="checkbox"/> Determine ownership structure | 18) <input type="checkbox"/> Purchase insurance |
| 5) <input type="checkbox"/> Complete a business plan | 19) <input type="checkbox"/> Select a commercial real estate agent |
| 6) <input type="checkbox"/> Obtain initial start-up capital | 20) <input type="checkbox"/> Locate and obtain office or production space |
| 7) <input type="checkbox"/> File for organization with state | 21) <input type="checkbox"/> Acquire furniture and equipment |
| 8) <input type="checkbox"/> Hold first board of directors meeting | 22) <input type="checkbox"/> Complete any needed build-out of space |
| 9) <input type="checkbox"/> Apply for a federal employer identification number (EIN) by submitting Form SS-4 | 23) <input type="checkbox"/> Select a payroll processing company |
| 10) <input type="checkbox"/> Apply for S corporation status by filing Form 2553, if desired | 24) <input type="checkbox"/> Select an employee benefits company |
| 11) <input type="checkbox"/> Develop website and technology plan, including cybersecurity | 25) <input type="checkbox"/> Hire staff and complete training |
| 12) <input type="checkbox"/> Establish accounting procedures and choose accounting software or hire outside bookkeeping service | 26) <input type="checkbox"/> Commence marketing |
| 13) <input type="checkbox"/> Input all transactions from the beginning of business development into accounting software | 27) <input type="checkbox"/> Order initial inventory and begin production |
| 14) <input type="checkbox"/> Apply for business financing and solicit investors | 28) <input type="checkbox"/> Conduct a grand opening |

Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 72.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of \$5,000.