

How To

Succeed As A Start Up

A Guideline For Entrepreneurs



Launch Your Business with Financial Confidence

A Prosperity Launch Checklist

You are considering taking the leap into business ownership

CONGRATULATIONS!

If you've made it this far, you are already well on your way into your entrepreneurial journey. Becoming an entrepreneur is a rewarding, yet taxing journey. Before your business can be successful, you need to make sure you've considered certain financial topics that can quickly create barriers to your business growth and operation.

Every day, people are coming up with great concepts for new businesses, which they are sure will be successful. Many startups are setup to fail because the owners do not consider the careful planning and financial management that are essential to running a business, no matter the size.

We at Prosperity Launch carefully curated this checklist for the success of your business, focusing on financial planning and management. After you follow our step by step guide, you may determine your financial readiness.

You will also be able to estimate your business expenses, select an appropriate source of capital and choose an appropriate structure for your business.

While this checklist does not replace the need for a financial coach, it will ensure that you are prepared to evaluate your financial readiness and help you take confident steps towards starting your own business.



Draft a Business Plan

It is advisable to have a business plan before talking finances. Your business plan does not need to be overly complex at this point in the process.

The plan may be a simple document highlighting the goals, objectives, structures, and financial expectations of your business to ensure the business stays on track and it is headed for success.

Draft an outline of what you plan to accomplish with your business. It may seem like a daunting exercise, but its benefits cannot be ignored. A business plan should contain

- 💡 A general overview of the business idea that shows how you plan to make money
- 💰 A financial plan that projects your income, cash flow and expenses
- 🔍 Results of due diligence and market research; and
- 📅 How you will execute your plan, the market value of your product and your plans for marketing

Organize Your Personal **Finances and Sources For Capital**

This is where you'll need to understand how much money you'll need to support both your business and your personal expenses in the early stages of your business. You should have a plan for 6-12 months of personal and business expenses. This can come from personal savings, investors, or a bank loan.

There are many important steps in this category but the question you need to ask yourself first is, 'Are my finances in good shape'. Your credit score matters a lot if you are trying to take out a loan from a bank. The higher your credit score the better your loan terms become. Lenders look out for a few things before you are eligible for a loan

- ☑ Credit Score
- ☑ Collateral coverage
- ☑ Previous track record in regard to loans (if you are overdue on your debts you are seen as a risky lender); and
- ☑ Down payment: This may or may not be required based on the type of loan

A financial coach is an extremely valuable tool for this step. Your coach will be able to help you put a financial plan together so you can start your business with confidence.

Estimate Your Startup Costs

In this step, you determine how much money you need to start your business. When starting out, most expenses fall under two categories: one-time costs or ongoing costs.

Examples of one-time costs include

- ✓ Equipment and legal fees
- ✓ Permits and licenses
- ✓ Brochures and business cards
- ✓ Logo
- ✓ Website

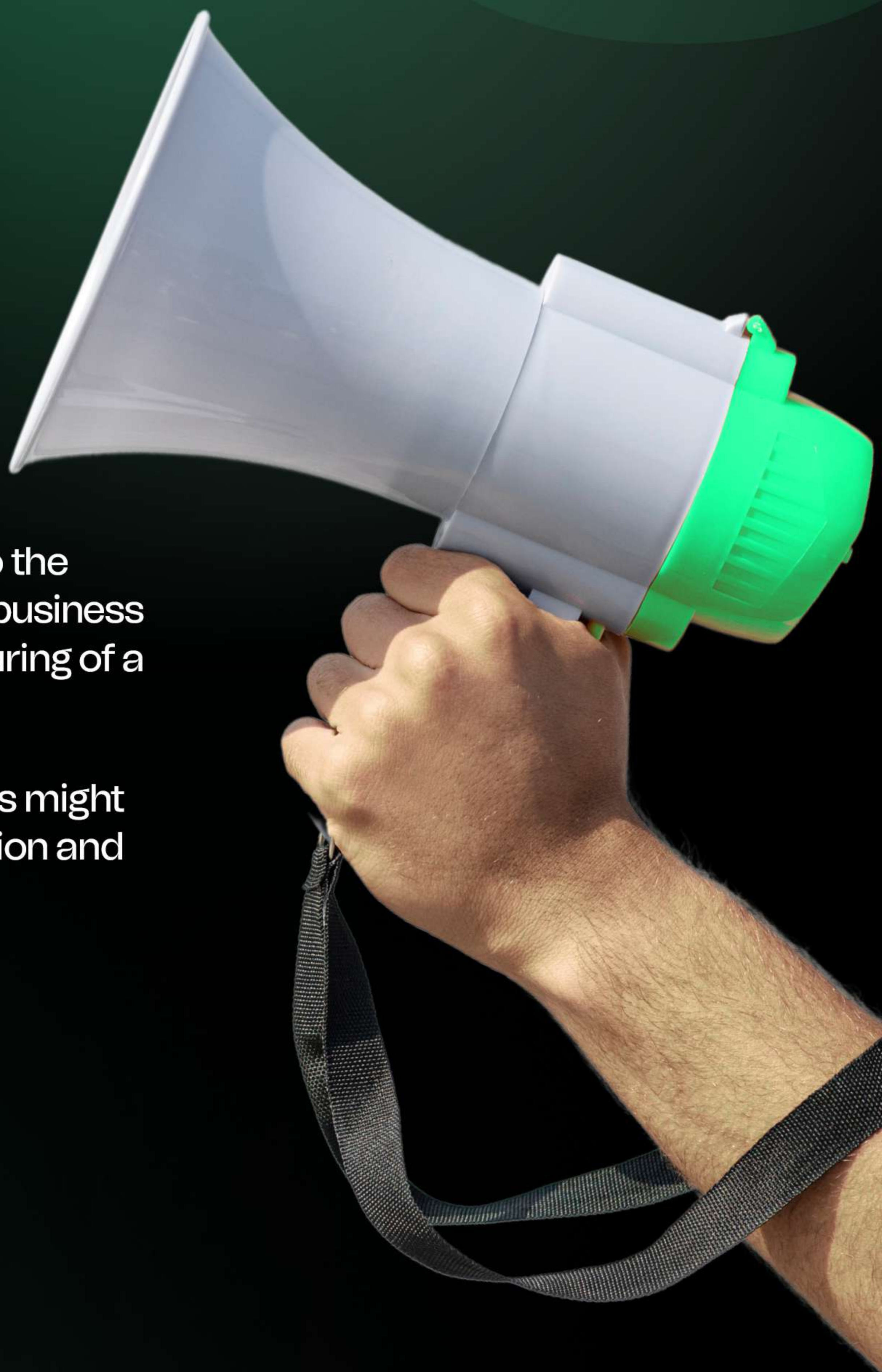
You should also consider things that are unique to the business you are setting up. For a product based business this might include, cost of purchase or manufacturing of a product, cost of shipment, inventory and storage.

For a service based business, some of these costs might include website building, search engine optimization and whatever miscellaneous costs that might arise.

Examples of ongoing expenses include

- ✓ Marketing
- ✓ Inventory
- ✓ Payroll if you will have employees
- ✓ Rent, and
- ✓ Insurance

Now you can begin estimating your expenses and how much you will need to fund the business, you might need a year worth of funding when starting out.



Find Source of Business Capital

Some common ways of funding startup businesses include personal savings, investors, loans, grants and crowd funding. Sometimes you need 1 or 2 of those options or all of the above.

It is ineffective to ask for money that lenders or investors cannot afford to lose. Rather, you should ask for a certain amount that a specific goal requires and be sure to communicate the plan and risks upfront.

Taking out loans is a smart choice for businesses that have a fool proof plan and are sure to succeed, but taking out loans for a startup is risky. Who wants to begin their entrepreneurial journey in debt?

With a loan for a startup, many times the lender will ask you to guarantee repayment personally, which means you will be responsible for paying the loan back even if your business closes its doors. You may also have a much higher interest rate than an established business would be offered.

For startups, one way to finance the business is to invite family or friends to invest in the business. Statistically speaking, seed investments come from people who know you and simply wish to encourage you. Be careful with this option, you do not want to strain the relationship if your business is unsuccessful.

Crowd Funding can be a great way to finance a business. Usually, crowd funding requires you to raise funds from a large number of people which is typically done through online platforms. People who love your business idea and would like to help you achieve your goals also become a community you can cultivate.

There are different types of crowd funding, some of which are simplified below.

Peer-to-peer lending

This is similar to a traditional lender, the only difference is that you get money from different people rather than one body. The crowd gives you money with the expectation of that money being returned with interest.

Rewards-based crowd funding

By donating to the start up, these contributors expect to receive in return a non-financial reward, which could be goods or services at a later stage.

Hybrid model

This model creates the opportunity to combine two or more crowd funding types.

Finally, grants are governmental types of funding or federal financial assistance given with expectations that your start-up will provide services and stimulate the economy.

Visit the Small Business Administration website, www.sba.gov, for more information on grants.



Choose an Appropriate Business Structure

Choosing a legal structure such as sole proprietorship, limited liability company or corporation is determinant on what an accountant and lawyer advises is best for your business.

The purpose of a business structure is to support and protect you in the event of a fallout so your personal assets aren't seized if you lose a lawsuit. Each business structure has its advantages and disadvantages so let's get right into it.

Informal business structure

An informal business structure might be a great way to test your business in an environment with minimal risks. A major drawback of this structure is that it does not offer asset protection like a formal structure would. Examples of informal business structures are sole proprietorships and partnerships.

Formal business structure

These types of structures provide credibility, personal asset protection and help to build business credit. As long as it is part of your business plan to expand beyond the reach of people you're familiar with, formal business structure may be the best option.

Corporation

Corporations offer personal liability protection, business security and continuity and easier access to capital, however, they tend to be more complex and are subject to double taxation. As a result, most startups use the Limited Liability structure, given that it too offers personal asset protection and business security, but with less formalities and protocols to follow.

Limited Liability Company

According to the United States small business administration (SBA), a limited liability company is a hybrid type of legal structure that provides the limited liability features of a corporation and a tax efficiencies and operational flexibilities of a partnerships.

An LLC can prevent a would-be plaintiff from going after your personal assets. Meaning the damages suffered would be contained within the business entity.

Although there are ways a judge can find a loop hole in the protection of an LLC if it wasn't properly set up. It is a simple business structure but definitely get the aid of a lawyer or accountant to make sure it is set up properly.

Ultimately, you should discuss the best option for your business with your accountant and lawyer.

Keep **Accurate Records**

Good record keeping is essential for the monitoring and allocation of funds. If you don't know where you are financially, how can you make important business decisions?

In order to reach milestones and goals, it is important to quantify them and have an idea how to attain your goals. Without good records you cannot ascertain whether you are on track to attain your goals, nor will you be able to estimate how long it might take.

Any good business owner knows the importance of a good financial record, invoices, receipts and bank statements. A spreadsheet can even be a viable option for record keeping in the early stages of a business.

Minimize or Avoid Risks

In all businesses, there are risks, and most larger companies have a person or group of people who analyze risk in a risk management capacity. The type of risk a company could experience falls under one of three categories - a business risk, a non-business risk, or a financial risk.

Risk management is the process of identification, analysis, and acceptance or mitigation of uncertainty in investment decisions. It is important to understand the risks associated with your business and make sure you have adequate insurance to protect you. This is best discussed with a business attorney.

Estimate The Profitability Of Your Business

How profitable is this business?

is a question that should be immediately addressed. Unless you are a non-profit organization, your financial goal is what fuels you to keep building your business. So how do you know that you've ventured into a profitable business?

There are many factors affecting the cash flow of a business. Conduct a financial analysis to determine whether your business is likely to be profitable in the short and long term. This analysis should include a break-even analysis, which calculates how much revenue you need to generate to cover your expenses. Prosperity Launch can help with this step.

Comply With Your Tax Obligations

Understanding your tax obligation is a great way to pivot your business into success. Know how, when and where to file your business taxes. Hire a tax professional or use an accounting software to ensure compliance.

Conclusion

Final Tips for setting up a successful business

Below are a couple of things that can improve your financial readiness and set your business up for success

- 01 After completing the checklist, review your results to identify any areas where you may need to improve your financial readiness
- 02 Use your checklist to develop an action plan that addresses gaps in your financial preparation such as, paying down debt, increasing your savings, exploring financing options
- 03 Talking with a financial coach who specializes in working with entrepreneurs if you have questions and concerns (Prosperity Launch specializes in this area)
- 04 Based on your checklist result and consultations with a financial coach, revise your business plan to reflect your current situation and goals; and
- 05 Take action to move forward with launching your business. Financial preparation is just one aspect so be sure to continue to educate yourself and seek advice from professionals

After adhering to the steps above, a good business owner always keeps themselves up to date with information. Apply new ways to ensure your business runs without major issues.

As helpful as this is, actual experience is key to improving readiness, becoming an expert business owner and running a successful businesses.



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Message



Prosperity Launch

Launching professionals towards prosperity through effective financial coaching.

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