

10 Tips for Starting and Running a Successful Business

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How do I know if I have a viable business?



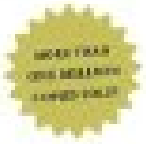
STATISTICS



- WSJ: 3 out of 4 businesses fail
- Forbes: 9 out of 10 businesses fail
- SBA: 7 out of 10 survive first two years
Half survive 5+ years
One third survive 10+ years
One quarter survive 15+ years

What Every Successful Entrepreneur Needs

The E Myth
Revisited



Why Most Small
Businesses Don't Work
and What to Do About It

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The E Myth Revisited

Why Most Small Businesses Don't Work and What to Do About It

Author: Michael Gerber

What we will cover today includes:

- Business Plans
- Choosing a business entity
- Financing your business
- Location decisions
- Sales and use tax

What we will cover today includes:

- Adding employees
- Insurance/Benefit plans
- Maintaining business records
- Tax Reporting
- Tax Incentives

Plus a few extras

Business Plans: what are they and why are they needed?

INCLUDES:

Company description

Competitive Analysis and Market Analysis
for your business

How your business will be organized

How your business will be marketed and sold

Financial projections

USED FOR FUNDING REQUESTS



Business Plans: who can help?



Assemble Advisors

SCORE/Mentor

Accountant

Lawyer

Insurance Agent



What business entity should I choose?

Sole proprietor

Single Member Limited Liability Company

Limited Liability Company

Small Business Corporation (S-Corp)

Corporation

Business Entities: Sole Proprietor

Pros:

Easy

Inexpensive

Reported on 1040

Cons:

Payroll to self not deductible

Net income subject to self employment tax

Liability protection

Possible limitation of fringe benefits

Business Entities: Single Member LLC

- Very similar to Sole Proprietor, but has some liability protection as it has legal standing as a separate entity
- For tax purposes, it does not exist

Business Entities: LLC

- More than one person (members)
- Separate entity, separate business return
- Liability protection
- Owners/Members cannot be on payroll
- Members paid with guaranteed payments, subject to self-employment taxes
- Estimated tax payments are necessary

Business Entities: S Corp

- Can be one person
- Separate entity, separate business return
- Allows payroll to owner
- Can reduce self-employment tax
- Liability protection

Business Entities: Corporation

- Has own graduated tax rates
- Lower cost of building working capital
- Subject to double taxation
- Limitation on withdrawal of profits

Business Entities: who can help?

Someone with background working with businesses:

Accountant
Lawyer



Basics

- Business Name: d/b/a, name registration
- License
- EIN
- Insurance



How can I finance my business?

Initial costs:

Legal, down payments for insurances, security deposits, inventory, computer, other equipment, furniture

Ongoing costs:

Advertising, rent, payroll, insurance, inventory, work in progress

How can I finance my business?

Self financing

Loan from family/friends

Bank loans (possibly in conjunction with FAME, SBA or Rural Development, etc.)

Venture Capital



How can I finance my business?

- Access to Capital: SBA + private lenders
- Federal Contracts: Government contracting for small businesses
- Resource Partners: Certified Development Company, Microlenders, SCORE, Small Business Development Centers
- Venture Capital



Can you start from home or garage?

Lower start up cost

Zoning issues



Do you need separate location?

Storefront, office space, shared space, just storage?

Is foot traffic necessary?

Strategic location next to another business?

Lease terms/ability to expand

Why do I care about sales and use tax?



10 MINUTE COFFEE BREAK



Adding employees...what are the issues?

Workers compensation

Payroll and payroll tax

Employee v. contractor

Basic HR



Workers Compensation

Any business with one or more employee must provide workers compensation coverage (few exceptions)

- Sole proprietor WITHOUT employees
- LLC 'owners'. Also family may waive in writing.
- An owner of at least 20% of outstanding voting stock may waive in writing
- Family members of the above also may waive in writing
- Certain agriculture and aquaculture businesses with seasonal laborers that maintain a certain level of liability insurance, including medical payments coverage
- Contractors/Subcontractors*

Payroll and payroll tax



Employee v. contractor

Does the company control or have the right to control how the worker does his/her job?

How is person paid?

Type of Relationship

Employee v. contractor

Maine: must meet 5 tests:

Has essential right to control means and progress of work

Is customarily engaged in an independently est. trade/
occupation/profession/business

Has opportunity for profit and loss

Hires and pays staff

Services are available to client/customer community

Employee v. contractor

Maine: +3 of these:

Substantive investment

Does not work exclusively for one company

Responsible for completion (contractually)

Contract in place, rights assigned to parties

Payment based on performance factors

Work is outside the usual course of business for company that the services are being provided for

Individual meets the federal independent contractor test.

Basic Human Resources

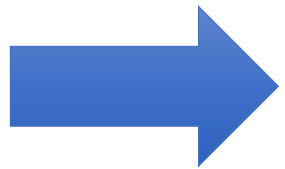
- Employment Eligibility Verification Form (I-9)-must be done within 3 days of hire
- Register with Maine's New Hire Reporting Program-report within seven days of hire date
- Get Worker's Comp Insurance
- Register for Unemployment Insurance Tax
- Workplace posters (available for free on www.maine.gov)

Basic Human Resources

Hiring and Termination

Workplace Safety

Discrimination and Harassment



see packet for links to more information

What about fringe benefits?

- Health insurance
- Pension Plans
- Life Insurance





Term

Whole

Universal

How do I maintain business records and still run a company?

Paper system

Computer Accounting software

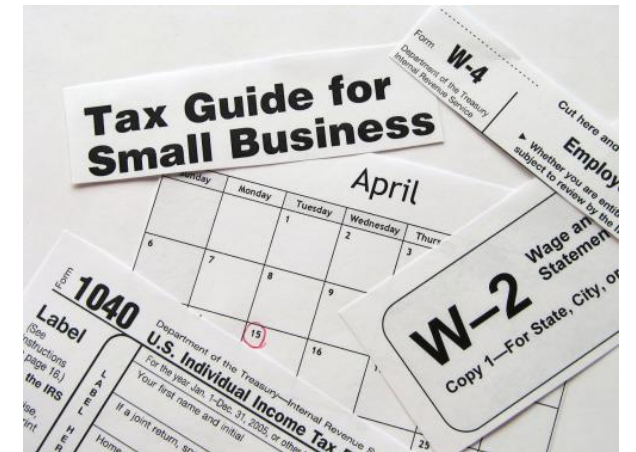
Have an accounting service do it for you

Payroll: In house or outsource?



Tax Reporting? Where do I start?

- Payroll
- Sales and Use Tax
- Estimated Tax Payments
- Fringe Benefit Reporting



Speaking of taxes...what tax incentives are available?

- TIF: Tax Increment Financing
- ETIF: Employment Tax Increment Financing
- PTDZ: Pine Tree Development Zone
- Business Equipment Tax Relief
- Maine Products Marketing Program-
“Maine Made”
- Other: WelcomeME



Maine Dept. of Economic and Community Development

www.Maine.gov

Business Assistance-High Tech

Business Answers Online Licensing Assistant

www.Maine.gov/businessanswers

Business Assistance-High Touch

Governor's Account Executives:

- One-on-One Consultation/Streamlined Access to Information
- Connect Business with Resources

Business Answers:

- 1-800-272-3838: Real Person!
- Business.Answers@Maine.Gov

What do I do now that I am successful?

- Nest egg outside of business
- Estate Planning
- Family Transitions
- Sell or keep business
- Retirement



What next?

