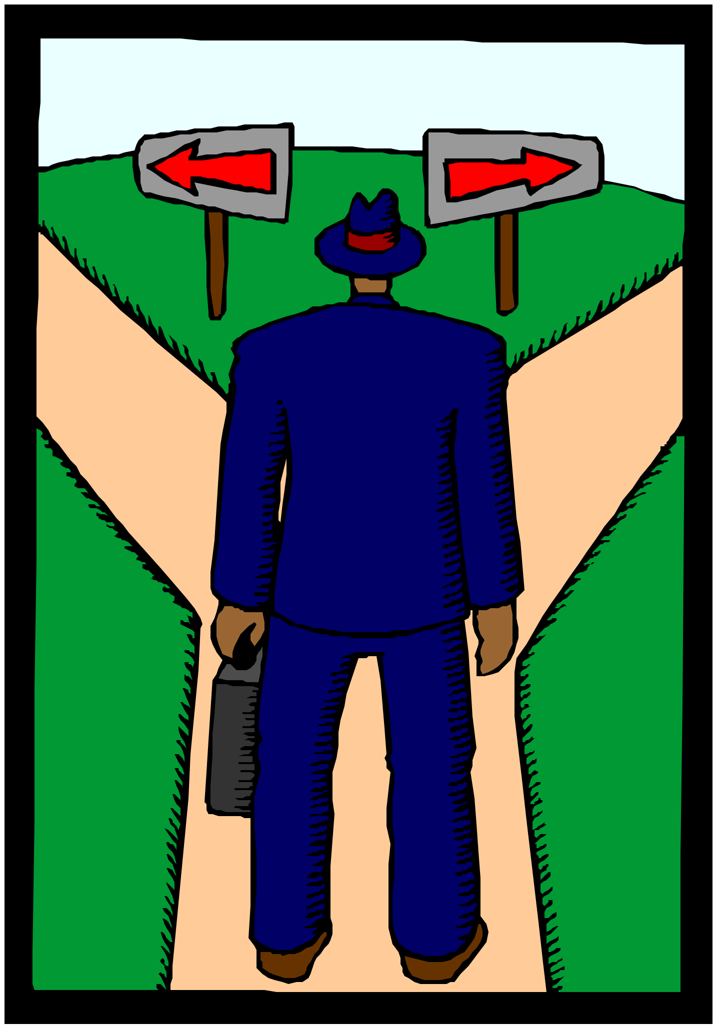
Business Start-up Kit

A Resource for Entrepreneurs



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Introduction

Welcome to the *Key Decision Making Guide* for starting your business.

If you're thinking of starting a new business, you're in good company. According to a study compiled in 1996 by the *Entrepreneurial Research Consortium (ERC)*, one of every three U.S. households includes someone who plays a primary role in a new or small business. That's 37% of the country! In addition, these businesses employ 53% of the private work force and contribute 47% of all sales in the country.

Newsweek magazine reported that approximately 90% of U.S. millionaires made their fortune with their own business. Of course, not all business owners enjoy that level of success. Fifty percent of all businesses fail within their first year – 75% fail within five years.

So, why go into business for yourself?

The motivation and benefits of being self-employed are as varied as the business owners themselves. It's good to understand the benefit most important to you. The most common are:

- **Flexibility** – Although the hours may be long initially, the ability to work when it's most convenient for the business owner is a valued commodity.
- **Financial Potential** – Working for someone else doesn't necessarily increase one's earning potential, whereas, a business owner can decide for themselves what is possible.
- **Less Bureaucracy** – As a business owner, you can develop a zero-tolerance for office politics and internal bickering.
- **Independence** – The autonomy to choose what, when, why, how and who is what separates business owners from employees.
- **Unlimited Opportunities** – This is the most important benefit for many business owners. Technology is creating more business opportunities today than ever before.

As with many things in life, starting a business has its risk. Most business owners don't plan to fail – they fail to plan. That's why careful consideration must be given to key decision making points prior to opening your doors.

What is a "Key Decision Making Point"?

A "key decision making point" is one that will influence and impact the bottom line and smooth operation of your business. It's a choice that is best *not* made on a "hunch" or a "whim" but rather one that is made on extensive research and careful consideration.

What is the best way to make these decisions?

Because of the implications that decision-making has on results, the use of models should be considered. The most basic decision-making model is similar to the following:

1. Identify and define the problem.
2. Establish the criteria you will use to evaluate. This criteria may include:
   - Values (What's most important to you?)
   - Time (How much time do you have? Is there a deadline?)
   - People (Who is involved? What is their role? Who had the final say?)
   - Results (What results are desired? Quantitative or general?)
3. Acquire the necessary information.
4. Determine the alternative solutions.
5. Evaluate the outcomes of the alternatives.
6. Match the results of the alternative outcomes (in Step #5) with your decision making criteria (in Step #2).
7. Make your decision.

All "key decisions" affect the entire organization. Whether you're making a decision on what to name your company or whether to hire additional staff, careful decision making needs to take place. Keep this model in mind as you assess each key decision making point throughout the guide.

What key decision making points need to be considered?

Key decision making points for a start-up business include:

- **Entrepreneurial Qualities** – Do you have what it takes to succeed?
- **Business Research** – Is it the right product at the right time for the right marketplace?
- **Business Needs** – What is required before you open the doors?
- **Business Planning** – What's your strategy for success?
- **Market Planning** – How will you reach your potential customers?
- **Financial Planning** – What will be necessary to fund and run your business?
- **Systems Planning** – What structures are essential for smooth business operation?

Our goal is to provide you with information regarding these significant decisions, along with valuable resources, that will increase the likelihood of your business success.

Entrepreneurial Guide

There is no way to eliminate all the risks associated with starting a business. However, you can improve your chances of success with good planning and preparation. A good place to start is by assessing your strengths and weaknesses as well as common traits associated with a business start-up.

What qualities does it take to be successful?

There is not a set profile of a successful business owner. However, there are some common qualities that most successful business owners possess. These include:

- Hard working
- Ambitious
- Self-motivated
- Risk-taker
- Courageous
- Independent

Is entrepreneurship for you?

Operating a business can be very demanding. If your temperament and skills don't match your business, it can really become a burden. Carefully consider the following questions to evaluate your strong points as well as your weaknesses:

- Are you a self-starter?
- How well do you get along with different personalities?
- How easily do you direct and influence the actions of others?
- How willing are you to innovate?
- Do you have the physical and emotional stamina to run a business?
- How strong are your planning and organizational skills?
- How will the business impact your family?
- Do you have reserves of time, cash and skills?
- How willing are you to learn new skills and behaviors?
- How strong is your determination?
- How well do you problem solve?

Considerations

After vigilantly evaluating the answer to each question, how will you best utilize your strengths?

What is your plan for compensating for what you've identified as your weaknesses?

Are there any obvious conflicts between your personality and the type of business that you want to start?

Resources

"Starting Your Own Business"
U.S. Small Business Administration's Online Women's Business Center
www.onlinewbc.gov/docs/starting/

If you're interested in a quick assessment of your entrepreneurial potential, visit this web site and take the Entrepreneurial Test. The site is primarily for women in business but the evaluation is applicable to men as well.

What important shifts need to be made as a business owner?

A "shift" is an internal change in what one believes. These inner modifications will alter your focus and transform the results you achieve as you begin to think differently.

Common shifts to make are:

- From lack of attention, "busy"
  To focus, large vision, goals
- From mistakes, missing reports
  To accuracy and timely reporting
- From being revenue driven
  To being oriented around profit
- From reacting to circumstances
  To responding to and solving problems
- From excuse making and blaming
  To accountability and responsibility
- From excessive ideas, possibilities
  To profitable products and services only
- From manual ineffective paper flow
  To automated, computerized systems
- From inexperienced, poorly-trained staff
  To competent, motivated and rewarded staff
- From slow to respond to market
  To anticipating and fast response
- From hope, dream, wish
  To solid plan and strategy

What are some common characteristics of start-up businesses?

As you continue your consideration of entrepreneurship, it's important to take the following "commonalities" into consideration. Be objective as you evaluate each point. Ask yourself some basic questions about who you are and what you're realistically qualified to do. As a result, you'll have a better idea of whether you're willing to pay the price required to be successful.

- Majority of time is spent on focusing your energy and organizing the business
- Owner doing everything, even answering the phone
- Reputation is being established – make it a great one!
- Customers expect quality, value, professionalism and prompt service response
- High learning curve. New skills are being developed.
- Strong focus on sales and marketing

What are some of the common roadblocks for start-ups?

- Establishing professional and personal balance
- Priorities not clearly defined
- Undeveloped business skills
- Lack of time to do it all
- Unpredictable cash flow
- Neglected finances and record keeping

What are the common mistakes made with a business start-up?

- Not researching the market
- Spending too much money on office space and decorations
- Over using an attorney
- Incorporating too early
- Lack of intimacy with the customer; poor customer service
- Company is in the wrong or too competitive a field
- Poor or inadequate staffing
- Insufficient funding
- Business plan based on owner's needs vs. what the market is ready to consistently buy
- Working without a business plan
- Establishing unrealistic time frames
- Attempting to accomplish too much alone
- Tolerating interruptions

Considerations

What can you do to avoid many of the common mistakes?
What strengths and shifts can you use to steer clear of some of these missteps?

Continue to read through the *Key Decision Making Guide* and give prudent consideration to the significant points made.

Resources

Books

"The Young Entrepreneur's Guide to Starting and Running a Business" by Steve Mariotti

"The Unofficial Guide to Starting a Small Business" by Marcia Layton Turner

Magazines

Inc. Magazine
38 Commercial Wharf
Boston, MA 02110
(800) 234-0999
www.inc.com

Entrepreneur Magazine
www.entrepreneur.com

Fast Company
77 North Washington Street
Boston, MA 02114-1927
(800) 542-6029
www.fastcompany.com

Internet

BizMove.com
www.bizmove.com

Mike O'Donnel's StartUpBiz.com
www.startupbiz.com

Service Corps of Retired Executives
www.score.org

U.S. Small Business Administration
www.sba.com

U.S. Small Business Administration's Online Women's Business Center
www.onlinewbc.gov/

Checklist for Starting a Business

Background Work

_____ Assess your strengths and weaknesses
_____ Establish business and personal goals
_____ Assess your financial resources
_____ Identify the financial risks
_____ Determine the start-up costs
_____ Decide on your business location
_____ Complete market research
_____ Identify your customers
_____ Identify your competitors
_____ Develop a marketing plan

Getting Ready

_____ Select an attorney
Choose a form of business organization (proprietorship, partnership, corporation)
Create your business (register your name, incorporate the business)
_____ Select an accountant
Prepare a business plan
_____ Select a business banker
Set up a business checking account
Apply for business loan (if appliable)
Establish a line of credit
_____ Select an insurance agent
Obtain business insurance

Setting Up Shop

_____ Review county or city business/commercial zoning laws
_____ Sign a lease (if applicable)
_____ Obtain a federal employer identification number
_____ Obtain a business license and permit
_____ Line up suppliers
_____ Order business cards, stationary, etc.
_____ Purchase furniture, equipment and supplies
_____ Select an Internet service provider
_____ Contact federal, state and local governments for tax information
_____ Join a professional organization (chamber of commerce, visitor and convention bureau, networking group)
_____ Join your industry association
_____ Pick a date to open your business

Business Research

Extensive, thought-provoking research is important to provide ample information about the realities of running a business. Areas to consider include:

- Determining the right product for the marketplace
- Finding the best location
- Discovering how much capital will be required
- Assessing your personal "affordability" for being in business
- Ascertaining the possible need for a partnership
- Determining the best type of business to start

Having sufficient information up front will save you months of effort, costly capital investments, and will help in a variety of key decisions. When making your decisions, you'll want to refer back to the decision-making model in the *Introduction* section of this guide.

How do you evaluate your marketplace?

While your individual interests are important in selecting a business that you will enjoy, it's essential to bear in mind what your market needs and wants. You will want to:

- Determine the interests and needs of your marketplace by:
  - Researching the trends in the market to discover how consumers are changing what, how and where they buy their products.
  - Identifying under-served markets.
  - Looking for product or service needs with stable demand.
  - Talking with your potential customers to gain insight into their needs.
  - Conducting a survey or focus group for feedback on new ideas and concepts.
  - Pinpointing innovative improvements in a product or service that is currently available.
- Identify and research the size of your target market by:
  - Identifying the characteristics shared by your customers.
  - Determining their purchasing power and buying habits.
  - Gathering information regarding the psychological aspects of your market.
  - Analyzing the marketplace competition.
  - Uncovering environmental factors such as trends and growth expectations.
- Learn from your competition by:
  - Analyzing the location, customer volumes, traffic patterns, hours of operation, pricing and quality of their products and services, positioning, promotional techniques, etc.
  - Becoming a customer to study how you're treated.

- Going outside your geographical area to have a frank conversation with someone who owns a business that mirrors what you plan to start.
- Talking to suppliers who can provide you with information about how your industry works, trends taking place, pricing strategies and why some competitors are successful.

Once your market research has been conducted, you will be in a better position to assess the viability of your business as well as determine innovations that may be necessary before you open your doors.

What is your optimum business format?

Choosing your business format can be a daunting task. You'll want to use several criteria to help you decide including what fits your personality, your financial resources and your skills. The basic types of businesses include:

- **Manufacturing/production**, which requires significant capital investment on the front end with the potential of large profits without the owner being on the job 24 hours a day.
- **Home-based**, which has risen in popularity in the past several years has the advantage of low overhead with the disadvantage of distractions and/or isolation.
- **Service**, which is less expensive to start although earnings are linked to how much time the owner invests in the business.
- **Direct mail**, which can easily be started from your garage with the quality of the mailing list and your catalog determining your profitability.
- **Web-based**, which is predicted to exceed $1.2 trillion in revenues by 2002 is inexpensive and easy to establish with flexible hours and location; yet can be too dependent on your Web hosting firm for access to the cyberbusiness.
- **Multilevel or network marketing**, which can be extremely flexible and requires careful evaluation before investing.

Considerations

What is your ultimate goal for starting your own business?
What is it that you want to accomplish through your business five, ten or even twenty years from now?

Where is the best place to locate your business?

In deciding the best spot for your business, several options exist. You can locate at home, away from home, on the world wide web or both. Key considerations for each of these locations are:

- **Home Based**
  A home based business can be an excellent choice for a business start-up as expenses can be kept to a minimum. Other points to consider are:
  - **Zoning Regulations** – It's important to research your city's zoning regulations as certain areas within a city may prohibit a small business owner from operating out of his/her house.
  - **Product Restrictions** – Some states prohibit the production of food, drink, clothing, fireworks, medical products, etc., in a home.
  - **Work Certificates or Licenses**
  - **Registration** – Like any business, you will be required to register your business name and obtain a sales tax number before officially operating your business.
  - **Employees** – You must comply with health, safety and employment laws that exist for employees.
- **Away From Home**
  During your start-up phase, it may be smarter to lease rather than buy a building or location. This prevents committing to a site that may not fit your needs three years from now. Several points need to be taken into consideration prior to making any commitment such as:
  - Safety
  - Storage
  - Parking
  - Affordability
  - Visibility
  - Occupancy rates
  - Potential for expansion
  - Business climate of the area
  - Zoning and signage regulations
  - Location in relation to potential customers and competition
  - Accessibility to support services and conveniences for your and your staff

Resources

"To Lease or Not to Lease: Things to Know"
U.S. Small Business Administration
www.sba.gov/starting/getting.html

"Cost of Lease vs. Purchase"
U.S. Small Business Administration's Women's Business Center.
www.onlinewbc.gov/docs/finance/lease_cost.html

A seasoned real estate professional who knows your local market can also provide advice.

- **World Wide Web**
  Through the use of the Internet, global relationships are a reality and new customers are only a click away. Several considerations to keep in mind are:
  - Types of product and service offered
  - Web site design and ease of downloading
  - Online ordering and credit card security
  - Electronic malls
  - Ongoing maintenance
  - Building customer loyalty and service
  - Conductivity
  - Protection from competitors entering the marketplace

When do you quit your day job?

The advice here is "go cautiously". Consider your keys to success:

- 6-12 months of personal and business expenses in the bank
- One year of strong and successful experience in the field
- Affordability of being in business considering data gathered from research
- Your break-even point

Is it best to fly solo or team up?

Starting a solo business may be simple and fast, however, partnerships do have their advantages, including:

- Optimal use of skill sets
- Reduced individual risks
- Lessened time demands
- Improved chance of investor interest
- Contribution of financial resources
- Emotional support

Considerations

What type of business arrangement will work best for you given your business goals, objectives and temperament?
How much risk are you personally willing to take on?

Resources

"Keys to Successful Partnership - A Planning Checklist"
Jackie Nagel, Development Coach
1-800-398-6428
www.synnovatia.com
info@jackienagel.com.

How much money will you need to start your business?

Every new business has start-up and one-time expenses. Knowing these expenses will help in planning the affordability of your business. In assessing start-up costs, focus realistically on determining what it will take to get up-and-running with everything you need rather than what you have available in your checkbook:

- Real estate, furniture, fixtures, machinery, equipment
- Starting inventory
- Decorating, refurbishing and remodeling costs; office space
- Deposits for utilities, rent
- Fees required for legal, accounting, licenses, permits
- Initial advertising and marketing costs (flyers, sales letters, signs, brochures)
- Salaries and owner's draw
- Telephone, fax and internet lines
- Office supplies and equipment

Considerations

Have you accurately determined your start-up costs?
Can you afford to start your own business?
What financial resources are available to you?

Resources

Books

"The Unofficial Guide to Starting a Small Business" by Marcia Layton Turner

"Poor Richard's Internet Marketing and Promotions – How to Promote Yourself, Your Business, Your Ideas Online" by Peter Kent and Tara Calishain

"Marketing Your Services – For People Who Hate to Sell" by Rick Crandall, PhD

Internet

"Starting Your Own Business"
U.S. Small Business Administration's Online Women's Business Center
www.onlinewbc.gov/docs/starting/

Business Information Central Home Page
www.intellifact.com

Free Market Research Resources Home Page
www.researchinfo.com

Service Corps of Retired Executives
www.score.org

U.S. Small Business Administration
www.sba.gov

DETERMINING YOUR BUSINESS NEEDS

Following proper procedures at the outset of your business will save you thousands of dollars in penalties, fines, potential lawsuits and lost business. Some of the most important procedures and government requirements are:

- Selecting a company name
- Determining insurance needs
- Selecting the proper legal structure
- Filing the necessary tax, licensing reports and permits
- Equipping your business
- Establishing qualified advisors
- Protecting your product and/or service

How do you select a memorable name for your enterprise?

Selecting an unforgettable name is one of the most important decisions you can make. It will identify what your company does, as well as establish its image.

- Make the name easy to understand, spell and pronounce
- Project your business image in the name
- Avoid the use of "corporation" or "incorporated" until your business is legally such a structure
- Conduct a national and international name search to avoid potential problems of using a name already in use

Considerations

Are you planning on conducting business on the Internet?
Is the domain name of your business available?
Will your company name grow with your business?

Resources

Visit Trade Center Research Services at www.tmcenter.com to search for currently trademarked company names. Also check with the Washington State Secretary of State's office at (360) 753-7115 to make sure your company name is not already in use.

What kinds of insurance do you need?

The amount and type of adequate insurance coverage depends on what you can afford to write off as a business owner in the event of a loss (fire, theft, etc.). Many times, these types of losses can be catastrophic. The premiums you pay may be worth the peace of mind. Types of insurance to consider are:

- General liability
- Errors and omissions
- Business interruption
- Key man
- Auto
- Disability
- Fire
- Theft
- Earthquake
- Workmen's compensation (required by law for companies with employees)

Considerations

What is it that you want to protect?
How much is it worth?
What is it that you would like to be protected from?
Who would you like to protect?
What are the exclusions and conditions of each policy?
What kind of insurance would you need that is specific to your industry?
What kind of insurance do you need that is specific to your geographical area (earthquake, flood)?

Resources

Seek out a professional insurance agent to help you assess your needs.
Check with a trusted business associate or your local Chamber of Commerce for names of insurance agents.
Visit of the web site of the insurance industry at *www.iii.org*.

What is the most appropriate legal structure for your business?

There are many legal forms that you can choose for your business. The structure you select will affect how you track revenue, pay employees and file government reports. Your options include:

- Sole Proprietorship
- Partnership
- Corporation
    - S Corporation
    - C Corporation
- Limited Liability
    - Limited Liability Company (LLC)
    - Limited Liability Partnership (LLP)

More complete information on legal structures can be found in the "Business Structure" section of this guide.

Considerations

What is your intention in creating your business structure?
Which structure would best meet your needs?

Resources

Consult your attorney and certified public accountant

Small Business Administration
www.sba.gov/starting/regulations.html

Start-up Business Resources
www.smartbiz.com/

What equipment and supplies will get you off to a first-class beginning?

The professionalism of your operation is an important component to your success. The only way to control the image of your company is by creating top-notch output through the use of quality equipment and materials. Tools you should consider including:

- Computer
- Computer software
  - Contact management database
  - Accounting software
  - Word processing
- Printer
  - Inkjet
  - Laser
- Cellular Phone
- E-mail
- Pager
- Office telephone with a good quality answering machine or voice mail
- Fax machine
- Copier
- Merchant status for acceptance of credit cards
- Filing cabinets
- Office furniture
- Office supplies
  - Paper, pens, pencils, paper clips, envelopes, etc.
- Equipment specific to your industry and/or business

What kind of advisors do you need?

Having the advice of an objective third party can provide invaluable insight and improve the quality of a company's business and service as well as reduce costly errors. Types and sources of advisors may include:

- Individuals engaged in the same type of business you are considering
- Trusted group of friends or colleagues
- Small Business Administration (SBA)
- Small Business Development Center (SBDC)
- Economic Development Council (EDC)
- Business Consultant
- Business Coach
- Vendors and Suppliers
- Industry Roundtables
- Professional Organizations
- Certified Public Accountant (CPA)
- Business Attorney
- Business Banker
- Marketing Consultant
- Web Designer

Some advisory services are available for free; some are for a fee. Regardless of the cost, you want to ensure that there is a good fit between you and the advisor that you select.

Considerations

What kind of information do you need from your advisors?
What qualities do you want your advisors to possess?

What would best meet your needs – a Board of Directors or a Board of Advisors?

If you have chosen to incorporate, you are legally required to have a board of directors. In creating your board, you will want to select between "inside" or "outside" board, size and compensation.

If you business is not incorporated, a board of advisors will be sufficient.

Regardless of the form your board takes, consideration should be given to the proper formation by creating a board that:

- Complements management
- Will move your company forward
- Will be manageable and efficient
- Know how to raise capital

Resources

U.S. Small Business Administration's Online Women's Business Center
www.onlinewbc.gov/

American Express Small Business
www.americanexpress.com/homepage/smallbusiness.shtml

Where can you find suppliers?

- **Thomas Register** – a 20 volume book of manufacturers. See your reference library or visit www.thomasregister.com.
- **Gale Encyclopedia of Business and Professional Associations** – lists manufacturer's representatives. Available at your library or visit www.gale.com.
- **Hoover's List of Major U.S. Companies** – contains information on over 9,000 public and private companies. Available at your reference library or visit www.hoovers.com.
- **Trade Shows** – Locate trade shows through trade magazines or by calling your local visitor and convention bureau.
- **Visit stores and check merchandise tags**. Find the manufacturer in the Thomas Register.
- **Call consulates and/or embassies to locate overseas suppliers**.

Additional points to consider when selecting suppliers:

- Paying on time is the key to maintaining a good relationship.
- Shop around to get the best price and quality possible.
- Offer to pay suppliers within ten days of receipt of merchandise or prepay. In return, ask for a reduced price.
- Know the type and quality of service and supplies that you wil need from your suppliers, vendors and manufacturers.

What protection do you need for your intellectual property?

As we move from the industrial to the informational age, a company's intellectual property is its most valuable asset. Protecting your intellectual property can significantly increase the potential value of your business.

Ways to protect your business are through:

- **Patents** – Standard for assigning ownership of an invention or process.
- **Copyrights** – Protects the ownership of creative ideas and products.
- **Trademarks** – protect both product and service names and their associated symbols.

Resources

Government Agencies

US Department of Commerce
Patent and Trademark Office
1401 Constitution Avenue, NW
Washington, DC 20230
(703) 308-4357
(800) 786-9199
www.commerce.gov/patents.html
General Information
www.uspto.gov/web/menu/feedback.html

U.S. Patent and Trademark Office
Washington DC 20231
(800) 786-9199
www.uspto.gov/

Superintendent of Documents
P.O. Box 371954
Pittsburgh PA 15250-7954
(412) 512-1800
GPO Access
www.access.gpo.gov/su_docs/
US Government Printing Office
www.gpo.gov/index.html

U.S. Library of Congress
James Madison Memorial Building
Washington DC 20559
(202) 707-5000 (general information)
www.loc.gov/

Department of Revenue
Washington State Department of Revenue
Master Business License
www.dol.wa.gov/mls/buslic.htm

Washington State Secretary of State
(360) 753-7115
http://www.secstate.wa.gov/

Books

"The Unofficial Guide to Starting a Small Business"
by Marcia Layton Turner

Internet

American Express Small Business
www.americanexpress.com/homepage/smallbusiness.shtml

U.S. Internal Revenue Service
The Digital Diary - Small Business/Self Employed
www.irs.gov/

U.S. Small Business Administration's Online Women's Business Center
www.onlinewbc.gov/

Small Business Administration
www.sba.gov/starting/regulations.html

Service Corps of Retired Executives
www.score.org/

Washington State Secretary of State Corporations Division Page
www.secstate.wa.gov/corps

Start-up Business Resources
www.smartbiz.com/

Business Structure

Comparison of Legal Entities

There are many things to consider when deciding the legal structure of your new company. The following are some basic guidelines to help you get started in your decision making process.

Contact your business attorney for any specific questions you may have about the legal structure of your business.

	Difficulty and cost to form	Difficulty and cost to maintain	Risk of owner liability
S	Low	Low	High
P	Moderate	Low	High
S-S	High	High	Low
C	High	High	Low

	Difficulty of Tax Preparation	Flexibility of bringing in new owners	Cost of closing business
S	Low	Low	Low
P	Moderate	Moderate	High
S-S	High	High	High
C	High	Low	High

KEY

S *Sole Proprietorship*
P *Partnership*
S-S *Sub S Corporation*
C *Corporation*

Sole Proprietorship

The majority of small businesses in the U.S. are sole proprietorships. This type of business is the easiest to form and is usually chosen by one-person businesses. Although sole proprietorships can have employees, the majority of these types of companies are owned and operated by the same person.

The major disadvantages are (1) it can only have one owner and (2) the owner is individually responsible for all losses of the business.

How long does a sole proprietorship last?

A sole proprietorship lasts as long as the owner does. When the owner dies, the sole proprietorship no longer exists. The assets and liabilities of the business become part of the owner's estate.

Can a sole proprietor sell the business?

A sole proprietor can transfer a business by selling all or a portion of the assets of the business.

What about taxes?

A sole proprietor is taxed on all income from the business at applicable individual tax rates. The business income, and allowable business expenses, are reflected on the individual tax return. No separate federal income tax return is required. A sole proprietor must pay self-employment tax on the business income.

Pros

- Inexpensive to start
- Simple to run
- No double taxation on profits (see section on corporations)

Cons

- Owner has unlimited personal liability for business liabilities
- Business has unlimited liability for owner's personal liabilities
- Ownership is limited to one person

Partnerships

Partnerships are created by two or more individuals who agree to jointly own assets, profits and losses of a business. The primary advantage is that partnerships can have more than one owner. The primary disadvantage is that the general partners are personally responsible for all obligations, including losses, of the business.

There are a number of considerations before forming a partnership. How much time and money will each partner contribute? How will decisions be made? How will profits and losses be share? What happens if one person dies, becomes incapacitated or stops contributing to the business?

How is the company name and certificates filed?

Contact the Washington State Secretary of State at (360) 753-7115 to file a Certificate of Limited Partnership.

How are accounts kept?

The partnership should have separate bank accounts and financial records for the business to track profits and losses.

Who runs the business?

The partnership agreement should specify who will control and manage the business of the partnership. In the absence of an agreement, all partners have equal management rights and must consent and agree to all partnership decisions. However, any partner can bind the partnership and the individual partners to contracts or legal obligations even without the approval of the other partnerships.

Who is liable?

Partners are "jointly and severally" liable for the partnership. This means that a creditor of the partnership could require you individually to pay all the money the creditor is owed. Before joining a partnership, determine whether your partners can financially afford to share the losses of the partnership.

How long does a partnership last?

The partnership exists as long as the partners agree it will and as long as all of the general partners remain in the partnership. If a general partner leaves or dies, the partnership dissolves and the assets must be sold or distributed to pay the creditors and then the partners. If the partnership's agreement provides for the continuation of the business by the remaining partners, the partners are entitled to an accounting to determine the value of the assets, liabilities and profits. The partnership agreement should also cover how a partner or the estate will be paid when a partner leaves or dies.

What about taxes?

The partnership is not responsible for paying taxes on the income generated by the business. A partnership tax return is filed, but for informational purposes only. Each partner is individually responsible for paying taxes on his or her share of the business income.

Pros

- Very flexible form of business
- Permits ownership by more than one individual
- Avoids double taxation
- Few legal formalities for its maintenance

Cons

- Unlimited personal liability for business losses
- Legally responsible for the business acts of each partner
- General partnership interest may not be sold or transferred without consent of all partners
- Partnership dissolves upon death of general partner

Corporations

Since a corporation is a separate legal entity, owners of the corporation (known as stockholders or shareholders) are not personally responsible for the losses of the business. A corporation usually has more than one owner but it is possible for only one individual to create and own 100% of a corporation.

In addition, a stock corporation may choose to form as a Subchapter S for tax purposes.

How do I get started?

Contact an attorney specializing in business law to help you with the incorporation process.

You will need to select a name for the corporation, determine the total number of shares of stocks the corporation can sell or issue, the number of shares each of the owners will buy, the amount of money or other property each owner will contribute to buy the shares, who will manage the corporation (ie: directors and officers).

Once the shareholders agree on these issues, they must prepare and file articles of incorporation of with the Secretary of State's office at (360) 753-7115.

How are accounts kept?

The corporation is a legal entity separate from the owners, therefore, a separate bank account and records need to be maintained. The money and property that the shareholders pay to buy their stock and all the assets and money earned by the corporation belong to the corporation – not the shareholders.

Who has control of the corporation?

The shareholders of the corporation meet at least once a year to elect a board of directors. Usually, the directors must be elected by enough of the owners to represent a simple majority of the outstanding shares, although a higher vote requirement can be required. Thus, those who hold a majority of shares have ultimate control over the corporation. Terms of directors are often for more than one year and are staggered to provide continuity. Shareholders can elect themselves to be on the board of directors.

Certain major decision must be approved by the shareholders, such as amendments to the articles of incorporation, merger with another company and dissolving the corporation.

What are the responsibilities of a board of directors?

The board of directors is responsible for the majority of decisions of the corporation. It must meet at least once a year. Each director receives one vote – usually a majority vote is enough to approve a decision.

Directors elect the officers of the corporation, usually consisting of a president, vice-president, secretary and treasurer. Some of these positions may be held by the same person (ie: secretary/treasurer).

Why have officers?

Officers are responsible for the day-to-day business operations of the corporation. They are usually salaried employees of the corporation but there is no requirement that they be employed by the corporation or even paid.

How do owners get paid?

If an owner is employed by the corporation, the owner should receive compensation. Additionally, the shareholders may be paid a dividend or distribution on the stock owned. A dividend is be paid equally to all shares of common stock and is usually expressed as an amount per share (ie: $10 per share).

The board of directors determines whether or not dividends shall be paid. If dividends are not paid, a shareholder has no right to any of the money the corporation has made.

What are the liability issues?

Since the corporation is separate from the owners, creditors may only turn to the corporation for payment. Individual shareholders are not personally liable for the losses of the business if the corporation is properly establish and operated. The shareholders' only risk is their investment in the corporation.

Shareholders may incur some liability for the corporation in cases where the statutory requirements for running the corporation are not observed. Shareholders would become liable, for instance, if business and personal assets or accounts were mingled or if shareholders personally guarantee loans. In addition, if shareholders make loans to the corporation and the business fails, shareholders are reimbursed only after all other obligations are met.

How long does a corporation exist?

The corporation continues to exist even if any of the owners die. It continues to exist as long as shareholders decide it should. Ownership of a corporation can be transferred by either selling a portion or all of the stock.

What about taxes?

The corporation must file its own income tax returns and pay taxes on profits. The corporation must report all income it has received from its business but may deduct business expenses before computing the taxes owed.

What is double taxation?

Dividends paid to shareholders by the corporation are taxed to each shareholder individually. This is why there is said to be a "double tax" on corporations. The corporation must pay taxes on its profits and the shareholders must pay taxes on the dividends paid to them from the profits

What is a Subchapter S corporation?

A corporation may elect to be a Subchapter S if:

- The corporation has 35 or fewer shareholders
- The corporation has only one class of stock
- All the shareholders are U.S. residents, either citizens or resident aliens
- All of the shareholders are individuals
- The corporation operates on a calendar year financial basis.

Generally, a Subchapter S does not pay taxes on the income generated by the business. Instead, the income or losses are passed through to the individual shareholders and reported on their tax returns. The income or losses are divided among the shareholders based upon the percentage of stock of the corporation that they own.

Shareholders may be required to pay tax on the income of a Subchapter S corporation even if they have not been paid any money from the corporation.

Pros

- Provides limited liability for owners
- Easy to transfer ownership
- Easy to add additional owners/investors

Cons

- Costly to set up and maintain
- Requires separate tax returns
- Subject to double taxation

Resources

Your business attorney and certified public accountant

Government

Washington State Secretary of State
(360) 753-7115
www.secstate.wa.gov/

Department of Revenue
Washington State Department of Revenue
Master Business License
www.dol.wa.gov/mls/buslic.htm

Internet

State of Washington's Home Page
access.wa.gov/

The Business Owner's Toolkit
www.toolkit.cch.com/

Ten Golden Rules Help in Dealing with Bankers

By Author: Roger Bel Air

Roger Bel Air is a national lecturer, consultant and author of the book, *"How to Borrow Money from a Banker"*.

Bankers live by the golden rule. Maybe you've heard it before: "Those who have the gold make the rules".

There is another expression with which you may be familiar: "It takes money to make money". These two expressions are probably more true than ever in today's fast-moving world.

It's no surprise that most business owners need to borrow money from a commercial bank. What may be a surprise is that few people ever feel comfortable in dealing with a banker. The would-be borrower's effectiveness in the financial community is impaired because he or she doesn't understand the world of banking and the perspective of a banker.

However, following a few simple guidelines will enhance your relationship with your banker and improve your chances of getting the money you desire for your next project. These guidelines, referred to as the Ten Golden Rules, are as follows:

Golden Rule #1

Tell both the good and the bad.

There is an expression in the banking industry that says, "Would-be borrowers are always optimists". When making a loan request, it is easy to over emphasize all the positive aspects of the loan request and omit everything else. Remember though that the best relationship is built on credibility. Be sure you present all the pertinent facts.

Golden Rule #2

If you don't understand what your banker is saying, ask questions.

Most people have a tendency to talk the jargon of their industry. Bankers are no exception. Since few people have a strong financial background, a communication gap can be created as wide as the Grand Canyon.

Golden Rule #3

Always mention a secondary repayment source.

Bankers are trained to focus on how the bank would be repaid if the primary means of repayment goes sour. Beat your banker to the punch: When making a loan request, always mention a primary and alternative means of repayment. This demonstrates that you have done your homework.

For example, “I’d like to borrow $20,000 for the purchase of a new car,” says the borrower to her banker. “I’m also willing to pledge the car as collateral,” she adds. “That way, if something unforeseen happens, you’ll have a solid secondary means of repayment.”

Golden Rule #4

Anticipate a banker’s questions and have appropriate answers prepared.

If a banker feels comfortable with your management abilities and your project, there is a good chance that you’ll get the money that you need. Of course, how you handle yourself and the information you present to a lending officer is important. Always remember that bankers are trained to ask specific questions and then look for “right” and “wrong” answers.

Golden Rule #5

Never bluff. If you don’t know an answer to a question, admit it.

Sometimes a banker asks a question about a person’s financial affairs and the would-be borrower doesn’t have the answer. If this happens to you, admit that you don’t know. Never fudge. You can simply promise to find out and telephone with the information. Guessing is risky; if you are wrong, a banker may question your credibility on other points.

Golden Rule #6

Never surprise your banker with bad news.

Bankers don’t like to be surprised. They want to fully understand the borrowers’ situation. That way, they feel they are working with borrowers, rather than just trying to protect the depositors’ deposits.

It’s easy to keep bankers informed when everything is going well. However, open communications often stop as soon as the borrower starts having financial difficulty. The borrower hopes that the situation will improve; he reasons that by not mentioning anything now, he will avoid an unpleasant confrontation.

What does the borrower risk with this approach? His credibility. When the borrower misses a payment and doesn’t provide an explanation (and starts ignoring phone calls), the banker’s antenna goes up. He immediately becomes concerned about the financial affairs of the borrower.

Golden Rule #7

Make your loan payments on time.

Human nature being what it is, some people make their payments either early or on time. And, once again because of human nature, some people always seem to run late. All bankers get a list of their past due loans. Just as you’d expect, a banker keeps a very close watch on his “past due list” of accounts. If you are going to run a few days late, it’s wise to make a quick telephone call to the bank. All you have to do is tell your loan officer when he can expect to receive your payment. Thus, a quick phone call really can go a long way in helping to create a positive relationship.

Golden Rule #8

Never spend the money before you receive it.

Many times a banker does not have the authority to approve a loan request. This is because the dollar amount of the borrowing request is above the banker's lending limit authority. When this happens, the loan proposal must be approved by a senior banker with more lending authority or by the loan committee.

More than once a lending officer has said, "The loan looks good to me". However, he has to eat his words when the loan committee turns down his customer's request. While the banker may have a red face, the customer is the one with the problem.

Do not take your banker's off-hand comment as a firm commitment. Make commitments to spend the money after everything is signed and you have funds in hand.

Golden Rule #9

Discuss important matters in person rather than over the phone.

Whenever you want to negotiate details of a term loan agreement, ask for a lower rate or discuss some other important point, do so in person rather than over the telephone.

Not only will you be able to read the banker's "body language", but you will have more time to explain your viewpoint and make your case.

Golden Rule #10

If you have a good banker, send him or her referrals.

Because of deregulation, banking has become a highly competitive industry. The increased competition is forcing all banks to serve the needs of their customers better, however, many bankers are still quick to quote their bank's policies and guidelines. Competent professionals are worth their weight in gold. If you have a good banker, refer your friends and business associates. He or she will appreciate your efforts and so will your colleagues.

How you handle yourself and the information you present the banker will affect whether or not you get your loan. It will also affect the interest rate you'll be charged. Following these suggestions will help you develop a favorable relationship with your banker and assist you in obtaining the money you need for your projects.

What Your Banker Wants

Excerpts from Seafirst Bank's, *"The Plan, 1995"*

The Eight "C's"

1. Credit (must be good)
2. Capacity (ability to repay)
3. Capital (money going into the business)
4. Collateral (your assets that secure the loan)
5. Character (you)
6. Conditions (economy, finances, anything, that will affect your business)
7. Commitment (your ability and willingness to succeed)
8. Cash Flow (prove the business can support its debt and expenses)

Be Prepared!

- How much money do you need?
- What type of lender do you need (bank, venture capital, etc.)?
- What is the lender's minimum and maximum loan size?
- Can the lender meeting your present and future needs?
- What types of businesses will the lender finance?
- What collateral does the lender accept?

Before meeting with a lender…

- What are the rules for business loans?
- Is the lender looking for loans of your size and type?
- Obtain a loan application.
- Make an appointment.
- Rehearse your presentation.
- Remember – you must "sell" the lender on your business concept.

Do you know...

- How much you want?
- How the loan will be used?
- How long it will take to repay the loan?
- How the loan will be repaid?
- What collateral you have to offer?
- How much you are investing in the business?

When meeting with a lender

- Dress properly and be on time.
- Bring your business plan, a completed loan application and any other materials you need.
- Be strong and positive.
- The entire presentation should take 30 minutes. Give an overview or outline at the beginning. Know how you are going to end the presentation.
- Ask your lender to take a tour of your current or proposed operation.
- Answer all negative questions with positive answers. Be willing to back up your answers and never lose your temper.
- Find out when you can expect an answer.
- Get any decisions or negotiations made on the telephone put in writing.
- Follow up with a thank you letter and a phone call.

Planning Your Business Success

Someone once said that most people don't plan to fail – they fail to plan. Completing this step in the *Key Decision Making Guide* will put you in a better position to succeed as you put your goals, dreams and ideas into a feasible strategy. Planning your business includes:

- Creating your start-up business plan
- Establishing a time line to complete key tasks
- Designing a business "to do" list

The real value of business planning is not in the writing but rather in the thinking that takes place in order to complete the plan. It offers clarification in creating the kind of business that best supports your desires as the owner.

What criteria is included in a "business plan"?

Much has been written about the creation of extensive, formal business plans. Certainly an entrepreneur seeking business financing or attracting venture capital will need a detailed plan to establish credibility and confidence with the financial community. However, if you are not seeking outside financial backing, producing your business plan will be an invaluable use of your time in providing a road map for your success. Make your plans **SMART**:

- **S**mart
- **M**easurable
- **A**ction-Oriented
- **R**ealistic
- **T**imely

Points to keep in mind as you develop your plan:

- It is a guide and a working document. Review it monthly or quarterly to see how well you are meeting your objectives (revenue and income).
- Drafting the document has to be simple, uncomplicated and especially meaningful to you.

The following framework will help you get started:

Page 1 A one-page summary of your business plan. Do this page last.

Page 2 Identify who you are and what you do. Explain what business you are in and what benefits the purchasers of your product/service get when they buy your product/service.

Page 3 Identify your market and it's size.

Page 4 Explain how you will reach the buyers of your product/service (marketing and advertising)?

Page 5 Project income, expenses and profit on a monthly basis for a period of one year. Prepare a cash flow projection for the same period.

Page 6 Project the absolute best case scenario for the year. Also project your minimum acceptable results for the year.

Page 7 Provide a three-year description of where you are and what you want to have achieved in three years. Include financial projections as well.

The key to effective planning is to prove that your business is viable. Ensure that business planning becomes a process – not a document – by reviewing and updating frequently. *(Here's an unofficial statistic for you – at a 1994 Canadian Bankers Association conference, it was reported that companies with a written business plan made, on average, <u>ten times more</u> than companies without a plan.)*

Considerations

What are your major reasons for owning a business?
Does your plan reflect your desires?
What changes need to be made to better generate what you want to happen as well as what you don't want to have happen?

Resources

Khera Communications
www.morebusiness.com/templates_worksheets/bplans/

The Planning People
www.bplans.com/

U.S. Small Business Administration
http://www.sba.gov/starting/getting.html

How can you keep track of all there is "to do"?

Most entrepreneurs envision that starting a business would be relatively simple. The following checklist will help you track your progress as well as remind you of what may be left "to do" before opening your doors.

- Appraise your strengths and weaknesses
- Establish business and personal goals
- Assess your financial resources
- Identify your financial risks
- Determine the start-up costs
- Decide on your business location
- Identify your customers
- Identify your competitors
- Develop a marketing plan
- Select a lawyer
- Choose a form of organization (proprietorship, partnership, corporation)
- Create your business (register your name, incorporate the business, etc.)
- Select an accountant
- Prepare a business plan
- Select a business banker
- Set up a business checking account
- Apply for business loan (if applicable)
- Establish a line of credit
- Select an insurance agent
- Obtain business insurance
- Get business cards, stationery, invoices, etc.
- Review local business codes/zoning laws
- Obtain a lease
- Line up suppliers (if applicable)
- Get furniture and equipment
- Obtain a business license or permit
- Get a federal employment identification number (if applicable)
- Send for federal and state tax forms
- Join a professional organization (ie: chamber of commerce, networking group)
- Decide on business hours
- Recruit personnel, establish job descriptions, training program
- Set a starting date

Resources

U.S. Small Business Administration's Online Women's Business Center
www.onlinewbc.gov/

Smart Business Supersite
www.smartbiz.com/

What is a realistic time line for starting a business?

A schedule does two things for you. First, it keeps you focused on obtaining results each week. Secondly, it provides you with an orderly way to proceed. Your ambition as an entrepreneur and your financial wherewithal will influence the pace at which you proceed.

- Determine the start date for your business
- Identify the action items you need to complete
- Ascertain the amount of time necessary to complete each action item
- Plot these action items on your time line
- Specify due dates
- Create a plan for completing each action item by its due date

"Creating a time frame reminds me of a saying that my dad, who was a diesel mechanic, had in his shop. It said, 'If you don't have time for me to do it right, how much time do you have for me to do it over?'. It takes time to set your business up right on the front end," Jackie Nagel, Development Coach.

Considerations

How realistic is your time frame?
What adjustments need to be made in order for you to achieve your objective?

A Simple Business Plan

Business plans are essential to obtain financing, however, a business plan is also a good tool to help you set your goals.

The following guideline will help you establish and measure your goals. You can refer to it or revise it monthly, quarterly or annually.

Something to think about: 80% of American small businesses fail and, oddly enough, 80% of American small businesses have no business plan. As you can see, the important thing is to have a business plan.

Page 1 – Executive Summary

This will be done when you have completed all other pages. Simply summarize what you have written on the other pages.

Page 2 – All About You

Think about what business you are in and the benefits you provide to clients who purchase your products/services.

Page 3 – All About Your Customers

Identify your clients. What are their ages, genders and interest? What are their income levels? Why do they need your products/services?

Page 4 – Marketing

Identify how you will reach your potential clients (newspaper, flyers, networking, etc.) and the message you are trying to send (quality service, fair prices, fast delivery, etc.)

Page 5 – Finances

Project the business's annual income, expenses and profit broken down by month. Remember, most industries have slow months. Don't be afraid to admit that you'll have a slow period, too.

Page 6 – Best Case, Worst Case

Project the best case scenario for your business at the end of the year. Also, project the minimum acceptable results for your business.

Page 7 – Three-Year Projections

Describe where you are now and where you plan to be in three years. What are your dreams? What will the finances of the business look like? This is also a good place to include your "exit strategy" – what you would ultimately like to do with the business (sell, give to family member, go public, etc.).

Introduction

Welcome to the exciting world of business!

The ups and downs, twists and turns and possibilities of phenomenal success make owning a business a dream many Americans share. What sets you apart from others, though, is that you're starting off on the right track.

Here's something to think about. According to Bill Hoke of Hoke Communications, 80% of American businesses fail within the first five years yet only 20% of Japanese businesses fail. Interestingly enough, 80% of American companies don't have a business plan compared to 20% of Japanese companies.

Whether or not you intend to speak to a business banker about financing, a business plan is crucial when starting a business and should be redone every one to three years or as market conditions or your goals change. The plan will help you think about things you may not have realized are important to your business's success.

Once completed, your business plan will help you:

- Stay focused on the company's major purpose
- Develop a contingency plan for certain circumstances
- Manage and project cash flow
- Project sales growth
- Define and serve your market

The Business Plan Workbook outlines the type of information a business plan should contain. If applying for financing, the plan should be written like an essay and contain detailed information about your plans, goals and research. This workbook is general and some portions can be modified slightly to fit your particular business and industry. Many resources were used to develop this workbook and you are encouraged to use these resources. Please consult the "Recommended Reading" section of the *Key Decision Making Guide*.

Congratulations on your decision to become an entrepreneur.
Best wishes for success!

Summary

The business summary is a brief summary of what is detailed in the business plan. The summary is always done after the rest of the plan has been completed.

A. Business Purpose and History

Date Established

Primary Purpose
Why are you in business? What is your mission?

Secondary Purpose
What other reasons do you have for being in business? Are there benefits to the community? Will you be providing employment opportunities for others?

B. Products and Services Rendered

Principal Product/Service

Price Range

Support
What types of support services do you provide? Guarantees? Repairs?

C. Market Summary

Target Market

Area Served

D. Location

Site Benefits

Is the rent reasonable? Are you close to your suppliers or customers? Is the image of the building or neighborhood good for your business?

Business Image

Traffic/Pedestrian

If retail, is there a high traffic volume? If a distribution or manufacturing, are you far away from busy streets?

E. Advertising and Promotion

What is your marketing strategy?

F. Competitive Plan

Distinction from Competitors

What sets you apart from your competition? Why should people buy from you?

Track Record

If an existing business, what are the results of going "head to head" with your competition?

G. Sales Growth Plan

Sales Forecasts

Assumptions

Success Measures

H. Personnel and Growth Plan

Manager

Experience

Staff

Experience

I. Financial Plans

Source of Capital

Cash Flow

Generally speaking, how will the money be spent? When?

The Company and Its Purpose

A. Details of Origin

How and why did you start the business?

B. Overall Approach

Generally speaking, what will you do for customers and how will you do it?

C. Target Market/Primary Customers

Who will buy your products/services? If selling to consumers:
What are their income levels, ages, ethnicity, gender, marital status, etc.?
Are they active in their communities? What are some of their other characteristics?
If selling to businesses:
How long have they been in business? Are they large, medium or small companies? Are they in a particular industry?

D. Products and Services

What will you be selling? Is it of low, medium or high quality?

E. Price Range

Are you products/services priced in the low, medium or high range for comparable products/services?

F. Support

Will you guarantee your products/services? What kind of warranty/guarantee will you offer?

Market

A. Details of Market Demographics

Who lives and works near your business? Do they fit your target market definition?

B. Size of Trade Area

Are you serving a ten-block area within a city? A specific area within the county such as North Kitsap, etc.? The entire county? The world?

C. Unique Characteristics of Area

Is there a high concentration of potential customers? Are you located near your suppliers? Are the phone lines wired for electronic commerce?

D. Local Market Needs

How do you know the area needs a business like yours? Is there a lack of competition? Do your competitors have a poor reputation? Is the area growing and will soon have a need for your business?

E. Our Qualifications

Why should customers trust you? What's unique about your business?

Site Selected

Please note: this section is not needed if operating a home-based business.

A. Type of Location Selected

Are you in a retail spot? Are you in a business or industrial park? Are you operating out of your home?

B. Traffic Analysis

Have you obtained traffic counts from the city's or county's public works department? Have you observed residents or tourists in this area? What are the results of your research?

C. Visibility

Can people see your business when they walk or drive by? Is it near easily identified landmarks?

D. Signage and Lighting

Will customers be able to see your signs? Is the area and sign well-lit? What kind of sign will you have? Will your company name, logo and phone number be on any company vehicles? Will the vehicles be parked near your store when not in use or in an area of higher visibility?

E. Store Front and Windows

Do you have a clean, well-kept and attractive area in front of your store? Are there windows to display your wares? How often will you change the display? Will the display reflect seasons and holidays, be light hearted, raise people's social awareness? Can people walking by see what you do?

F. Interior Plan/Size

What is the basic layout of your store? If you are able to, attach a sketch of the layout.

G. Furniture and Fixtures

What types of furniture and fixtures will you need? How will you get them?

Advertising & Promotion

A. Immediate Promotion Plans

What type of advertising campaign is being launched and why? Newspapers? Radio? Flyers? Mass mailing? Are you joining service organizations and/or chambers of commerce?

B. Continuous Promotion Plans

What will you be doing after the "big splash" of your grand opening? Will you be advertising in the daily or weekly newspaper? Will you be volunteering for charitable organizations? Will you be running specials?

C. Future Promotion Plans

How will you promote the business in the future? Will you sponsor events or local sports teams? Will you be advertising on billboards? Will you team up with another business to offer specials for both companies?

Competitive Plan

A. List of Competitors

Where are your customers currently doing business? How are they getting the product/service now and from whom?

B. Their Business Focus and Image

What are the strengths of your competitors? Who are they trying to attract? What products/services set them apart from others?

C. Our Competitive Plan

How will you compete against your competitions' strengths? Will you offer more products/services? Higher quality? Knowledgeable staff?

D. Our Unique Strengths

What sets you apart from the competition? Is your staff trained in customer service techniques? Do you offer faster delivery or response times? Are your payment terms better?

E. Direct Sales/Selling Techniques:

How will potential customers find out about your business? Aggressive advertising campaigns? Referrals? Follow-up with existing clients?

Sales Growth Plan

A. Sales Estimates

1) General Overview; Past and Future

   How much money have your brought in and will you bring in? How much of your product/service has been sold and will be sold?

2) Assumptions/Alternatives

   How did you arrive at those figures? Is the market for your product/service getting better? Do you expect your competition to leave? Are industry innovations going to make the product/service more affordable to more consumers?

B. Twelve Month Forecast/Indicators

What will your sales be in a year? Why? Is the demand increasing? Is new technology going to improve your efficiency and productivity?

C. Sales Management Plan

Who is the head of your sales team? How will you make a sale? What kind of follow-up with the customers will you have?

D. Sales Compensation Plan

Will you have salespeople? How will they be paid? If commissioned, will they be paid based on profit per sale? Gross sale amount? Number of sales?

E. Success Measure

How do you know the salespeople are meeting the company's sales goals? Will quotas be based on percentage of profit? Gross sales? Amount of old inventory sold?

Management Team

A. Management Resources

Attach resumes of your managers and board members.

B. Experience in Field of Each

What special talents in this industry or in business do each of them bring?

C. Recruiting Plans

How do you plan to attract quality managers? Classified ads? Networking? Family?

D. Sources of Assistance

Who else are you relying on for advice? Accountant? Attorney? Banker? Mentor? Friend or family member who is a business owner? Industry expert? Business coach or counselor?

E. Training

What type of training will you provide to ensure the success of your management team?

Schedule of Events

A. Short Term Goals

What will you accomplish in the next six months to one year? Do you want to move to a bigger space? Hire some employees?

B. Long Term Goals

What do you plan to accomplish in the next year or so? Increase the products/services offered? Do you have sales goals? What would you ultimately like to do with the business? Sell it? Give it to your children? Initial public offering? Merge with competitor?

Risks & Contingencies

Being in business is risky. It is worthwhile to measure the known risks according to the probability that they will occur. Refer to the charts on the following page to assess risks and probabilities.

A. Details of Risk Analysis

Why did you make the assumptions on the following page? What are your conclusions after evaluating the risks?

B. Evaluating Risks

Rank the events of high probability and risk and give details on how you will address these problems, should they arise.

Include how you will address:

- Opening of Competition
- Loss of Manager
- Economic Downturn

RISK VALUE TABLE

Risk	Probability	X	Significance	=	Risk Value
Opening of major competitor		x		=	
Lack of outside funding		x		=	
Significant downturn in economy		x		=	
Loss of manager		x		=	
Loss of more than one experienced salesperson in one year		x		=	
Loss of key person		x		=	
Loss of major account		x		=	
Loss of dealership		x		=	
Return of high interest rates		x		=	
Major theft		x		=	
Employee embezzlement		x		=	
Major fire		x		=	
Loss of lease		x		=	
		x		=	
		x		=	
		x		=	
		x		=	
		x		=	
		x		=	

Place the list of risks in order of risk value (high to low).

Probability

It Will	Likely	It May	Not Likely	It Won't
5	4	3	2	1

Significance

Very	Somewhat	Fair	A Little	None
5	4	3	2	1

Financial Plan

Include your company's financial statements for the past three years or, if the company has not been in existence for three years, include your personal financial statements.

A. Details of Source of Capital

Is the company debt-free? Where do you plan to get the money to run the business? Personal funds? Family? Outside investors? Bank loan?

B. Banking and Financial Relationships

Do you have a business bank account? Where do you do your banking? Who is your business banker?

C. Monthly Cash Flow Analysis

How will you pay creditors, personnel and bills? When will you receive payment for sales?

D. Operation Expenses

How much does it cost to run your business every month? Every year?

E. Income Projections/Sales Forecasts

What will your monthly and annual sales be?

F. Methods of Financial Reporting You Will Use

What type of accounting system will you use? Manual system or computer software program? Who will do your books? Who is your accountant?

Major Washington State Business Taxes

Business and Occupation Tax

Companies in Washington State are subject to business and occupation tax. These taxes are based on gross receipts of the business. The rates vary depending on the type of business activities and range. In addition, the cities of Bainbridge Island www.ci.bainbridge-isl.wa.us and Bremerton www.ci.bremerton.wa.us under Administrative Services, also collect a Business &Occupation (B&O) tax. For an overview on Washington State tax structure go to dor.wa.gov/Docs/Pubs/ExciseTax/FilTaxReturn/BusTaxOver.pdf.

Unemployment Insurance

Businesses with employees are required to apply for unemployment insurance coverage with the state of Washington Employment Security Department. For information visit the website at www.wa.gov/esd.

Labor and Industries

Businesses that employ one or more people must apply for industrial insurance coverage through the Washington State Department of Labor and Industries. Coverage is not required for business owners but those who want it can complete an application for employer coverage. To apply for industrial insurance or request information, contact Department of Labor and Industries, Office of Information and Assistance at (800) 547-8367, Bremerton (360) 415-4000, or www.lni.wa.gov/insurance/.

Retail Sales Tax

Retail sales tax applies to most items sold to consumers. There is no tax on grocery store food items or prescription drugs. Generally, no sales tax is charged on utility services, personal services (medical, dental, legal, barber, etc.) and real estate. Construction services and building materials are subject to sales tax. For additional information contact the Washing State Department of Revenue Information Center at (800) 647-7706 or dor.wa.gov/default.asp.

Combined State and Local Retail Sales Tax

The combined state and local retail sales tax rate for most areas of Kitsap County is 8.2%. For additional information contact the Washing State Department of Revenue Information Center at (800) 647-7706 or dor.wa.gov/default.asp.

Property Tax

The rate for property tax in Kitsap County is from $ 12.55 to $14.92 per $1,000 of fair market value. Personal property taxes are also levied on business assets. Contact the Kitsap County Assessor's office at (360) 337-7160, Treasures office at (360) 895-4936 or go to their web site for additional information www.kitsapgov.com/treas/generalinfo.htm.

Deferrals, Exemptions and Credits

Manufacturers, processors for hire and manufacturers who perform research and development are not required to pay the sales or use tax on machinery and equipment used directly in manufacturing or research operations.

Additionally, some businesses in research and development technology categories may be eligible for a sales/use tax deferrals or exemptions if they start new research and development or pilot scale manufacturing operations.

An annual credit of up to $2 million is allowed for businesses that perform research and development in Washington in specified high technology categories and meet minimum expense requirements.

For more information contact Washington State Department of Revenue Information Center at (800) 647-7706 or dor.wa.gov/content/pubs/catagory/pubs_catag_incentive.asp.

Publications

The following publications are available through the Department of Licensing:

- A Guide to Taxpayer Rights and Responsibilities
- Deferrals, Exemptions and Credits
- Business and Occupation Tax
- New Business Handbook
- Business Tax Overview
- Real Estate Excise Tax
- Washington Tax Facts
- Personal Property Tax
- Retail Sales Tax
- Cigarette Tax
- Use Tax

Resources

Washington State
Master Business Licensing
www.dol.wa.gov/mls/buslic.htm

City of Bainbridge Island
(206) 842-7633
www.ci.bainbridge-isl.wa.us

City of Bremerton
239 Fourth Street
Bremerton, WA 98337
(360) 478-5311
www.ci.bremerton.wa.us/

Sales & Use Taxes

Washington State taxes all retail sales except:

- Items for resale
- Materials becoming a component of property through installation, construction, etc.
- Material for manufacturing products.

What is the tax rate?

The state tax rate is 6.5% (subject to change), however, local governments often charge an additional rate.

Who pays the tax?

The company selling the item collects sales tax from the buyer. The company is then obligated to report and remit sales taxes to the state.

What's a "use tax"?

The use tax is imposed on every person who consumes an article of tangible personal property in the state acquired in one of the following ways:

- purchased at retail, including isolated sales
- acquired by lease, gift, repossession, or bailment
- extracted or manufactured by the person using the article, including byproducts
- otherwise furnished to a person engaged in a taxable business
- any qualified amusement or recreation service

Does my company need a tax permit?

Every company in the state engaged in any taxable business is required to register with the Department of Revenue. No fee is required. A separate permit is required for each place of business.

At this time you are not required to register if <u>all</u> of the following apply to your company: But it is advisable to check for the newest information.

- the value of products, gross proceeds of sales, or gross income of the business, from all business activities subject to the business and occupation tax, is less than $12,000 per year
- gross income of the business from all activities subject to the public utility tax is less than $12,000 per year
- you're not required to collect or pay to the Department of Revenue any other tax or fee that DOR is authorized to collect
- you're not otherwise required to obtain a license subject to the state's master application procedure

Resources

Washington State Department of Revenue

[dor.wa.gov/](dor.wa.gov/)

Self Employment Taxes

Even if you are a sole proprietorship, you will always have at least one employee – *you!*

What federal self-employment taxes am I responsible for?

Although you won't have payroll tax obligations like you would if you had other employees, you may have to make quarterly estimated tax payments if you're a proprietorship or partnership.

In addition, you will need to pay Self Employment Contributions Act (SECA) taxes if you make over a certain amount per year. SECA is similar to FICA in that this tax is for Social Security (12.4%) and Medicare (2.9%) for a total rate of 15.3% (subject to change).

Both the quarterly estimated tax payments and SECA are based on your net self-employment income (business income less business deductions).

Talk to your C.P.A. or visit the I.R.S. website at www.irs.gov for current information rules, income limits and reporting procedures.

What if my company is a corporation?

Corporations must make estimated tax payments if the tax is expected to be at least $500 (subject to change). Make sure you speak to your C.P.A. about your obligations. Underpayment of taxes could lead to a tax penalty for underpayment. Become familiar with the latest I.R.S. rules on your tax obligations.

When are estimated tax payments due?

If your company runs on a calendar tax year, your estimated tax payment due dates are:

January 1 – March 31	April 15
April 1 – May 31	June 15
June 1 – August 31	September 15
September 1 – December 31	December 15 for corporations / January 15 for other businesses

What if my company operates on a fiscal year?
If your sole proprietorship or partnership operates on a fiscal year, your estimated tax payment due dates are:

First payment	15th day of fourth month of your fiscal year
Second payment	15th day of the sixth month of your fiscal year
Third payment	15th day of the ninth month of your fiscal year
Fourth payment	15th day of the first month after the end of your fiscal year

The due dates for corporations are the same except the fourth payment is due on the 15th day of the 12th month of the corporation's fiscal year.

What if the due date falls on a weekend or legal holiday?
If the due date for making an estimated tax payment falls on a Saturday, Sunday, or legal holiday, the payment must be made on the next day that is not a Saturday, Sunday, or legal holiday.

What are Washington State's self-employment taxes?
All employers in Washington State are required to pay the state unemployment tax. The rate varies with a taxable wage limit. Contact Washington State Employment Security Department for information about your company's rate.

Resources
Your Certified Public Accountant

Washington State
Employment Security Department
www.wa.gov/esd/

Business Owner's Toolkit
www.toolkit.cch.com/

Internal Revenue Service
www.irs.gov/

Employment Laws & Taxes

FLSA, OSHA, FUTA – a virtual alphabet soup. What do all of those letters actually mean?

The following is a list of taxes your company may be obligated to pay as well as laws with which you may have to comply. For your convenience, the list is categorized according to how many people need to be employed before a company becomes subject to these laws and taxes.

Please keep in mind that this information is not meant to be comprehensive but rather as a general guide. Contact the resources listed at the end of this section for more specific information.

One or More Employees

FLSA

There are seven main aspects to the Federal Labor Standards Act:

- Identifying employees and companies covered by FLSA
- Minimum Wage
- Overtime Pay
- Child Labor
- Equal pay for equal work
- Posting requirements
- Record keeping requirements

Who is covered under FLSA?

If your business has gross annual sales of at least $500,000, your company is subject to FLSA. If your gross sales are under $500,000 and you have at least two employees who are engaged in producing, selling or working on goods or materials involved in interstate or foreign commerce, (which is almost every company) you will be required to comply with FLSA (subject to change).

There is an exception for mom-and-pops. If the business's only regular employees are owners or members of the owners' immediate families, you may be excluded.

Employees are categorized as either "exempt" or "non-exempt".

Non-exempt employees are entitled to a minimum wage; overtime pay at the rate of one and one-half the regular rate for all hours over 40 hours per week and protection under child labor and equal pay requirements.

Exempt employees must be paid a salary and employed in the following areas:
Executives – An employee with discretionary powers and has managerial functions at least 50% of the time.
Administrative – An employee who:

- acts in a staff or functional capacity
- performs special assignments
- performs office or non-manual work directly related to management policies or
- customarily and regularly exercises discretion and independent judgement.

Professionals – An employee who:

- is in a profession that recognizes status based on professional knowledge and a prolonged course of study
- artistic professions
- teachers

Outside Sales Professionals

What are the minimum wage requirements?

The federal minimum wage is currently less than Washington State's minimum wage so companies must comply with our state's minimum wage requirements. Employees who are 18 years of age or older must be paid at least $6.90 per hour, effective January 1, 2002.

There are a few exceptions to the minimum wage requirements. Contact the Washington State Department of Labor and Industries, Bremerton local office at (360) 415-4000 if you think your employees may be exempted. Office of Information and Assistance, (800) 547-8367, www.lni.wa.gov/.

When do I pay overtime?

The overtime requirements are for nonexempt employees only. Overtime is paid at the rate of one and one half times the regular rate for hours worked in excess of 40 hours per workweek.

Can I hire someone under the age of 18?

Although you can hire individuals under the age of 18, and in some cases, under the age of 16, there are certain guidelines you will need to follow. Check with the Washington State Department of Labor and Industries, Bremerton local office at (360) 415-4000 for the most up-to-date information on child labor laws. Office of Information and Assistance, (800) 547-8367, www.lni.wa.gov/.

What is "equal pay for equal work"?

Equal pay for equal work requirements simply state that employees with the basically the same type of job, experience and education are to be paid the same regardless of their gender.

What are the FLSA posting requirements?

Information regarding FLSA should be posted where employees can see the poster as they come and go from work. Any person who willfully violates any of the provisions of the FLSA, including failure to post, is subject to a fine of up to $10,000 and/or imprisonment up to six months. Don't let this happen to you.

Posters can be obtained, free of charge, from the Washington State Department of Labor and Industries, Washington State general information (800) 647-7706, www.dol.wa.gov/businesses.htm or Employment Security (360) 478-4941 www.wa.gov/esd/.

Caution: There are companies that solicit other businesses to purchase the posters. It is not necessary to purchase the posters since they are supplied free of charge by Washington State.

What are the FLSA record keeping requirements?

FLSA records must be kept for three years from the date of the last entry you made on them, however, federal payroll tax laws require that certain records be kept for at least four years. A good rule of thumb is to keep the following records for at least four years:

- basic employment records
- earnings records
- wage rate tables
- order, shipping, and billing records

The requirements specify that you must:

- Keep your records at your place of business or at an established central record keeping location.
- Keep your records safe, accessible, and open to inspection and transcription at any time by auditors from the Wage and Hour Division.
- If your records are kept at a location other than your place of business, make the records available at the place of inspection within 72 hours after notice from the Wage and Hour Division.
- Make any extensions, recomputations, or transcriptions of your records and submit them to the Wage and Hour Division, if the auditor makes such a request in writing.
- Make a request to the Wage and Hour Division if you want to convert your old records to microfiche or microfilm, but you must have the equipment necessary to review them should you be audited by the Wage and Hour Division.

OSHA

The Occupational Safety and Health Act applies to any company with employees. If you have none, you generally aren't covered, although in some cases businesses that use independent contractors are still subject to OSHA.

The general rule of thumb is that; unless you are **sure** your business is exempt, assume that the law applies to you.

What types of businesses don't have programmed inspections?

Employers with 10 or fewer employees in the following Standard Industrial Classifications (SIC) are exempt from programmed inspections and injury and illness reporting. However, you are still subject to other OSHA requirements.

- apparel and accessory stores
- auto dealers
- banking
- business services
- credit agencies other than banks
- eating and drinking places
- educational services
- furniture, home furnishing, and equipment stores
- gasoline service stations
- holding and other investment offices
- insurance
- insurance agents, brokers and services
- legal services
- membership organizations
- motion pictures
- museums, art galleries, botanical and zoological gardens
- personal services
- private households
- real estate
- security and commodity brokers, dealers, exchanges and services
- social services
- miscellaneous retail
- miscellaneous services

The usual indicators of an employment relationship, such as who pays the employee, are **not** part of the definition of an employer under OSHA.

What companies are exempt from OSHA?

The following employers are not currently covered by OSHA:

- self-employed
- farms at which only immediate members of the farmer's family are employed
- people who employ others in their own homes to perform domestic services (i.e.: housecleaning, child care)

FICA

The Federal Insurance Contributions Act (FICA) requires you to withhold two separate taxes from the wages you pay your employees: a Social Security tax and a Medicare tax. The law also requires you to pay the employer's portion of these taxes. Unless you have employees who receive tips, the employer's portion will be the same as the amount that you're required to withhold from your employees' wages.

How much are FICA taxes?

Each of the FICA taxes is imposed at a single flat rate. Currently, the Social Security tax rate for employees is 6.2% and the Medicare tax rate is 1.45%. The employer share is the same.

Simply multiply an employee's gross wage payment by the applicable tax rate to determine how much you must withhold and how much you must pay.

The Social Security tax is subject to a dollar limit, which is adjusted annually for inflation. Check with your tax consultant for this year's annual limit.

There is no ceiling on the Medicare tax. You must continue to withhold and to pay the Medicare tax regardless of how much you pay an employee.

For more information, get a copy of Publication 15, Circular E, *"Employer's Tax Guide,"* which summarizes the responsibilities of an employer, Publication 15-A, *"Employer's Supplemental Tax Guide"*, and Form 941, *"Employer's Quarterly Federal Tax Return."*

FUTA

The Federal Unemployment Tax Act (FUTA) imposes a payroll tax on employers, based on the wages paid to their employees. FUTA is not withheld from employee's wages – the business itself must pay this tax.

How does a company become responsible for FUTA?

FUTA taxes are owed if, during the current or preceding calendar year:

- ♦ You pay wages totaling at least $1,500 to your employees in any calendar quarter.
- ♦ You have at least one employee on any given day in each of 20 different calendar weeks (the 20 weeks need not be consecutive and the "one employee" need not be the same individual).

Once you meet either of the tests, you become liable for the FUTA tax for the entire calendar year and for the next calendar year as well. For example, if you first met the 1-in-20 test in December 1998, you would have been responsible for the tax with respect to the wages you paid during the entire 1998 calendar year rather than just the wages you paid after you met the test.

You would also continue to be responsible for the FUTA tax during the 1999 calendar year, even if you fail to meet both the wages-paid test and the 1-in-20 test during that year.

How is FUTA computed?

The FUTA tax is a single flat rate on the first $7,000 of wages that you pay each employee. Once an employee's wages for the calendar year exceeds $7,000, you have no further FUTA liability for that employee for the year.

The FUTA tax rate is a flat 6.2%. However, you can generally claim credits against your gross FUTA tax to reflect the state unemployment taxes you pay. Consult with your tax professional to see if you qualify.

ERISA

The Employee Retirement Income Security Act, better known as ERISA, is a federal law that affects employee benefit and retirement plans.

Who is covered by ERISA?

If you offer an employee benefit plan, such as health insurance or a retirement plan, you are subject to certain requirements under ERISA.

While your administrator or insurance company may take care of most of your ERISA obligations, you should have some familiarity with the requirements of the law so that you can make sure the administrator is performing adequately.

What benefits does ERISA cover?

Under ERISA, a welfare plan is any plan, program, or fund that an employer maintains to provide:

- medical, surgical, or hospital care
- benefits for sickness, accident, disability, or death
- unemployment benefits
- vacation benefits
- retirement plans
- apprenticeship and training programs
- day care centers
- scholarship funds
- prepaid legal services
- holiday or severance pay

If you are self-employed or if you have a partnership and only you and your partner are covered under the benefits plan, you would not be subject to ERISA because no employees are covered under the plan.

Equal Pay Act

Simply put, the Equal Pay Act states that employees with the basically the same type of job, experience and education are to be paid the same regardless of their gender.

Washington State Unemployment Insurance Tax

All employers in Washington State are required to submit payment for unemployment insurance.

How is Unemployment Insurance Tax computed?

Employers are assigned a tax rate using an experience rating system. This is a variable tax rate system used to finance future benefit costs.

Employers are taxed according to their own experience with unemployment and their employee's taxable wages. Lower rates are assigned to employers whose unemployment experience costs are low – higher rates go to those whose unemployment experience costs are high.

What if the company is new to Washington State?

New employers in the state are assigned the average industry rate, determined by the Department of Employment Security, until the company has earned its own tax rate.

How is the tax reported?

Employers report the amount of total gross wages paid each quarter on all covered employees. Tax reports can be filed via:

- the Employers Quarterly Report
- floppy disk
- magnetic cartridge
- magnetic tape

Visit the Washington State Employment Security Department's web site at www.wa.gov/esd for more information on reporting.

Are there any other reporting requirements?

A newly established federal welfare reform act makes it mandatory to report information about all new and rehired employees to the Department of Social and Health Services' Division of Child Support, www.dshs.wa.gov/dcs/emp_index_wjm.shtml. For more information on reporting, call Employer Withholding Hotline at (800) 591-2760.

Four or More Employees

IRCA

The Immigration Reform and Control Act makes it unlawful for an employer to hire any person who is not legally authorized to work in the United States.

How is IRCA enforced?

IRCA requires employers to verify the employment eligibility of all new employees. This is done through a form called an I-9 and is available through Immigration and Naturalization at www.ins.usdoj.gov/graphics/index.htm. The employee must show proof of citizenship or legal authorization to work in the United States when hired.

When is the I-9 form completed?

The employee and employer must complete the I-9 within three days of hiring.

How do I subject the I-9 form?

The I-9 form is not submitted. Instead, your records must be available for audit by the Department of Justice's Department of Immigration and Naturalization. I-9's must be retained for at least three years or for at least one year after employment is terminated, whichever is later. The I-9 form is available through Immigration and Naturalization at www.ins.usdoj.gov/graphics/index.htm.

15 or More Employees

Title VII of the Civil Rights Act

Title VII, also known as Equal Employment Opportunity (EEO) mandates, prohibits employers from discriminating against applicants and employees in all aspects of employment:

- recruiting
- hiring
- pay
- promotion
- training
- termination

On the basis of:

- race
- color
- national origin
- religion
- gender

Employment decisions must be made on the basis of business necessity, not on an employee's or applicant's membership in a protected class.

Areas affected by Title VII include:

- job advertisements
- job qualifications
- hiring decisions
- job applications
- interviews
- disciplinary actions
- termination

ADA

The Americans with Disabilities Act (ADA) is part of Title VII legislation and covers those who:

- Have a long-term physical or mental impairment that substantially limits at least one life activity
- Have a history of such impairment
- Are regarded as having such an impairment

Individuals covered under the law must be reasonably accommodated and employers cannot:

- Adopt different pay scales, benefits programs or promotion opportunities (assuming the differences harm the protected group)
- Enter into contracts with other companies that would have the effect of discriminating against your employees
- Discriminate against an employee because a family member or friend was covered under the protection of the ADA

- Make employment decisions based on generalizations about a disabliity rather than the facts of a specific case

The ADA also affects:
- Pre-employment medical exams
- Pre-employment inquiries about physical ability
- Job descriptions

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20 or More Employees

ADEA

The Age Discrimination in Employment Act (ADEA) is geared toward protecting individuals over the age of 40 against employment discrimination.

An employer cannot discriminate on the basis of age by:
- hiring younger employees because they are younger
- paying an older person less because the employee is older
- terminating an older employee before a younger employee because of age

It is, however, not unlawful to observe the terms of a bona fide seniority system.

What areas are covered under ADEA?

The ADEA specifically affects the following areas of employment:
- Job advertisements
- Job qualifications
- Job applications
- Interviews
- Hiring decisions
- Absenteeism
- Worker safety
- Discipline
- Termination

COBRA

The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) requires employers to offer individuals the option of continuing with the group health care plan coverage if employment is terminated.

What benefits are covered?

COBRA applies to the following plans if the employer already offers them:

- health care
- medical spending accounts
- dental
- vision
- hearing
- prescription drugs
- alcohol and substance abuse
- mental health

Plans not covered include:

- Life insurance
- Disability insurance
- Retirement plans
- Vacation plans

What events trigger COBRA?

Qualifying events include:

- Termination of employment, either voluntary or involuntary, unless for gross misconduct
- Reduction in hours (i.e.: full time to part time)
- Covered spouse's divorce or legal separation from an employee
- Employee's death
- Employee's entitlement to Medicare
- Covered dependent's change in status (for example, reaching an age that no longer qualifies the dependent for coverage under the parent's health plan)
- Active military duty when you don't voluntarily maintain health coverage
- Failure to return to work at the end of family and medical leave where coverage was in effect at the beginning of the leave but was lost during the leave
- Bankruptcy of the company

How long does coverage last?

Depending upon the type of event and who the beneficiary is, coverage could continue for 18, 29, or 36 months after the date of the event or the coverage loss. The basic rules are:

- Termination or reduction in hours — 18 months for the employee and any covered dependents.
- An individual previously entitled to 18 months of coverage who is disabled — 29 months of coverage.
- An individual previously entitled to 18 months of coverage who experiences a second qualifying event — 36 months of coverage.
- Qualifying events for reasons other than termination of employment or reduction in hours — 36 months of coverage.

Who is eligible for COBRA?

If you're subject to COBRA, and if you have a group health plan, you must provide COBRA benefits to anyone covered under your group health plan on the day before an event that causes loss of coverage including:

- Employees (including part-time employees if they participate in your plan)
- Their spouses and dependents
- Retirees (unless they are eligible for Medicare)
- Partners in a partnership

You do not have to offer COBRA coverage to any of the following:

- An employee who is not yet eligible for your group health plan
- An eligible employee who declined to participate in your group health plan
- An individual who is enrolled for benefits under Medicare

Who pays for COBRA coverage?

The employee must pay the full cost of the insurance premiums.

The law allows employers to charge 102% of the premium and to keep the extra 2% to cover the company's administrative costs. When an employee gets extended COBRA coverage due to disability, companies may charge 150% of the premium for months 18 through 29.

COBRA coverage can be terminated if premium payments are late. Payment of any premium is considered timely if it is made within 30 days after the due date. The due date must not be before the first day of the coverage period. And, when someone chooses to take COBRA coverage, they still have 45 days to make the first payment. The law also states that companies must give those covered by COBRA a 30-day grace period from the time the payment from the *employee* is due, not when the *premium* is due.

50 or More Employees

FMLA

The Family and Medical Leave Act (FMLA) allows employees to take up to 12 weeks of unpaid leave each year for the birth or adoption of a child, to attend to the serious health condition of an immediate family member or for the employee's own serious health condition.

What is a serious health condition?

A serious health condition is a mental or physical condition that involves an overnight stay in a hospital, hospice, or residential medical care facility or any period of incapacity or treatment connected to inpatient or continuing care that includes at least one of the following:

- Incapacity of more than three consecutive days.
- Incapacity due to pregnancy or prenatal care.
- Incapacity or treatment due to a chronic serious health condition.
- Incapacity that is permanent or long-term due to a condition for which treatment may not be effective.
- Absences to receive multiple treatments by a health care provider. This includes conditions that are not currently incapacitating but would be if left untreated.

The FMLA also requires that, after the 12 weeks of unpaid leave, you must reinstate the employee in the same job or an equivalent one. The leave need not be taken all at once; in some cases, family leave can be taken one day at a time.

What About Washington State Law?

In Washington State, employees are entitled to 12 workweeks of family leave during a 24-month period to:

- Care for a newborn child or an adopted child who is under the age of six at the time of placement for adoption
- Care for a child under 18 years of age who has a terminal health condition.

Family leave may be taken on a reduced leave schedule subject to the approval of the employer. An employer must allow an employee to use the employee's accrued sick leave to care for a child under the age of 18 with a health condition that requires treatment or supervision.

Resources

Government

Washington State Department of Labor and Industries
(360) 415-4000 in Bremerton
Office of Information and Assistance
(800) 547-8367
www.lni.wa.gov/

Department of Justice
Immigration and Naturalization
(800) 375-5283
www.ins.usdoj.gov/graphics/index.htm

Internet

Business Owner's Toolkit
www.toolkit.cch.com/

Department of Social and Health Services' Division of Child Support,
www.dshs.wa.gov/dcs/emp_index_wjm.shtml
Employer Withholding Hotline (800) 591-2760.

Internal Revenue Service
http://www.irs.gov/

United States Department of Labor
www.dol.gov/

United State Equal Employment Opportunity Commission
(800) 669-4000
www.eeoc.gov/

Washington State Employment Security Department
www.wa.gov/esd/

Planning Your Marketing Strategy

Most simply defined, marketing is anything you do to get and keep a customer. It's how you communicate who you are and what you do. The most successful marketing approach is one that is based on building relationships, meeting the needs of your clients and continually adding value. A comprehensive marketing plan will provide clarity, focus and direction.

What is included in a marketing plan?

Just like recording your business plan enhances your success, developing your marketing plan will save you time and money in clarifying your decisions as marketing opportunities become available. Included in your marketing plan are:

- Purpose or objective
- Target customer
- Features and benefits of your product or service
- Positioning
- Marketing budget
- Marketing tactics and strategies

Additional pointers to keep in mind as you develop your plan are:

- Keep your plan simple
- Put your plan in writing instead of keeping it in your head
- Make it direct and clear
- Design it so that you can stick with it
- Review your plan monthly or quarterly

What is the stated purpose of your marketing plan?

The general purpose of any marketing plan is to maximize business profits. The definition of "profit" is unique to each business owner. "Profit" for an independent consultant might be described as "billing 60% of business time". "Profit" for a carpet cleaning company may be to "generate $150,000 annual revenue from residential clients". However you describe "profit" for your business, make sure it's specific, measurable and includes a time frame.

Considerations

Why are you marketing?
What end result do you intend to create with the use of your marketing plan?

Who will you be targeting as a client?

A "target" means the specific group at which you will aim your marketing tactics. Although it is a commonly held belief that everyone can benefit from what a business offers, your results will be greater with a small group of prospects who have a high probability of buying, rather than a large audience where only a small number are likely to be interested. The more you know about your target market, the easier it will be to market to them. Be as specific as possible.

Considerations

What are the common identifiable characteristics of your target market?
Is your target market large enough to support your stated purpose?

What are the features and benefits of your product and/or service?

Clearly defined features and benefits differentiate your product or service in the marketplace. Features are aspects of your product or service that are tangible, factual, identifiable and are generally of more importance to the seller. They include such things as pricing, location, product construction, particular services offered, etc. Features lead to benefits.

Benefits are more important to the buyer. They create emotion, incite passion, solve problems and enhance results. Benefits are why customers buy.

Considerations

What is the ultimate benefit of your product or service to your customer?
What can you do to improve your features in order to enhance your currently stated benefits?

How can you best position your product or service?

Positioning refers to your identity in the marketplace. It is how you want the market and your competitors to view your product or service. Positioning has an impact on every aspect of your marketing. Ways in which to establish your identity include:

- Company logo
- Company colors
- Unique Sales Proposition (USP) or marketing message

A logo is a symbol or a mark that represents a business or it's products or services. Skilled professionals such as marketing consultants and graphic designers can help you create the symbol that best represents your company and its offerings.

Colors used in your logo and subsequent marketing materials can either attract or repel your target market. Without being consciously aware, customers are moved to action by the emotions created through the use of color. Color professionals can assist you in selecting the proper colors for your business.

A USP is the fundamental element upon which all communication messages are created. It is a one sentence summary of how your product or service meets a significant need for your buyer.

A well-designed USP or marketing message creates a succinct, memorable phrase in the mind of the consumer, sets you apart from the competition and compels the consumer to act.

These steps will help in creating your memorable message:
1. Write a description of your business and what makes you different from your competition.
2. Remove the jargon and glaze-inducing words. Make it understandable.
3. Replace your title with what you actually do.
4. Make your description benefit-oriented.
5. Eliminate everything but the most basic and unique aspects of what you provide.
6. Practice your message with those who aren't currently familiar with your product or service.
7. Continue to fine-tune until your description conveys enough information for the listener to understand or be intrigued enough to ask questions.

What are the various tactics for marketing your business?

Your objective, benefits, budget and target market will influence the tools and tactics you choose to promote your product or service.

Various tools that you can use include:

- Advertising
    - Print (newspaper, classified ads, circulars, flyers)
    - Radio
    - Television
- Public Relations
    - Press release
    - Press kit
    - Pitch letter
    - Expertise articles
- Word-of-mouth
    - Networking
    - Professional organizations
    - Trade organizations
    - Chambers of commerce
    - Customer referral program
- Direct Mail
    - Personal letters
    - Newsletters
- Promotions
    - Contests
    - Coupons
    - Free samples
    - Give-aways
    - Frequent buyer programs
    - Sales
    - Premiums
- Signage and Billboards
    - Exterior
    - Interior
- Events
    - Seminars
    - Trade shows
- Collateral Material
    - Brochures
    - Business cards
    - Letterhead, envelopes, mailing labels
- Telemarketing
- Web Site
    - Search engines
    - E-commerce
    - Banner ads
    - Affiliate programs
    - Discussion groups
    - Contests
    - Electronic press releases

Considerations

What tactics will *best* support and promote your product or service?
What marketing methods will cause you the least amount of struggle to perform?

What is an adequate budget for marketing?

Ideally, you will have determined the amount for your marketing budget when you created the various financial statements for your business. How much money you'll invest in marketing is best determined as a percentage of your projected gross sales. This can be anywhere from 5% to 50% or more. How heavily market driven your business is will determine the amount you will need to allocate.

How do you determine the value of your marketing tactics?

Once you have created and implemented your marketing plan, its important to know which of your marketing methods are working well and which ones are not. A tracking form will routinely trace the sources of your inquiries and the resulting sales.

Considerations

Which methods are providing the greatest rate of return?
Are there tactics that need to be revised, upgraded or eliminated in order for you to move your business forward?
How can you add more value to your current tactics without adding more time and money?

Resources

Books

"Marketing Your Services – For People Who Hate to Sell" by Rick Crandall, PhD

"Selling the Invisible" by Harry Beckwith

"Poor Richard's Internet Marketing and Promotions – How to Promote Yourself, Your Business, Your Ideas Online" by Tara Calishain and Peter Kent

"The Unofficial Guide to Starting a Small Business" by Marcia Layton Turner

"Webonomics – Nine Essential Principles for Growing Your Business on the World Wide Web" by Evan Schwartz

Internet

American Express Small Business Exchange
www.americanexpress.com/homepage/smallbusiness.shtml

Guerilla Marketing Online
www.gmarketing.com/

Internet Marketing Center
http://www.marketingtips.com/

Online Women's Business Center Interactive Business Training for Entrepreneurial Women
www.onlinewbc.gov/

Small Business Marketing
www.bizmove.com/marketing.htm

Financial Term$

So, you're ready to talk to your broker and accountant.

The following list of financial and accounting terms may be of help to you. Remember, your banker and accountant are used to people asking all sorts of questions. Don't hesitate to ask if you don't understand the terminology or concepts being described.

Accounts payable – Money you owe to your suppliers for items or services purchased. Generally, you will have ten to 30 days to pay the bills.

Accounts receivable – Money owed to you by your customers. In many businesses, this will be 30 days.

Accrual method of accounting – When income is recorded when the sale occurs, not necessarily when the payment is received. Also, expenses are recorded when the goods or services are received, not when the items are paid for.

Adjusting entries – Special accounting entries made when the books are closed at the end of an accounting period. Adjusting entries are necessary to update accounts for items that are not recorded in your daily transactions.

Aging report – A listing of how long accounts receivable have been due. Common tracking units are 30, 60, 90 and 120 days.

Allowance for bad debts – This is an estimate of how much of your accounts receivable you will be unable to collect.

Alternative financing – Financing which is other than conventional bank financing (venture capital, factoring)

Amortization – The process of gradually paying off the principal of a loan. Also, expenses can be amortized by pro-rating them over a fixed period of time.

Assets – Things of value owned by the business (cash, accounts receivable, furniture and fixtures).

Asset-based lender – A lender who loans money based primarily on the value of an asset (accounts receivable, inventory, equipment, real estate).

Balance sheet – An accounting form that lists total assets, liabilities and equity (net worth) on a particular date.

Balloon payment – A large payment due on a loan. Generally a balloon payment is required when amortization is longer than the maturity of the loan.

Break-even analysis – A method of calculating how much sales revenue a company must generate in order to cover its basic expenses. This method is used to determine when a company (or business deal) will become profitable.

Capital – Money invested in the business by the owners. This is also known as *equity*.

Cash flow – The supply of money that comes in to your business as payments and goes out to pay expenses of your business.

Cash method of accounting – Income and expenses are recorded only when payment is received from customers or payment is made to vendors.

Chart of accounts – The list of account titles for your accounts.

Closing the books – Procedures that take place at the end of the accounting period. Adjusting entries are made, then income and expense accounts are "closed". The net profit (or loss) that results from closing the accounts is transferred to an equity account (retained earnings, owner's equity).

Collateral – Assets pledged to secure a loan.

Collections – The process of collecting money that is owed your firm by customers.

Cost of goods sold – Cost of inventory items sold to your customers. It may consist of several components such as actual merchandise purchase costs, freight and manufacturing costs.

Credit – A decrease in an expense account and, therefore, an increase in income. Credit means "right", therefore, a credit is put in the right column.

Credit memo – Writing off all or part of a customer's account balance. A credit memo would be needed if a customer returned merchandise purchased on account or overpaid on their account.

Creditor – One to whom money is owed.

Current assets – Cash or other assets you expect to use within on year.

Current liabilities – Liabilities payable within a year (payroll taxes, accounts payable).

Debit – An increase in an expense account and, therefore, a deduction in income. Debit means "left", therefore, debits are recorded in the left column.

Debt financing – A method of financing by borrowing money (bank loan).

Depreciation – An accounting procedure that holds that fixed assets (buildings, equipment, computers) wear out or become obsolete. The decline in the value of an asset is considered an expense and is subtracted from income as part of the income statement.

Direct loan – A loan made directly to a borrower, with out involvement of a third party, such as a guarantor.

Double entry accounting – This system is the basis of a true accounting system. Every transaction must have two journal entries: a debit and a credit. Debits must always equal credits.

Drawing account – This type of account is used by some sole proprietorships and partnerships to keep track of amounts drawn out of the business by owner(s).

Equipment leasing – the practice of leasing equipment needed for a business rather than purchasing it outright. An advantage of leasing is that the money to use the equipment is paid out gradually rather than in a lump sum in the beginning.

Equity – Also called *owner's equity* or *capital*, this is the net worth of your company. Equity is the total amount invested in the business by the owners plus net profits that owners have not yet received.

Equity investor – Ownership interest possessed by shareholders in a corporation (stock as opposed to bonds).

Equity kicker – Also called a participation loan. The lender receives interest payments, principal repaid and the right to buy equity (part ownership) in the company. Equity participation is generally required for riskier deals or in return for lower rates.

E.S.O.P. (Employee Stock Ownership Plan) – Allows employees to purchase ownership shares in their employer's company tax-free.

Expense accounts – These accounts are used to keep track of the costs of doing business (advertising, payroll taxes, wages, rent).

Factoring – Selling your accounts receivable to a company that then has the right to collect them for you. Factors pay less than full value for an invoice and make their money by collecting the full amount when it is due.

Feasibility study – Research done to evaluate the likelihood of success (or feasibility) of a proposed project.

Fixed assets – Long-term assets (buildings, equipment, property) that are not expected to be converted to cash within a year.

Float loan – A loan that funds a project on an interim basis, usually used as a "bridge" loan until such time when more permanent financing

is obtained. Borrowers need a letter of credit to be eligible for this type of loan.
Floating debt – Continuously renewed or refinanced short-term debt used to finance ongoing operating needs.

Funding source – Federal, state or private entity where dollars for a fund originate.

Gap financing – State or local financing to small business that fall below bankable credit standards and cannot easily obtain financing without outside assistance.

General ledger– Used to keep the accounting records of a business, the general ledger includes all balance sheet, income and expense accounts.

General partner– In a limited partnership, the general partner controls and manages the business as well as assuming full personal liability for the business.

Income accounts – These accounts are used to keep track of your income sources. This includes sales and interest income.

Income statement –Also called a *profit and loss statement* or *statement of income and expenses*, the income statement lists income, expense and net profit (or loss). The net profit (or loss) is determined by subtracting expense from income.

Interest rate – The cost of money charged by a lender for use of their funds.

Inventory – Goods you buy to resell through your business or materials used to make something you sell.

Journal – The chronological, day-to-day transactions of your business are recorded in sales, cash receipts and cash disbursements journals. The general journal is used at the end of the accounting period to adjust and close entries and for special transactions not recorded in the other journals.

Leasehold improvements – Upgrading or customizing of your business.

Letter of credit – Financial instrument issued by a bank to provide a commitment of credit availability to an outside supplier. It can be used as "backup" credit or viewed as a sort of credit guarantee.

Leverage – Debt in relation to equity in a firm's capital structure, measured by the debt-to-equity ratio.

Liabilities – What your business owes creditors. Account examples include accounts payable, payroll taxes payable and loans payable.

Limited partner– In a limited partnership, limited partners are part owners of the business but do not have a right to manage or control it. They also are liable only to the extent of the capital they have invested in the partnership.

Line of credit – Commitment by a bank to lend funds to a borrower up to a specified amount over a specified future period.

Loan packaging – A loan application package must be submitted by the applicants on most loan requests. A loan packager will assist the applicant in completing the application package.

Loan pool – A fund used for lending which is made up of dollars pooled together by a variety or number of sources.

Long-term liabilities – Liabilities that are not due within a year (mortgage, certain loans).

Maturity date – Date on which the principal amount of a note, loan or other debt instrument becomes due and payable.

Merchandise inventory – Goods held for sale to customers.

Merchandise turnover– The number of times a business turns its merchandise into sales each year.

Micro-loan – Loan of less than $5,000.

Net income – Also called profit or net profit, net income is figured by subtracting expenses from income.

Net worth – The difference between the book value of assets and the liabilities of a company.

Overhead – The operating costs of a business (selling costs, expenses, manufacturing costs, depreciation).

Post – Summarizing all journal entries and transferring them to the general ledger at the end of an accounting period.

Prepaid expenses – Amounts you've paid in advance to a vendor for goods or services. For example, the unexpired portion of an annual insurance premium or maintenance agreement.

Prepaid income – Also known as *unearned revenue*, this is the money you have received before providing a product or service to your client. For example, advance payment for consulting services or service contracts.

Prime rate – An interest rate formally announced by a bank to be the lowest available to its most creditworthy customers.

Private offering – An offer to sell stock in a company to the general public. Firms making a public offering must meet detailed requirements of the Federal Securities and Exchange Commission and state regulators.

Profit and loss statement – Also known as an *income statement*, the P&L lists income, expenses and net profit (or loss) which is income minus expenses.

Reserve for bad debts – Also called *allowance for bad debts*, it is an estimate of how much of your accounts receivable will be uncollectable.

Retained earnings – Business profits that have not yet been paid to owners, but retained by the business.

Revenue – The total of all receipts including sales of products, merchandise and services, earnings from interest, dividends, rents and wages.

SBA-guaranteed business loan – Business loans made by a bank to a small business. The loan is guaranteed by the U.S. Small Business Administration.

Seed capital – Small amounts of capital available to new businesses to get them started.

Trade credit – Credit extended to businesses by suppliers.

Trial balance – The trial balance is prepared at the end of an accounting period by adding all the account balances in the general ledger. The debit balances and credit balances should be equal or balanced.

Unearned revenue – Also known as *prepaid income*, this is the money you've received before providing services to a client. For example, prepayment of consulting services.

Unencumbered assets – Property owned free and clear of all liens (creditor's claims).

Venture capital – Investment money, generally from professional investors, to be invested in start-up or expanding business that have large growth potential.

Working capital – The money used to keep your business running. In accounting, working capital is the difference between current assets and current liabilities.

Budgeting for Business

Although budgeting may seem tedious, it's critical to your company's success to forecast your income and expenses. You can't predict where you're going or analyze where you've been without a budget.

Normally, budgets are done on an annual basis but reviewed monthly when financial statements are prepared.

How do I put together a budget?

The best way to start is by forecasting your expenditures. Take a look at your expenses over the past six months or so to see how much you've spent in various categories including:

- Rent
- Printing
- Supplies
- Insurance
- Telephone
- Advertising
- Merchandise
- Memberships
- Internet/Web Site
- Technology Upgrades
- Charitable Contributions

If you have a new business or expect a dramatic increase or decrease in expenses, carefully research costs to determine what your expenses will be.

How do I forecast my earnings?

Again, look over the past six months for trends and sales increases. This is a good way to estimate your future earnings.

Forecasting earnings is a bit trickier for new businesses or companies that expect remarkable growth. After conducting a thorough market study, you should be able to get a good feel for the demand for your product or service based on customer demographics. The demographics will help you determine if there really is a demand for, say, an upscale hair salon, a consignment shop or a company that manufactures modern furniture.

Depending on the strength of your marketing plan and how aggressively you promote your product or service, you should see a quick increase in your sales during the first few months. Of course, that usually means an increase in expenses, too.

What do I do after I've put together a budget?

After you've estimated your expenses and income, carefully track these figures monthly to make sure you're "on target". You may need to adjust your spending after comparing the actual figures with your estimates.

If you have not met your budget in a category, you may be tempted to spend it in other areas. Before doing that, make sure that you don't just spend the money because you're under budget. Verify that there truly is a need to spend the money in another category.

What if I spend more than I budgeted?

If you spend more than budgeted, you will want to:

- Decrease amounts budgeted for other items
- Increase income
- Do nothing, and let the change to the bottom line be carried over to the next budget

It's best not to wait, though. Most businesses can't afford to continue spending more than budgeted. Make a decision as soon as possible to obtain a loan, increase income or decrease spending.

What if I spend less than I budgeted?

If you spend less than what was budgeted, you will want to:

- Increase amounts budgeted for other items
- Do nothing, and let the change to the bottom line be carried over to the next budget

Although it is important not to go over budget, it's just as important to use the money you have wisely. Make sure that you are not being "penny wise, dollar foolish" by not investing in new technology to make your operation more efficient, providing better staff training to improve customer service and paying decent wages and benefits to retain high quality employees.

Resources

Your Certified Public Accountant

Your Industry Association

Financing Your Business

Knowing how to finance your business, as well as *whether* to finance your business, is a critical decision for entrepreneurs. There are many options with a host of pros and cons for each option.

How do I know what kind of financing is ideal for my company?

There are several factors in making a financing decision. They include:

- Where is your company in its life cycle?
- How much money do you *really* need?
- Do you have personal assets or family and friends who can invest?
- Would outside investors find your type of business attractive?
- What form of business do you have (proprietorship, partnership, corporation)?

The following "quick pick" chart from the Business Owner's Toolkit (*www.toolkit.cch*) shows suggested financing options. Simply find your profile on the chart to see what option is most commonly used. Keep in mind that these are the most commonly used financing options, not the only options. Every business is unique. Your business banker, certified public accountant, business coach or small business development specialist can help you decide what options are best for your business.

Start-up Business

Primary Sources

Long-term financing	Short-term financing
♦ Personal financing	♦ Personal financing
♦ Insider (family/friends) financing	♦ Insider (family/friends) financing
♦ Angels	♦ Credit cards
♦ Equity financing	♦ Credit unions
♦ Leasing	♦ Trade credit
♦ Credit unions	♦ Banks
♦ SBA LowDoc	♦ SBA Microloans
	♦ SBA LowDoc

Secondary Sources

Long-term financing	Short-term financing
♦ Business alliances	♦ SBA CAP lines
♦ SBA regular 7(a) program	♦ Consumer finance companies
♦ Venture capital	♦ Commercial finance companies
♦ SBICs	♦ State and local public financing
♦ State and local public financing	
♦ Franchising	
♦ Asset-based financing	

Developing or Mature Business

Primary Sources

Long-term financing	Short-term financing
♦ Debt financing ♦ Equity financing ♦ Bank lending (secured and unsecured) ♦ Leasing ♦ Business alliances ♦ Venture capital ♦ Limited private offerings ♦ SBA Section 7(a)	♦ Debt financing ♦ Asset-based financing ♦ Bank (lines of credit, commercial loans) ♦ Trade credit ♦ Factoring ♦ Commercial finance companies

Secondary Sources

Long-term financing	Short-term financing
♦ Initial public offerings ♦ Franchising ♦ Angels ♦ SBA Section 504 (community development companies) ♦ Insurance companies ♦ Commercial finance companies ♦ Employee Stock Ownership Program ♦ SBA International Loan Program	♦ SBA CAPlines ♦ State and local public financing ♦ SBA Export Working Capital Loan Guarantee Program

What types of personal financing are available?

Business owners traditionally contribute personal cash or assets to a business. One of the most common sources of capital is an entrepreneur's residence. The business owner can obtain a mortgage, refinance an existing mortgage, secure a home equity loan or obtain a line of credit.

The major disadvantage of using your residence for collateral is that defaulting on your loan can mean the loss of your home. In addition, the interest rate on second or third mortgages are higher than for first mortgages. It may be better to refinance your existing mortgage for an increased loan amount than to take an additional mortgage.

Another option for personal financing is to borrow on your life insurance policy. Your interest rate will depend on when the policy was purchased, which may be very attractive if you have an older policy. Naturally, death benefits will decrease if you choose this option.

You may have other sources for collateral including an employee retirement plan or marketable securities. Your business banker may have additional ideas for collateral as well.

What is "insider" financing?

Family and friends, or "insiders", are often an excellent source of financing. The terms are usually favorable and many family and friends will loan money without having the loan secured.

The major disadvantage to insider financing is that money seems to breed misunderstandings. Make sure you distinguish whether the money is a gift or a loan and exchange promissory notes. A loan from an insider that is at an exceptionally good rate may send a red flag to the I.R.S. that the loan was actually a gift and you and the lender may be obligated to pay taxes accordingly.

If your insiders would like to provide money as equity financing, you may need to speak to your business attorney after you've clarified the value of the ownership and the amount of control the investor will have in your business. If your company is a corporation, you will have to sell stock to the investor and may have to rewrite your by-laws to address the sale of stock, buyout arrangements, election of directors, etc.

Rights, responsibilities and liabilities should all be discussed and documented regardless of the legal structure of the business (proprietorship, partnership, corporation).

What is factoring?

Factoring is a fancy term for selling your accounts receivable. By factoring, you get the cash sooner than if you collected your receivables on your own. The factoring company then assumes the responsibility of collecting your accounts.

Factoring is not cheap by any means. Your receivables will be discounted heavily by the factoring company.

This is not usually a good option for most companies since the cost of a bank loan will almost always be a better deal than the discounted cash you'll receive from factoring.

Some advantages to factoring include:

- **Quick access to cash**. Many factor companies can give you cash in hand within two weeks, some within 24 hours.
- **No debt**. You are selling your assets (accounts receivable) so you incur no debt like you would with a loan.
- **No collections nightmare**. The factor company assumes all responsibilities for collecting and normally does not charge you for any uncollectable accounts.

Disadvantages to keep in mind include:

- **Pricey**. Bank loans are less expensive than factoring. Factor companies usually pay between 70% to 90% of the value of the accounts.
- **Effect on client relationships**. Some clients might resent having a factor company call them about payment, especially if the client doesn't feel he or she is being treated fairly.

If you decide that you would like to use factoring, call around for the best price and service. Many companies offer rates that are negotiable. Don't be afraid to ask if they can cut you a better deal.

What is equity financing?

Equity financing is a term used to describe selling a share in your business in exchange for cash. Investors who provide the capital will usually want some say in how the company is run as well.

Before accepting equity financing from someone you don't know *very* well, do a little investigating. You can get information about other businesses they have been involved with through Dun & Bradstreet or Experian (TRW) Business Credit Profiles.

Equity financing includes:

- Angels
- Franchising
- Venture capital
- Initial public offerings (IPO)
- Employee Stock Ownership Programs (ESOP)
- Small Corporate Offering Registration (SCOR)
- Small Business Investment Corporation (SBIC)

What are angel investors?

Angel investors are similar to venture capitalists in that they will want a portion of the business, however, they are looking for a solid return and are genuinely interested in helping small companies succeed. Many try to help businesses within their own community. The angel investor network is on the Small Business Administration's web site at *www.sba.gov*.

What about franchising?

Franchising is becoming more popular every year. There are currently more than a half million franchised businesses throughout the United States. You can franchise your product or trade name or even your entire business format (products, trade name, systems, business image, etc.). Before franchising, though, you may want to consider opening a branch office or two to test the waters. There are certain liabilities involved, including risks for actions taken by your franchisees, so contact a business attorney specializing in franchising to avoid pitfalls.

What is venture capital?

One type of equity financing that has been given a lot of press lately is venture capital. Venture capital is very difficult to obtain and most financing goes to high-tech, rapidly expanding companies that expect a big return on investment. Venture capitalists demand a large chunk of the business but will dump their interests quickly if profits aren't significant. Tread carefully if you are seeking venture capital.

What is an Initial Public Offering (IPO)?

"Going public" or doing an Initial Public Offering (IPO) is an option for some companies that are experiencing phenomenal growth and are generating over a million dollars in net annual income. The cost of doing an IPO is extremely high ($50,000 to $500,000) and the complexity of federal and state laws are overwhelming for most people. Of course, going public means you'll have to deal with many different owners and see your interest diluted, sometimes substantially. Doing an IPO also means you'll be spending a lot of time with your accountant, attorney and stock underwriter.

What is an Employee Stock Ownership Program?

Offering employees an Employee Stock Ownership Program (ESOP) is a great way to increase employee loyalty by giving them a vested interest in your company. It's also another way to raise capital. Employees simply purchase shares of stock in the company either through direct cash contributions or by agreeing to a reduction in salary. The company contributes by making a cash contribution to the plan or contributing stock to the plan. The company gets a tax deduction for the ESOP while retaining the cash. ESOPs are usually established by owners who are ready to retire and plan to give the company to the employees. Check with your attorney and accountant and visit the web site of the National Center for Employee Owners at *www.nceo.org*.

What is the Small Corporate Offering Registration?

A Small Corporate Offering Registration (SCOR) may be something of interest to an established company. It's similar to an IPO in that you are selling interest in your company. Depending on the offering, you may receive investments of up to $5 million. Check with the North American Securities Administrators Association at www.nasaa.org or (202) 737-0900 for the latest information.

What is the Small Business Investment Corporation?

The Small Business Investment Corporation is a venture capital organization sponsored by the federal government. The SBIC combines private funds with funds borrowed from the government to provide equity capital, longer term loans and management assistance. Fast-growing, existing businesses that need a large amount of money are better suited to the SBIC than start-ups. For more information, contact the SBA at 1-800-8ASK-SBA or *www.sba.gov*.

What are SBA loans?

The federal government, through the Small Business Administration, makes loans available to small businesses. The loans are made through a bank and the bank submits the paperwork to the SBA for you. Many times, the interest rates are more favorable than conventional loans and, in most cases, you can access the cash within two months. To find out if you are eligible for an SBA loan, contact your business banker.

Resources

Small Business Development Center
For information call:
Center for Continuing Education at Olympic College,
654 Fourth Street
Bremerton WA 98337
(360) 478-4839

Internet

The Business Owner's Toolkit
www.toolkit.cch.com/

Entrepreneur Magazine
www.entrepreneur.com/

Inc. Magazine
www.inc.com

North American Securities Administrators Association
www.nasaa.org/

Small Business Development Center
www.wsbdc.org/

U.S. Small Business Administration
www.sba.gov/

Outside Investments

Sometimes banks are unable to lend money for a business proposal. This often leads to entrepreneurs looking for alternative means to finance their business. Most sources of capital are legitimate, however, there are scam artists who prey on unsuspecting business owners. Keep these tips in mind before accepting investments from an alternate lending or investment source. You could avoid a time bomb waiting to go off.

Don't act out of desperation.

The victims of scams tend to be those who have convinced themselves that their project is worthy and that this is their last chance to make it happen. "Entrepreneurs who have been turned down by their banks or other investors need to step back and ask why," says Paul Whythes, a partner in the Silicon Valley venture-capital firm Sutter Hill Ventures.

Check references and stories.

Venture capitalists make an average of 75 to 100 phone calls when performing due diligence on a prospective investment. Why shouldn't business owners do the same? Any legitimate capital outfit should be more than happy to provide a list of projects, with the names and phone numbers of references. If the claim is made that "confidentiality" prohibits that, walk away.

Pay no big up-front fees.

Paying a fee for someone to find or raise money is standard and the fee may be substantial. But any time a fee of more than a couple thousand dollars is requested before the delivery of services by an investor, beware. Remember, too, that up-front fees are often disguised as something else, such as a "good-faith deposit" that will be applied against the balance of a loan upon closing.

Don't go offshore.

Most offshore and overseas banks are located in countries with strict secrecy laws. As the International Chamber of Commerce warned in its 1996 report, "Banking secrecy laws provide the fraudsters with the ultimate protection as soon as the money is deposited into a bank account". Be wary of sending any fees offshore or dealing with any salesperson who claims to be backed by overseas or foreign investors.

Rely on advisors.

Advance-fee scams invariably involve some sort of phony documentation or contracts. Just as you would with any other complex deal, rely on your lawyer, banker and accountant to ferret out the real from the fake.

Don't use an unknown escrow agent

In any deal, agree in advance on a mutually acceptable third party – not an agent of the investor's choosing – to serve as an escrow agent. And remember that wiring funds is like handing over cash. In deals with legitimate venture funds, according to Craig Johnson, chairman of Venture Law Group in Menlo Park, California, "People just write checks, and the checks are held by investor counsel until the deal closes".

Inc., November, 1998, Page 74

Credit & Collections

A credit and collections policy is something many companies put off developing until they're between a rock and a hard place. Some companies address the issue when they realize they're losing sales because they don't offer credit. Other companies don't establish a collections policy until they start having problems with "deadbeat" customers.

A credit and collections policy is just as important to a business as the business plan itself. After all, the plan is worthless if you're not collecting enough money to stay in business. The lack of a policy or creating a poorly planned policy can actually destroy a thriving business.

If you devote some time to think about your credit policy when your business is still young, you can save yourself headaches, frustrations and money later on.

How do I get started?

To get started, you need to:

- Understand your options
- Create a credit policy that works
- Decide what type of credit is for you
- Know how to collect your accounts

What are my credit options?

Don't assume that your business *must* offer credit. If you own a very small company, have a limited client base or don't have the cash flow to support a credit policy – don't extend credit.

Collecting accounts can be very time consuming and frustrating so evaluate your particular situation carefully. Extending credit when you're a "one-man show" may put a severe drain on your company's most valuable resource – you. But, if the benefits (increased sales) outweigh the costs (collection costs, deadbeat accounts, stress), by all means, offer credit. If not, it's probably not a good idea to extend credit at this stage in your company's life.

Generally speaking, if your customers are willing to pay you cash, great! If that's not possible, get as much of your payments up front and in cash as possible. Extend credit only if business conditions demand it.

Does my industry have an effect on whether I should extend credit?

If other companies within your industry offer credit, it may be wise to extend credit as well. Consultants, companies that sell to other businesses and internet businesses often allow clients to pay on account.

Even if you're in an industry that normally does not extend credit, think about your competitive advantage if you *did* extend credit. Would you have an edge on your competition? Would your sales increase? Would you be able to serve your clients better?

What affect do my customers have on my credit policy decision?

If you rely heavily on repeat customers, they may expect credit to be extended to them, especially if they are purchasing "big ticket" items and services.

The larger your client is and the more buying power they have, the more likely it is that they will need credit. Large companies and governments, for example, are unable to make cash purchases and may use purchase orders to acquire products and services.

What role do my finances play?

The stronger your cash flow and financial condition is, the better able you are to offer credit. If you have poor cash flow, credit may not be your best option.

What types of credit should I offer?

There are several types of credit from which to choose. It's a good idea to check with your industry association to see what works for other companies within your industry.

Some types of credit include:

- **Checks**

  Although checks are usually considered cash, they do involve a certain amount of risk. By accepting a check, you've extended credit because there is a risk that the check will bounce.

  If you accept checks, you'll have to decide what types of identification you'll require and whether or not to use a check verification company (TeleCheck, Check Write). You may want to charge a service fee for checks that bounce and establish a system for collecting on those accounts. Consult your banker to find out what their non-sufficient funds (NSF) fees are. Make sure your returned check fee covers at least the bank's fees.

- **Credit cards**

  Credit cards are usually a good option for small companies since the burden of collecting on accounts does not fall on you. If you decide to accept credit cards, you'll need to decide which ones to accept: Visa, MasterCard, Discover, American Express, or others.

  The credit card company will charge you according to the volume and size of your transactions, usually between 2.5% to 5.5%. Contact your business banker for more information about setting up a merchant credit card account and the computer programs available for submitting them directly to the bank.

- **Credit terms**

  In some cases, you may want to establish credit terms. This is the riskiest option since you will be responsible for determining if the client is credit worthy and collecting on accounts.

To be legally binding, credit terms must be in writing and the customer must sign the document. Some common credit terms are:

- Net 30 (payable in 30 days)
- 2% discount if paid in 10 days
- Half down, half on delivery
- No finance charges if paid in 60 days
- 30% down on special orders
- 1 ½% monthly finance fee

How do I collect on accounts?

Collecting accounts can be tiresome. Not only do you have to keep track of the accounts that are overdue but many business owners don't feel comfortable putting pressure on clients to pay for goods and services they've received.

Before you get to the point where you have to collect from an overdue account, decide how you will approach the situation. Organize yourself by:

- **Tracking all accounts.** Watch the ones that become overdue.
- **Knowing when to call a professional**. Decide at what point you will make the collection call (is it after 45 days?), when you will call a collection agency (after 90 days?) and when to call an attorney (did the client refuse to pay?). You can use any combination of these or do it all yourself. Remember, professionals will usually take a percentage of any debt they collect.
- **Streamlining your tactics**. Collection experts advise clients to issue a series of letters, each more threatening than the last, to get customers to pay. But what if you don't have the time or resources to do that? You may want to cut off future purchases, send the customer to collections sooner or accept smaller payments until paid in full. Evaluate your options and decide what works best for you and your company.
- **Avoiding legal pitfalls**. If you collect your own debts, be aware of laws that protect consumers from certain collection practices that are considered unreasonable.
- **Dealing with debtors**. You may not have recourse if a debtor files bankruptcy but you can certainly try to locate people or companies who have left town.

Although many business owners feel uncomfortable collecting bad debts, keep in mind that you provided a product or service and you are entitled to be compensated fairly. Just as sales professionals will tell you to "ask for the order", don't neglect to "ask for the money"!

Follow these basic rules, and you'll soon be behind the wheel of a well-oiled, fine-tuned collection machine.

Resources

Your Certified Public Accountant

Your Industry Association

Inc Magazine
http://www.inc.com/home

Business Owner's Toolkit
www.toolkit.cch.com/

Accounting Controls Checklist

You're now ready to set up your bookkeeping system and start making money! How do you protect yourself from people who may be tempted to pocket your money? Although there is no way to guarantee that a business won't suffer from employee theft, there are some ways to improve the odds.

Background Checks

- [ ] Always investigate the person who will be doing your books. Check with former employers and go to Kitsap County Courthouse to see if the person has a record of committing theft.

Deposits

- [ ] The person who handles your cash receipts should not be the same person who makes the bank deposits. Cash is too easily misappropriated.

- [ ] Deposit your daily cash receipts in the bank each day. Do not let cash collections for one day get mingled with the next day's collections.

Checks

- [ ] The person who writes checks should not sign them or have the authority to sign checks. A different person should sign checks.

- [ ] Whoever signs checks should only sign them when the bill that is being paid is presented at the same time. The check number should be written on the bill to avoid double payments or payments to a nonexistent vendor. When you sign the check, be sure you know what the bill is for.

- [ ] Consider using some type of mechanical imprinting equipment for all checks that are written, as a further means of preventing unauthorized payments. Such machines keep a record of the amount of any checks written.

- [ ] Use pre-numbered checks or use a computer program that tracks and numbers the checks. Keep all of the cancelled, voided and unused checks in a safe, locked place. This will help prevent having checks being written without your knowledge.

Reconciliation

- [ ] Complete a monthly bank reconciliation yourself or have your outside accountant do it. Never let the person who writes checks do the reconciliation.

- [ ] Use pre-numbered sets of invoices and receipts to keep control of payments made and received. Duplicates will be kept track of by the individuals making sales, or other transactions, and the master copy will enable you to make sure they account for all of their transactions.

Petty Cash

- [ ] Use a petty cash fund and voucher system for stamps, small bills and other small cash outlays. Do not use cash from the day's receipts to pay bills. Put a voucher or bill in the petty cash box whenever money is taken out.

- [ ] When the fund is depleted, write a check to bring it back up to the maximum amount (usually $50) and record all the vouchers at the time the check is cashed to replenish the fund.

Accounts Receivable

- [ ] Maintain a master or control account for all accounts receivables and reconcile it each month to the subsidiary accounts receivable. If someone is stealing money from customer payments, it will be easier to spot if the master and subsidiary accounts are reconciled regularly.

What Every Business Owner Should Know About
Record Keeping

This list contains basic information that every owner should track:

Daily

- Cash on hand
- Bank balance
  Keep business and personal funds separate
- Daily sales and cash receipts
- Correct any errors in recording collections on accounts
- Record all monies paid out
  Cash or checks

Weekly

- Accounts receivable
  Take action on slow payers
- Accounts payable
  Take advantage of discounts
- Payroll
  Records should include name and address of employee, social security number, number of exemptions, pay period ending date, hours worked, rate of pay, total wages, deductions, net pay, check number
- Taxes and reports to state and federal governments
  Business and occupation, sales, payroll, social security

Monthly

- Post entries to the general ledger
- Complete a profit and loss statement for the month
  10 to 15 days after the end of the month
  If operating at a loss, take action to eliminate the causes
  Adjust mark-up, reduce overhead, tighten lax security, take advantage of discounts
- A balance sheet accompanies the profit and loss statement
- Reconcile the bank statement
  Your books should agree with the bank's record
- Balance the petty cash account
  The cash in the petty cash box and the total of the paid-out slips are equal to your beginning balance
- All federal tax deposits are made
  940's, 941's, etc.
- Review accounts receivable
  Work all bad and slow accounts
- Review inventory levels
  Order new inventory, find ways to move old inventory

Recording Daily Transactions

Every day, there will be a variety of financial transactions that take place in your business.

These include:

- Sales and revenue transactions
- Cash transactions
- Accounts receivable (if your customers make purchases on credit)
- Accounts payable (if you make purchases on credit)
- Summaries of transactions (in the general ledger)

In order to put together your financial statements and know how your business is doing financially, you will need to record these transactions on a daily basis. This is called “bookkeeping” or “record keeping”.

How do I set up the books?

If you don’t have a computer, check with your accountant to find out what type of manual system will work best for you. You may also want to take advantage of bookkeeping and accounting courses at Olympic College. Some classes are specifically designed for business people and are held in the evenings, on weekends or are offered as tele-courses.

How do I find a reliable accounting software program?

It’s a good idea to talk to your accountant and industry association about accounting software since there are so many programs from which to chose. They can give you advice about the best software programs for your type of business.

Your accountant may prefer that you use software that is compatible with his or her system. Or, your industry association may have recommendations about programs that include inventory systems designed for your industry.

No matter what system you select, use passwords to access the information. This highly confidential information could fall into the wrong hands and cause problems for your business. Or, a disgruntled employee could wreak havoc with your system. Protect yourself and your business.

Can I use the record-keeping system to record personal transactions?

No, no, no. Not only would this complicate your system, you could deal with some very large accounting fees when your accountant tries to straighten it out. In addition, this could result in some serious problems with the I.R.S.

Resources

Your Certified Public Accountant

Olympic College
www.oc.ctc.edu

The Business Owner's Toolkit
www.toolkit.cch.com/

Closing the Books

Why do I need to close the books?

When you reach the end of an accounting period, you need to "close the books." This will help you determine your profit or loss for that accounting period.

How often should I close the books?

You will need to close your books and have financial statements prepared at least once a year in order to file an income tax return. However, annual financial statements may not be enough to help you keep tabs on your business. You may want financial statements monthly, bi-monthly, or quarterly.

Even if you are not having financial statements prepared, you may want to close your books monthly. Sending out customer statements, paying your suppliers, reconciling your bank statement, and submitting sales tax reports are just some of the tasks you need to do every month. You may find it easier to do these if you close your books monthly.

How do I close the books?

After you finish entering the day-to-day transactions in your journals, you are ready to "close the books" for the period. How many of the steps you do or your accountant does depends on how much of the accounting you want to do, and how much you want to pay your accountant to do.

1. **Post entries to the general ledger**
   Transfer the account totals from your journals (sales and cash receipts journal and cash payments journal) to your general ledger accounts.

2. **Total the general ledger accounts**
   By footing (or totaling) the general ledger accounts, you will arrive at a preliminary ending balance for each account.

3. **Prepare a preliminary trial balance**
   Add all of the general ledger account ending balances together. Total debits should equal total credits. This will help assure you that your accounts balance prior to making adjusting entries.

4. **Prepare adjusting journal entries**
   Certain end-of-period adjustments must be made before you can close your books. Adjusting entries are required to account for items that don't get recorded in your daily transactions. In a traditional accounting system, adjusting entries are made in a general journal.

5. **Foot (or total) the general ledger accounts again**
   This will give you the adjusted balance of each general ledger account.

6. **Prepare an adjusted trial balance**
   Prepare another trial balance, using the adjusted balances of each general ledger account. Again, total debits must equal total credits.

7. **Prepare financial statements**
   After tracking down and correcting any trial balance errors, you (or your accountant) are ready to prepare a balance sheet and income statement.

8. **Prepare closing entries**
   Get your general ledger ready for the next accounting period by clearing out the revenue and expense accounts and transferring the net income or loss to owner's equity. This is done by preparing journal entries that are called "closing entries" in a general journal.

9. **Prepare a post-closing trial balance**
   After making closing entries, all revenue and expense accounts will have a zero balance. Prepare one more trial balance. Since all revenue and expense accounts have been closed out to zero, this trial balance will only contain balance sheet accounts. Remember that the total debit balance must equal the total credit balance. This will help ensure that all general ledger account balances are correct as of the beginning of the new accounting period.

Resources

Your Certified Public Accountant

Olympic College
1600 Chester Avenue
Bremerton, WA 98310
(360) 792-6050
www.oc.ctc.edu

Understanding Financial Statements

Financial statements are excellent tools for helping you see where your business has gone and where it is going. Though usually prepared by an accountant, you may be able to prepare your own with the aid of software. Keep in mind that, if you are applying for a loan or for credit, the lender or creditor usually requires statements prepared by a certified public accountant.

Financial statements can be prepared after all entries and adjusting entries have been posted. Normally, statements are prepared monthly or quarterly.

Why are financial statements important?

By understanding financial statements, you will be able to:

- Identify unfavorable trends, such as building up excess inventory or accounts receivable, before the situation becomes critical.
- Monitor cash flow in a timely fashion to help you determine your financing needs.
- Check liquidity, efficiency, profitability and solvency ratios to verify that you are operating at an optimal level.
- Monitor owners' or stockholder's equity.
- Match your actual performance to projections in your financial and business plans.

What are the common financial statements?

The most commonly used financial statements are:

- Income Statement (or Profit & Loss Statement)
- Owner's Equity Statement
- Balance Sheet
- Statement of Cash Flows

What is an income statement?

An income statement is also referred to as a profit and loss statement or P&L. This statement lists your income and expenses. Expenses are then subtracted from income to determine the net income or loss.

An income statement (or P&L) for a sole proprietorship may look like this:

ABC Company
Income Statement
For the Month Ended December 31, 2001

Revenues		
Service Revenue		$4,700
Expenses		
Salaries Expense	$900	
Rent Expense	600	
Advertising Expense	250	
Utilities Expense	200	
Total Expenses		$1,950
Net Income		$2,750

What is an owner's equity statement?

The owner's equity statement summarizes changes in owner's equity for a specific period of time. A basic owner's equity statement will show any investments the owner has made or drawings that the owner has taken out of the business. It will also include the net income of the business.

An owner's equity statement for a new sole proprietorship may look like this:

ABC Company
Owner's Equity Statement
For the Month Ended December 31, 2001

J. Smith, Capital, November 30		$ 0.00
Add: Investments	$15,000.00	
Net Income	2,750.00	17,750.00
		17,750.00
Less: Drawings		1,300.00
J. Smith, Capital, December 31		16,450.00

What is a balance sheet?

Also called a statement of financial position, a balance sheet shows the financial position of your business at a given date. The basic accounting equation (assets = liabilities + owner's equity) is the basis for the balance sheet. The balance sheet lists your:

- Assets (what you have)
- Liabilities (what you owe)
- Owner's equity (the difference between assets and liabilities)

A balance sheet for a sole proprietorship may look like this:

ABC Company
Balance Sheet
December 31, 2001

Assets	
Cash	$ 8,050
Accounts Receivable	$ 1,400
Supplies	$ 1,600
Equipment	7,000
Total Assets	18,050
Liabilities and Owner's Equity	
Liabilities	
Accounts Payable	1,600
Owner's Equity	
J. Smith, Capital	16,450
Total Liabilities and Owner's Equity	18,050

What is a statement of cash flows?

A statement of cash flows provides information about the cash inflows (receipts) and cash outflows (payments) for a specific period of time.

The statement of cash flows allows you to answer the following questions:

- Where did the cash come from?
- What was the cash used for?
- What was the change in the cash balance?

A statement of cash flows for a sole proprietorship may look like this:

ABC Company
Statement of Cash Flows
For the Month Ended December 31, 2001

Cash flows from operating activities		
Cash receipts from revenues		$ 3,300.00
Cash payments for expenses		(1,950.00)
Net cash provided by operating activities		1,350.00
Cash flows from investing activities		
Purchase of equipment		(7,000.00)
Cash flows from financing activities		
Investments by owner	$15,000.00	
Drawings by owner	(1,300.00)	13,700.00
Net increase in cash		8,050.00
Cash at the beginning of the period		0.00
Cash at the end of the period		8,050.00

Resources

Your certified public accountant

Olympic College
1600 Chester Avenue
Bremerton, 98337
(360) 792-6050
www.oc.ctc.edu

The Business Owner's Toolkit
www.toolkit.cch.com/

Inc. Magazine
www.inc.com/home/

Analyzing Your Financial Position

It's a good idea to take a close look at the financial state of your company on a regular basis. It's not enough to have your accountant review financial statements. As a business owner, you have a vested interest in understanding the content of those statements.

Some of the most common ways of checking the pulse of your company are by using:

- Financial statements
- Business ratios
- Cost/volume/profit analysis

What are the basic types of financial statements?

There are four basic kinds of financial statements that can help you determine the present condition of your business. Here's a brief description of them:

- **The income statement**, also referred to as a "profit and loss statement," "statement of incomes and losses," or "report of earnings," tells you or your investors:
  - the income the business has earned during the accounting period
  - the costs or expenses that were incurred by the business during the period
  - the difference between the costs and incomes for the period, or net profit (or loss)
- **The balance sheet** is a statement of a company's financial position at a given point in time. It shows assets, liabilities, and owners' equity.
- **The position statement**, also known as the "statement of changes in financial position" or "sources and uses of cash," helps to explain how a company acquired its money and how it was spent.
- **The owners' equity statement** details the amount of owners' equity at the beginning of the period and the amount of their equity at the end of the period.

What *can't* financial statements do?

Financial statements can help you spot numbers that don't seem quite right, however, *you* need to determine why those individual numbers are off. Your payroll expenses may be higher due to current staff not being as productive as possible or it could be that you're retaining employees who provide better service. Your payables could increase because you're selling more products or it could be that you're spending money on items that you may not actually need.

Use your financial statements to find trends and as the first clue to solve a deeper mystery.

What are business ratios?

To help you analyze the big picture, it's helpful to compare certain numbers and come up with a business ratio.

Ratios are usually expressed as *x:y* or *x/y*. Various ratios can be established from key figures on the financial statements.

The most valuable ratios to track are:

- Liquidity ratios
- Efficiency ratios
- Profitability ratios
- Solvency ratios

Why should I track ratios?

By calculating the ratio on a regular basis, you can pinpoint trends and track the company's overall performance. You can then adjust your business practices to make sure your ratio is in the ideal range.

Business ratios are also used by bankers and creditors to determine whether or not your business is credit worthy.

To find out what ratios are ideal for your business, talk to your business banker, accountant or industry association.

What are liquidity ratios?

Liquidity ratios (current and quick ratios) are the most commonly used of all the business ratios.

The *current ratio* gives you an idea of your company's ability to generate cash to meet short-term obligations (within one year). The current ratio is computed by dividing current assets by current liabilities. This is a dependable indicator of liquidity, which creditors and bankers are very interested in.

A ratio of, say, 3:1 would indicate that the company has $3 in current assets for every $1 in liabilities. A ratio of, say, .5:1 would show a company has $.50 in assets for every $1 in liabilities – in general, not a desirable ratio.

A decline in this ratio means the company has reduced its ability to generate cash. This may be due to an increase in debt, a decrease in assets, or a combination of both.

A *quick ratio* is the same as a current ratio except inventory is deducted from current assets. Since inventory can only be turned into cash if it is sold, the quick ratio gives you a better idea of the company's ability to meet short-term obligations.

Why should I calculate both current and quick ratios?

By comparing current and quick ratios, you can determine whether your inventory level is too high or low. For example, if your current ratio is staying stable through a length of time but your quick ratio is declining, you may have too much inventory.

What are inventory analysis ratios?

Inventory is the amount of merchandise, parts, supplies, or other goods your business keeps on hand to meet the demands of your customers.

Inventory analysis tools include:

- Inventory to sales ratio
- Inventory turnover ratio

What is an inventory to sales ratio?

The inventory to sales ratio simply shows how much inventory you have compared to the sales generated. Trends that show an increase in the ratio may indicate that too much inventory is being kept on hand. A dramatic decline may indicate that not enough inventory is maintained to meet your customers' demands.

What is an inventory turnover ratio?

The inventory turnover ratio measures the number of times the inventory is sold during a given period. By dividing the cost of goods sold by the average inventory, you can arrive at your inventory turnover ratio. You can then divide the turnover ratio by the number of days in the year to determine how old your average inventory is.

By having a high inventory turnover ratio, you can keep your inventory levels low enough to meet just in time delivery. Due to the rate of obsolescence, high tech products ideally turn over many times throughout the year. However, check with your industry association to determine the ideal range so that you're not turning over too frequently and not meeting the delivery needs of your customers.

Are there tools for measuring accounts receivable?

Accounts receivable are sales made on account rather than cash sales. By analyzing the average collections period and the accounts receivable to sales ratio, you can maximize your cash flow.

To determine your accounts receivable turnover ratio and average collection period, divide your net credit sales by the average net accounts receivable. This will give you your accounts receivable turnover. Then divide the days in a year by the accounts receivable turnover to get the average collection period.

This will help you determine whether or not you are being paid timely. By watching long-term trends, you may decide that your collection efforts need to be stepped up earlier in the cycle or that credit terms should be tightened.

By comparing accounts receivable to your sales ratio, you can determine if you are relying too heavily on account purchases rather than cash sales. Again, the ideal ratio for your business will depend on the type of industry and perhaps on your business location.

What is fixed asset turnover?

The fixed asset turnover compares the ratio of sales to the value of your fixed assets. A high ratio is desirable because, generally speaking, the higher the ratio, the less money your company has tied up in fixed assets. Of course, that means that more money is being spent on money-generating activities.

What is total asset turnover?

The ratio of total sales to total assets indicates how well you're using business assets to generate revenue. A high asset turnover ratio translates into a higher return on assets.

What are profitability ratios?

Profitability ratios are a set of ratios that help you analyze the past performance and growth potential of the business. They include:

- Gross profit margin ratio
- Net profit margin or net profit percentage
- Return on assets
- Return on equity

What is a gross profit margin ratio?

Your gross profit margin is the amount of money on your income statement after the cost of goods sold has been deducted.

If your gross profit margin is decreasing, you may need to improve your inventory management or look at your selling prices as it relates to the cost of goods or services sold.

What is a net profit margin?

Often referred to as the bottom line, the net profit margin tells you how much of each sales dollar is really available for you to draw upon or receive dividends. All expenses are deducted before the net profit margin is established.

The range of your net profit margin should be in line with the rest of your industry. Your accountant or industry association can help you pinpoint a good margin. The margin won't tell you what you're doing wrong but it will let you know when your goal or other margins need to be reevaluated.

By closely monitoring your net profit margin trends, you should be able to determine if your costs are too high or too low.

How do you measure return on assets?

Return on assets is the ratio of net income to total assets. This figure will help you measure how well your assets are being used to create income.

If the return on assets is too high, it usually indicates a high profit margin, rapid turnover of assets or a combination of both.

How is return on equity calculated?

The return on equity (or return on investment – ROI) is a comparison of the ratio of net income to net worth.

By knowing your return, you can determine whether or not your money is earning more money in the business than it would in other investments (ie: stock market, bank). This may help you determine whether or not to remain in business or to refocus your business in more profitable areas.

A high return on equity could indicate that you are receiving a high return on assets, are using a lot of debt financing or a combination of both.

Consider the effects of inflation on the book value of the assets when evaluating the return. Your financial statements reflect the book value (cost less depreciation), however, the actual replacement value of these assets may be higher.

What is debt to equity ratio?

This ratio measures the debt and owner's equity (net worth) on your balance sheet. This shows the amount of financial leverage you're using to maximize your return.

Generally speaking, a debt to equity ratio that is increasing may be an indication that inventory and asset purchases should be curtailed and more effort should be used to pay off existing debt or increasing earnings.

What is debt to assets ratio?

The debt to assets ratio measures the amount of assets that are financed with debt.

Normally, a ratio of no more than 50% is desirable. A higher ratio may indicate potential problems meeting debt payments.

To improve the ratio, you must pay off debt, increase your assets or do a combination of both.

What are "times fixed charges earned"?

This figure will show you the ability to meet your fixed obligations (ie: debt repayment, long-term leases). Simply, take your net income (before taxes and fixed charges) and divide by the amount of your fixed charges. The higher the number, the better.

This number should be closely monitored, especially if you have a loan. Many loan agreements include a clause that the ratio must be maintained at a specified level so the lender is assured that you're able to continue making payments.

What is interest coverage?

Interest coverage is calculated by dividing your operating income by your interest expense. It focuses specifically on the interest portion of your debt.

By comparing the ratio of operating income to interest expense, you can measure how many times your interest obligations are covered by earnings from operations. The higher the ratio, the bigger your cushion and the more able the business is to meet interest payments. If this ratio is declining over time, it's a clear indication that your financial risk is increasing.

What is a cost/volume/profit analysis?

The cost/volume/profit analysis will help you analyze questions that come up frequently when making business decisions.

What are your most profitable services and products? If you lower your prices to sell more, how much more will you have to sell? Should you introduce a new product or service? What happens if your overall sales volume drops?

The cost/volume/profit analysis will help you evaluate the relationship between your fixed and variable costs, the sales volume and profits. Some of the most common analysis tools are:

- Break-even analysis
- Contribution margin analysis

How is the break-even point calculated?

Divide your variable costs per unit by your selling price per unit (ie: $300 divided by $500) to determine the percentage (60%). Your fixed costs will equal the leftover percentage (40%) times the break-even point.

$300 (variable costs) / $500 (price per unit) = 60%

$200,000 (fixed costs) = 40% *X* (breakeven point)

$$\frac{200{,}000}{1} \quad \frac{40}{100} \qquad \text{(cross multiplication)}$$

1 x 40 = 40
200,000 x 100 = 20,000,000

20,000,000 divided by 40 = 500,000 Break-even point = $500,000

What is the contribution margin analysis?

The contribution margin analysis is the amount of revenue remaining after deducting variable costs. This shows the amount of money that is available after each sale to contribute to the operation of your company.

The formula can be done in two ways. You can either subtract total variable costs from total sales to get your total contribution margin. Or, you can subtract the unit variable costs from the unit-selling price to determine the contribution margin per unit.

If you prefer percentages, divide the contribution margin per unit from the unit-selling price to calculate the contribution margin ratio. This will tell you what percentage of your sales volume for a particular product is contributed back to the company's operations.

For example, if the contribution margin ratio is 40%, you know that selling $50,000 of an item will increase income by $20,000 ($50,000 x 40% = $20,000).

Resources

Your Certified Public Accountant

Olympic College
1600 Chester Avenue
Bremerton, 98337
(360) 792-6050
www.oc.ctc.edu

The Business Owner's Toolkit
www.toolkit.cch.com

Inc. Magazine
www.inc.com/home/

Establishing Your Business Systems

In the eyes of the U.S. government, a small business is less than 100 employees. Studies show that 90% of small businesses have less than 20 employees and 80% of these have less than 10 employees. Most small businesses aren't small businesses at all. More than half of all small businesses have less than $500,000 in sales and less than five employees.

This may not be "small business", but rather self-employment for the owner. As a result, the business success becomes owner-dependent. If the owner doesn't show up, there is no business. The key is to develop a business that works, whether you show up or not.

In *The E-Myth Revisited*, author Michael Gerber identifies a Business Development Program consisting of:

- Visualizing your Primary Aim
- Creating a Strategic Objective for your business
- Organizational Development – determining the functions needed in your business
- Management Development – creating a process for predictable results
- People Development – finding and creating good people
- Marketing Development – communicating your promise
- Systems Development – hard, soft and information systems

This system, which persuades one to work "on" their business rather than "in" their business, requires a daily commitment of time to create and implement the systems that will provide the freedom often associated with business ownership.

What is your Primary Aim?

Discovering your Primary Aim is the most important aspect of your business development process. A Primary Aim is not a business goal or objective. Rather, your Primary Aim is about you and what is most important in your life. It includes your values, standards and purpose. It is what motivates you to get up every morning and face the day with energy and enthusiasm. Knowing your Primary Aim provides direction, focus, clarity and is the standard for measuring your life's progress.

Considerations

What do you value most?
What do you want your life to look like?
How would you like to be remembered?
What contribution will your business make to your primary aim?

What is your Strategic Objective?

A Strategic Objective is a statement of what a business must ultimately do in order to achieve its primary aim. It is a list of standards by which progress is measured. Included are:

- Money standard
  - Gross revenues, gross profits, pre- and post-tax profits needed to serve your Primary Aim
  - Ultimate goal for your business
- Opportunity worth pursuing standard
  - Solve a problem or alleviate a frustration for the customer
  - Marketplace large enough to support your money standards
  - Knowledgeable about customer demographics
  - Knowing what business you're really in
  - Understanding what product your customer is actually buying
- Additional standards

  The number of standards is determined by the kind of environment needed to produce the results stated in your primary aim. Examples would include:
  - Location
  - Business format
  - Hours of operation
  - Cleanliness
  - Training
  - Hiring
  - Dress code
  - Management
  - Customer service
  - Phone etiquette

Considerations

What will your business clearly look like when it is fully operational?

What is your Organizational Strategy?

It's commonplace for most companies to arrange an organizational chart around people and personalities. The most effective organizational chart is one designed around the functions that need to be accomplished. The process of developing your Organizational Strategy includes the following:

- Document all necessary functions required to operate your business (marketing, shipping, receiving, sales, finance, etc.).
- Record the results required by each function. If a result is not required, the function can be eliminated.
- Create a "position contract" for each function. Have the person responsible for the function to sign the contract to create accountability.
- Document the process for each function.
- Create a step-by-step procedure for how each function will be accomplished. Base this on what you know to produce the best results.

This step-by-step process, combined with the results required, will provide the ideal way of delegating responsibility.

Considerations

What technical and/or managerial work can be delegated to free you up to work “on” rather than “in” your business?

What is your Management Strategy?

A Management Strategy is more about marketing than it is about management. It is a system designed to produce a consistent, perfect experience for your customer with each and every encounter. It ensures those accountable for specific functions outlined in the Operational Strategy are held responsible for their required results. This can be accomplished externally through the use of customer surveys and evaluations or internally through the creation of an operations manual and checklists.

Considerations

What experiences do you desire to consistently create for your customers?
What can you do to guarantee that will take place?
What can you do to shift your employees from efficiency to effectiveness?

What is your People Strategy?

One of the greatest challenges faced by small business owners is finding the right employee. Rather than attempting to have employees perform the work you want, hire those who want to do the work that you want performed. A system for hiring, training and developing your employees would include:

- Finding employees that identify with and are inspired by the purpose of your business
- Identifying the skills and attitudes that will be necessary to deal effectively with your customers.
- Training them in the proven effective way you do business.
- Developing your employees into the person they truly want to be.

Considerations

What qualities does your ideal employee possess?
What future do you see for each of your employees based on who they are?
What role can you play in developing them?
How do you envision each interaction between your employees and your customers?

What is your Marketing Strategy?

Marketing begins with a clear understanding of who the customer is and why they purchase. The more knowledgeable you are about customer motives and buying habits, the more specific you can be in delivering a customized product or service which enhances the customer's feel of comfort in conducting business with you. Several points to consider to develop your market strategy are:

- Discover who your customers are
- Look for similarities in the way they buy
- Learn what motivates people to buy
- Study why people buy

Considerations

How can you sell people what they want to buy rather than have them buy what you want to sell?
What "language" does your customer speak?
What adjustments will help you better communicate with your customer?

What is your Systems Strategy?

The Systems Strategy is the glue that holds your business together. The three basic types of systems are:

- Hard
  Computers, signs, colors
  - Physical systems put into place
  - No subsequent thought is required
- Soft
  Scripts for answering the telephone, closing a sale, overcoming objections
  - Ideas
  - Scripts used that impact the customer
- Information
  Sales results, cash flow, inventory control figures
  - Numbers resulting from the interaction between the hard and soft systems

Considerations

What reoccurring frustration could be solved through the use of a system?
What is missing in your business that a system could satisfy?

Resources

Books

"The E-Myth Revisited – Why Most Small Businesses Don't Work and What to Do About It", by Michael Gerber

Internet

American Business Dynamics Corp. – Certified E-Myth Consultants
www.abdynamics.com/

Valuable Resources

Information

Kitsap Regional Economic Development Council
4312 Kitsap Way, Suite 103
Bremerton, WA 98312
(360) 377-9499
(877) GO KITSAP
www.kitsapedc.org

Olympic College
Center for Continuing Education
654 Fourth Street
Bremerton, WA 98337
(360) 478-4839
www.oc.ctc.edu

Kitsap Regional Library
Check white pages for the branch near where you live.
www.krl.org

Chambers of Commerce

Bainbridge Island Chamber of Commerce
590 Winslow Way East
Bainbridge Island, WA 98110
(206) 842-3700
www.bainbridgechamber.com

Bremerton Area Chamber of Commerce
120 Washington Avenue Suite 103, P.O. Box 229
Bremerton, WA 98337
(360) 479-3579
www.bremertonchamber.org

Greater Kingston Chamber of Commerce
11212 State Highway 104 NE
Kingston, WA 98346
(360) 297-3813
kingstonwa.com/chamber/

Port Orchard Chamber of Commerce
839 Bay Street
Port Orchard, WA 98366
(360) 876-3505
www.portorchard.com/chamber/
www.portorchard.com

Greater Poulsbo Chamber of Commerce
19131 Eighth Avenue NE
Poulsbo, WA 98370
(360) 779-4848
www.poulsbo.net/gpcc

Silverdale Chamber of Commerce
3100 Bucklin Hill Road
Silverdale, WA 98383
(360) 692-6800
www.silverdalechamber.com

Industry Trade Associations

Local Tourism

Kitsap Peninsula Visitor & Convention Bureau
2 Rainier Avenue
Port Gamble, WA 98364
(360) 297-8200
www.visitkitsap.com

Your Suppliers

Contact some of your suppliers for information about your particular industry's trade associations. They are a great source of information and networking and many offer services to members that most businesses could not afford on their own.

Small Business Advocacy Groups

National Association for the Self Employed
PO Box 612067
Dallas/Fort Worth Airport, TX 75261-2067
(800) 232-NASE
www.nase.org/

National Business Association
PO Box 700728
Dallas, TX 75370
(800) 456-0440
www.nationalbusiness.org/

National Federation of Independent Business
53 Century Boulevard, Suite 250
Nashville, TN 37214
(800) NFIB NOW
(615) 872-5800
www.nfib.com/cgi-bin/NFIB.dll/Public/SiteNavigation/home.jsp

Small Business Service Bureau
PO Box 15014
Worcester, MA 01615-0014
(800) 343-0939
www.sbsb.com/

US Chamber of Commerce
1615 H Street, NW
Washington, DC 20062-2000
(202) 695-6000
www.uschamber.org

County & City Agencies

Bremerton-Kitsap County Health District (360) 337-5285
109 Austin Drive www.wa.gov/kitsaphealth/
Bremerton, WA 98312

Kitsap County Assessor (360) 337-7163
614 Division Street www.kitsapgov.com/assr/
Port Orchard, WA 98366

Kitsap County Auditor (360) 337-7129
614 Division Street www.kitsapgov.com/aud/
Port Orchard, WA 98366

Kitsap County Department of Community Development (360) 337-7181
www.kitsapgov.com/dcd/
614 Division Street
Port Orchard, WA 98366

Kitsap County Department of Public Works (360) 337-5777
614 Division Street www.kitsapgov.com/pw/
Port Orchard, WA 98366

Kitsap County Treasurer (360) 337-7135
614 Division Street www.kitsapgov.com/treas/
Port Orchard, WA 98366

City of Bainbridge Island

City of Bainbridge Island
280 Madison Avenue North
Bainbridge Island, WA 98110

(206) 842-2545
www.ci.bainbridge-isl.wa.us/

City of Bremerton

City of Bremerton
www.ci.bremerton.wa.us/

Business License & Tax Information (360) 478-5311
Community Development/Planning (360) 478-5275
239 Fourth Street
Bremerton, WA 98337

City of Port Orchard

City of Port Orchard
www.portorchard.com/

Planning Department (360) 876-4991
216 Prospect Street
Port Orchard, WA 98366

City of Poulsbo

City of Poulsbo
19050 Jensen Way
PO Box 98
Poulsbo, WA 98370

(360) 779-3901
www.cityofpoulsbo.com/

Planning Department
19050 Jensen Way NE
Poulsbo, WA 98370

(360) 779-3006
www.cityofpoulsbo.com/Departments/Planning/planning.html

Washington State Agencies

access.wa.gov

Business Assistance Hotline (CTED)	(800) 237-1233
Department of Ecology	(360) 407-6000 www.ecy.wa.gov/ecyhome.html
Department of Fish & Wildlife	(360) 902-2200 www.wa.gov/wdfw/
Department of Labor & Industries Bremerton Field Office	(800) 547-8367 (360) 415-4000 www.lni.wa.gov/
Department of Licensing, Business Licenses	(800) 647-7706 (360) 664-1400 www.dol.wa.gov/businesses.htm
Department of Natural Resources	(360) 902-1000 www.wa.gov/dnr/
Department of Revenue	(800) 647-7706 dor.wa.gov/
Employment Security	(360) 478-4941 www.wa.gov/esd/
Office of Community Development (OCD)	(360) 725-2800 www.ocd.wa.gov/
Office of Trade & Economic Development (OTED)	(360) 725.4000 www.oted.wa.gov/index.htm
US Export Assistance Center (Seattle)	(206) 553-5615 www.seattleuseac.org/
WorkSource - Washington State	(360) 438-4123 work.wa.gov/
WorkSource - Kitsap County 1300 Sylvan Way Bremerton, WA 98310	(360) 337-4810

Office of Minority & Women's Business Enterprises (360) 753-9693
www.omwbe.wa.gov/

Secretary of State (360) 902-4151
www.secstate.wa.gov/

Federal Agencies

Internal Revenue Service www.irs.gov/
Tax Information (800) 829-1040
Tax Forms (800) 829-3676

Small Business Administration (SBA) (206) 553-5615
www.sba.gov/

Service Corps of Retired Executives (SCORE) (800) 634-0245
www.score.org/

Seattle SCORE (877) SEA-SCORE
(206) 553-7320]
www.seattlescore.org/

US Export Assistance Center (206) 553-5615
2601 Fourth Avenue, Suite 320 www.seattleuseac.org/index.html
Seattle, WA 98121

Olympic College

Olympic College offers a variety of courses, both credit and non-credit, for entrepreneurs. Courses are offered days, evenings, Saturdays and on-line to meet the businesspersons hectic schedule.

For a listing of available classes contact Olympic College at (360) 792-6050 or their Center for Continuing Education at (360) 478-4600.

Visit the Olympic College web site at www.oc.ctc.edu/ for more information. Learn how to jump-start your business and sharpen your job skills with www.ed2go.com/occe/, on-line courses available at Olympic College Center for Continuing Education.

Credits

Please give credit when credit is due...

The contents of this book were created and compiled by the Kitsap Regional Economic Development Council (KREDC) and Jackie Nagel, President of Synnovatia, June 1999, and updated by Kathy Goble, KREDC Website Designer/Programmer, September 2002.

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Jackie Nagel, President
Synnovatia
(800) 398-6428
info@synnovatia.com
www.synnovatia.com/

Recommended Reading

Books

Business

"Anatomy of a Business Plan" by Linda Pinson and Jerry Jinnett. Publisher: Upstart Publishing, Copyright 1996.

"Applied Imagination, Principles and Procedures of Creative Problem Solving" by Alex F. Osborn, L.H.D. Publisher: Charles Schriber's Sons, Copyright 1963.

"Built to Last" by James Collins and Jerry Porras. Publisher: HarperCollins, Copyright 1994.

"Business Plans for Dummies" by Paul Tiffany and Steven Peterson. Publisher: IDG Books, Copyright 1997.

"The Change Masters" by Rosabeth Moss Kanter. Publisher: Simon & Schuster, Copyright 1983.

"Deming Management at Work" by Mary Walton. Publisher: The Berkley Publishing Group, Copyright 1990.

"The Deming Management Method" by Mary Walton. Publisher: The Berkley Publishing Group, Copyright 1986.

"The E-Myth Revisited – Why Most Small Businesses Don't Work and What to Do About It" by Michael E. Gerber. Publisher: HarperCollins, Copyright 1995.

"The Young Entrepreneur's Guide to Starting and Running a Business" by Steve Mariotti. Publisher: Times Books, Copyright 1996.

"How to Get Control of Your Time and Your Life" by Alan Lakein. Publisher: The New American Library, Inc., Copyright 1973.

"How to Get Clients" by Jeff Slutsky. Publisher: Warner Books, Inc., Copyright 1992.

"How to Put Ten Hours in an Eight Hour Day" by Kay Johnson. Publisher: EduTrain Press, Copyright 1994.

"The Little Black Book of Project Management" by Michael C. Thomsett. Publisher: Amacom, Copyright 1990.

"Thinking Like An Entrepreneur. – How To Make Intelligent Business Decisions That Will Lead To Success In Building And Growing Your Own Company" by Peter Hupalo. Publisher: HCM Publishing, Copyright 1999.

"Successful Team Building" by Thomas L. Quick. Publisher: Amacom, Copyright 1992.

"The Unofficial Guide to Starting a Small Business" by Marcia Layton Turner. Publisher: Jossey-Bass, Copyright 1999.

Electronic Commerce

"Growing Your Business Online" by Phaedra Hise. Publisher: Fitzhenry & Whiteside, Ltd, Copyright 1996.

"Online Marketing Handbook" by Daniel S. Janal. Publisher: John Wiley & Sons, Inc., Copyright 1998.

"Poor Richard's Internet Marketing and Promotions – How to Promote Yourself, Your Business, Your Ideas Online" by Peter Kent and Tara Calishain. Publisher: Top Floor, Copyright 1999.

"Webonomics" by Evan I. Schwartz. Publisher: Broadway Books, Copyright 1997.

Employee Relations

"The Creative Edge, Fostering Innovation Where You Work" by William C. Miller. Publisher: Addison-Wesley Publishing Company, Inc., Copyright 1987.

"Hiring Top Performers" by Bob Adams and Peter Veruki. Publisher: Adams Media Corporation, Copyright 1996.

"How to Have Confidence and Power in Dealing With People" by Les Giblin. Publisher: The Benjamin Company, Inc., Copyright 1956.

"The Manager's Tool Kit" by Cy Charney. Publisher: Amacom, Copyright 1995.

"The New Manager's Survival Manual" by Clay Carr. Publisher: John Wiley & Sons, Inc., Copyright 1995.

"The One Minute Manager" by Kenneth Blanchard, Ph.D. and Spencer Johnson, M.D. Publisher: Berkley Books, Copyright 1981.

"Teaming Up, Making the Transition to a Self-Directed Team-Based Organization" by Darrel Ray and Howard Bronstein. Publisher: McGraw-Hill, Inc. Copyright 1995.

Motivational

"Awaken the Giant Within" by Anthony Robbins. Publisher: Simon & Schuster Copyright 1991.

"Discover Your Possibilities" by Robert H. Schuller. Publisher: Haevest House Publishers, Copyright 1978.

"Dynamic Imaging – The Power to Change Your Life" by Norman Vincent Peal. Publisher: Fleming H. Revell Company, Copyright 1982.

"The Greatest Secret in the World" by Og Mandino. Publisher: Frederick Fell Publishers, Inc., Copyright 1972.

"How to Win Friends and Influence People" by Dale Carnegie. Publisher: Pocket Books, Copyright 1981.

"I'm OK – Your OK" by Thomas A. Harris, M.D. Publisher: Harper & Row, Copyright 1969.

"Life is Tremendous – Seven Laws of Leadership" by Charles "T." Jones. Publisher: Executive Books, Copyright 1968.

"The Magic of Believing" by Claude M. Bristol. Publisher: Pocket Books, Copyright 1969.

"The Magic of Getting What You Want" by David J. Schwartz. Publisher: William Morrow & Company, Inc., Copyright 1983.

"The1992 What Color is Your Parachute?" By Richard Nelson Bolles. Publisher: Ten Speed Press, Copyright 1992.

"See You at the Top" by Zig Ziglar. Publisher: Pelican Publishing Company, Copyright 1977.

"Success! The Glenn Bland Method" by Glenn Bland. Publisher: Tyndale House Publishers, Inc., Copyright 1972.

"Say Yes to Your Potential" by Skip Ross with Carole C. Carlson. Publisher: Word Publishing, Copyright 1983.

"Self-Love – The Dynamic Force of Success" by Robert H. Schuller. Publisher: Hawthorn Books, Copyright 1969.

"The 7 Habits of Highly Effective People" by Stephen R. Covey. Publisher: Simon & Schuster, Copyright 1989.

"Six Attitudes for Winners" by Norman Vincent Peale. Publisher: Tyndale House Publishers, Inc., Copyright 1987.

“Success Through a Positive Mental Attitude” by Napoleon Hill and W. Clement Stone. Publisher: Pocket Books, Copyright 1977.

“The Success System that Never Fails” by W. Clement Stone. Publisher: Pocket Books, Copyright 1962.

“Think and Grow Rich” by Napoleon Hill. Publisher: Wilshire Book Company, Copyright 1966.

“12 Ways to Develop a Positive Attitude” by Dale E. Galloway. Publisher: Tyndale House Publishers, Inc., Copyright 1975.

“You Are What You Think” by Doug Hooper. Publisher: Whatever Publishing, Copyright 1980.

Sales & Marketing

“Guerilla P.R. – How You Can Wage an Effective Publicity Campaign. . . Without Going Broke” by Michael Levine. Publisher: HarperCollins, Copyright 1993.

“Marketing Your Services – For People Who Hate to Sell” by Rick Crandall, PhD. Publisher: Contemporary Books Publishing Company, Inc., Copyright 1995

“Poor Richard’s Internet Marketing and Promotions – How to Promote Yourself, Your Business, Your Ideas Online” by Tara Calishain and Peter Kent. Publisher: Top Floor Publishing, Copyright 1999.

“Raising a Giant” by Robert E. Crisp. Publisher: Robert E. Crisp, Copyright 1993.

“Secrets from the Red Tool Box” by William E. Hoke, Graf-Hoke Marketing. Publisher: Red Tool Box Productions, Poulsbo, Washington. Order directly from William E. Hoke (360) 697-4653, Copyright 1994.

“Selling the Invisible, A Field Guide to Modern Marketing” by Harry Beckwith. Publisher: Warner Books, Inc., Copyright 1997.

Taxes

“Don’t Let the IRS Destroy Your Small Business” by Michael Savage. Publisher: Addison-Wesley, Copyright 1998.

Women & Minority-Owned Businesses

"How to Succeed in Business Without Being White: Straight Talk on Making It in America" by Earl G. Graves, Robert L. Crandall. Publisher: Harperbusiness, Copyright 1997.

"The Minority Executives Handbook: The Complete Guide to Career Success in Today's Culturally Diverse Workforce" by Randolph W. Cameron. Publisher: Amistad Press, Copyright 1997.

Magazines

Entrepreneur Magazine
Entrepreneur Media Inc.
2445 McCabe Way
Irvine, CA 92614
(949) 261-2325
www.entrepreneur.com/

Fast Company
77 North Washington Street
Boston, MA 02114-1927
(800) 542-6029
www.fastcompany.com

Inc. Magazine
38 Commercial Wharf
Boston, MA 02110
(617) 248-8000
(800) 234-0999
www.inc.com/

Revolution Magazine
www.revolutionmagazine.com/

Web Sites

American Express Small Business
www.americanexpress.com/homepage/smallbusiness.shtml

BlackEnterprise.com Small Business
www.blackenterprise.com/Entrepren.asp

Business Information Central Home Page
www.intellifact.com

BizMove.com
www.bizmove.com

The Business Owner's Toolkit
www.toolkit.cch.com/

Center for Women's Business Research.
(founded as the National Foundation for Women Business Owners)
www.nfwbo.org

Free Market Research Resources Home Page
www.researchinfo.com

Herassistant.com
www.herassistant.com/

Internal Revenue Service
www.irs.gov/

Kitsap Business Journal
www.wetapple.com/headlines/

Kitsap County Consolidated Housing Authority
www.kccha.org
Trends Report
www.kccha.org/Trends.html

Small Business Development Center
www.wsbdc.org/

StartUpBiz.com
www.startupbiz.com

Office.com
www.office.com/

Service Corps of Retired Executives
www.score.org/

Starting Your Own Business -
US Small Business Administration's Online Women's Business Center
www.onlinewbc.gov/docs/starting/

State of Washington
access.wa.gov/

Thinking Like An Entrepreneur
www.thinkinglike.com/

US Chamber of Commerce
www.uschamber.com/default.htm

US Small Business Administration
www.sba.gov

Washington State Secretary of State
Corporations Division Page
www.secstate.wa.gov/corps