

Thinking about starting a business?

What's the advantage?

- Be your own boss, make your own decisions (and mistakes!).
- Your effort benefits YOU directly.
- Potentially high growth and high earnings: get *equity*, not just wages.
- Excitement and satisfaction.

What do I need to consider?

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

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).

Basic business types

Sole proprietorship

- Easy to start: just do it!
- Few regulations, but also few protections (e.g., liability). Profits go to you personally, but so does "exposure" of 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

- A *corporation* is a separate entity, covered by state laws and regulations, that the law views separately from the owners (shareholders).
- The 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.
- 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?
- 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.