

# **Business Start-Up Fact Finder Manual**

## **Introduction**

America is coming home to work. Home-based offices are becoming the wave of the future. Tens of thousands of workers are opting for this way of life, a life in which they can make their own hours, commute to work in seconds, make their own choices and become their own bosses.

For many the home office is becoming the location for a full-time job and the primary source of income. For others it is a part-time venture. Many start on a part-time basis and grow their business into a full-time operation.

Current figures available indicate that during 1991 the percentage of self-employed working from home jumped by almost 6% to approximately 12 million. While working at home has an almost irresistible appeal to many, and many have some big misconceptions of what it is like, here is some very useful information that can help you get started successfully.

## **Legalities of Working at Home**

### **Zoning**

Before setting up your new business it would be advisable to check on the legal status of your business. You need to check zoning laws for your community that may dictate if you can legally operate a business from home. We realize that many businesses never check on zoning for their home-based business and chances that they ever get into difficulties with the law are probably pretty slim. If there are no changes in structure and you do not have customers and or employees enter your home, regulations will tend to be far easier. Laws and regulations change from community to community, but the following 5 factors will generally be regulated items:

1. Separate business and private entrances.
2. Square footage of the home that is taken up by commercial space.
3. Employees working in the home.
4. Certain occupations such as jewelry or clothing
5. Storage of commercial goods, especially any hazardous materials.

Here is an important suggestion: keep relations with your neighbors on a friendly basis. Your neighbors will soon become aware that you are working at home. Some may even be envious, and yes, unfortunately zoning authorities will generally become aware of home office zoning infractions through a "friendly neighbor".

## **Business License**

Most cities or counties require businesses to be licensed. Some home-operated businesses, however, are not required to have a business license. Check with your local City or County Clerks Office to obtain regulations for your locality.

## **D.B.A. Registration**

If you are using your own name as your business name it will not need to be registered, but if you use any other name, or even your abbreviated name, almost all localities require that you register the name. This is called a fictitious name registration or D.B.A. "Doing Business As" registration. If your name is:

Randy M Jones and you name your business Randy Jones or Randy M Jones Enterprise you will not have to register it, but if you call it: RMJ Enterprises you will generally have to register the name.

Most states have a name search bureau that is a part of the state government. You will generally be able to call this office to see if a given name has already been registered to someone else in the state. This is important to do, or it could be costly later. If you give your business a name which is already registered to another company, the other company may demand, and even take legal action to make sure you comply, that you cease to use the name.

## **Your Company as a Legal Entity**

Businesses are most commonly set-up as one of the following entities:

The Sole Proprietorship  
Incorporation  
Partnership

Most new businesses choose the Sole Proprietorship. It is the least complicated. It requires no paperwork. The proprietor you, or you and your spouse as the owner, or owners, are taxed for all net profit from your business. You add the income of the business to other income, or deduct the business loss from other income. Your tax adviser can give you specific information.

The disadvantage of the Sole Proprietorship is that as the owner you can be held fully liable in a lawsuit. An incorporation, on the other hand, will give you some protection. In this case the "INC" rather than you is the legal business entity. If you are starting a business that tends to have liability exposure the corporation may be the way to go. In this and other legal questions, only your attorney can give you competent legal advice.

Partnerships are generally chosen when unrelated individuals own a business. A partnership should be set up by an attorney, or all kinds of problems can develop later.

### **Designing Your Work-space**

First, you must determine how much space you need. Chances are what you may initially think is quite large may be crowded or not enough space. While many businesses are started from a corner of the bedroom or kitchen, if the space is available it would be far better idea to take a spare area of the house and convert it into your office. There may be space in the basement, garage, or a spare bedroom. Having a separate space is more efficient and will make for maximum efficiency. It is also psychologically important. You do not want home activities to interfere with your business, or vice versa.

Friends and family will need to be told politely firmly that business hours mean business and dropping in, or calling to chit-chat is not acceptable. Psychologists suggest that you work "from" home not just in your home. There is a danger of becoming isolated. Inasmuch as time allows, participate in seminars and local business activities and organizations.

### **Financial Planning**

It is said and also my own personal experience that owners of new businesses never have enough time or money. The majority of small businesses which do not succeed will fail because they are not properly financed. In your financial planning carefully review all required start-up expenses as well as on-going expenses before revenue will be generated. Estimate your profit margins and all fixed and controlled expenses. Almost all entrepreneurs will tend to be much more optimistic about their estimate of the financial performance of a business taken what is necessarily realistic. There are always unforeseen expenses.

It is a good idea to only invest in absolutely necessary expenses. This applies to furnishings, supplies and all equipment. Computer equipment in recent years has become outdated within a short period of time. So, if what you acquire will serve you well for 2-3 years will be able to upgrade your equipment later on. Your emphasis should be on conserving capital. As your business develops, unexpected hurdles will come along and periods of low revenue. Your capital will make it possible to keep your business operating during these times.

### **Why Should You Have A Business Plan?**

While writing a business plan can be made into a highly sophisticated undertaking especially by large corporations, its easy to do when done for a new or small owner operated-business. Essentially, you will be committing your plan to paper. As you do so your thought will become more formal and concrete and this will tremendously assist you in the development of your business. If you are considering to obtain financing for your new business either through a bank or the SBA, a formal business plan will be a

necessity. Home-operated businesses will have a much more difficult time in obtaining financing.

### **Don't Forget Uncle Sam**

As in all undertakings of life from birth to death and beyond, the IRS will be there to watch over you. Almost all small, home-based businesses will start out as "Sole Proprietorship." This legal status is best for ease of handling and for tax benefits. Your net business income or loss becomes an addition or deduction to other income declare at the end of the year. Careful record keeping of all business revenue and expenses is a must. Keep a separate business checking account for your business. Do not intermingle business and personal expenses. Other special tax benefits and regulations apply to home-operated businesses. You should obtain professional advise from your tax adviser.

### **Free Publications available:**

"Record-Keeping For A Small Business" IRS publication 583. Call the IRS 1-800-829-3676.

"Business Use Of Your Home" can also be obtained free from the IRS.

"Tax Guide For Small Business" is an annual IRS publication #334. It is also free.

### **Insurance**

One disadvantage of being self-employed is not having health and disability insurance. You may also need liability insurance. Your homeowners insurance covers your belongings in your home, but it may not cover all business inventory and equipment. Check with your insurance agent to make sure you have the right coverage.

### **Factors that will Determine Your Success**

#### **Do Your Homework**

The more you know about your business, the better your chances of success. Attend seminars and join trade associations. Read books and trade publications. If you do not have a business background a business introductory class at a local college would be advisable.

#### **Planning is Key to Your Success**

You and your family's future and livelihood is at stake. So your decision and planning to start a business are very serious matter. Establish a long range plan which encompasses your business and financial plans. You should obtain legal or financial advice from an attorney or accountant before committing to nay long range or major financial transactions. Agreements with suppliers or customers should be put into writing.

## **You Must Wear Many Hats**

Small business owners over time can become experts on a variety of subjects. At the start the most important aspect is the mind-set. Your communication to the rest of the world through all available means will determine your success. here is an abbreviated marketing check list:

- Telephone equipment
- Promotional Material
- Advertising (Don't forge the Yellow Pages)
- Stationery
- Direct Mail
- Membership in Organizations
- Direct Sales

## **Invest in Good Equipment**

The right equipment will make your work easier and your business more efficient. To conserve cash used equipment should also be considered.

## **So What Are Your Chances**

The better you think they are the better they generally are, and don't forget that among thousands of others:

Apple Computer, Domino's Pizza, and Walt Disney all started as home-based businesses.

## **Resources/Associations**

There is a great deal of expert advice and resource material available to you. Much of it is free of charge. A variety of literature is available, both excellent books on all business subjects and various magazines. Your local Chamber of Commerce often sponsors classes. Banks can give you advice, or can be used as a sounding board. Local schools offer a variety of classes of interest to business owners. Don't forget the Public Library. Last, but not least, don't forget the U.S. Government.

SBA (small Business Administration) offers a range of services such as loans, financial consulting, computer and technical consulting services and a variety of publications.

Check your local telephone pages, or contact:

Small Business Administration  
1441 L Street NW  
Washington, DC 20416  
(202) 659-6000

United States Chamber of Commerce provides literature, telephone referrals and other services to small businesses. Contact your local Chamber of Commerce or:

United States Chambers of Commerce  
1615 H Street NW  
Washington, DC 20062  
(202) 659-6000

Internal Revenue Service offers a variety of services which includes workshops, films and publications to clarify tax matters for small businesses. Contact your local IRS office or:

Education Branch, Taxpayer Service Division  
IRS, Department of the Treasury  
1111 Constitution Ave.,NW  
Washington, DC 20274  
1-800-424-1040

Better Business Bureau (BBB) The BBB can be an important ally in checking on potential suppliers and other businesses. Check for telephone listing in the city where the company you are checking on is located.