



How to Start a Small Business

A guide by [SimplyBusiness.com](https://www.simplybusiness.com)

01

Should You Start a Small Business?

You know you're ready to start a business - but are you *ready* ready?

There's a key difference between knowing you've got a money-making idea, and mapping out each step of actually starting a bona fide business. That's why this section is dedicated to walking you through the exact questions you need to answer so you can set yourself up for success.

Let's get started!

Question One

Do You Have a Good Idea?

Of course your idea's a good one - but is it an idea that can actually be turned into a successful business?

Unfortunately, not every idea is meant to be turned into a business. Even an idea that seems like it could be the next Facebook might end up falling flat. That's totally okay - sometimes the ideas we're most passionate about may not be the ones that work out.

To drive this point home, let's introduce ourselves to a singer named Jess.

Well, she's not a singer - she's got a nine-to-five job. But she finds her real joy in staying up all hours of the night writing song lyrics and putting them to music. She's so passionate about it that she manages to convince a nearby venue to let her play some of her music. She knows she's not going to be the next Big Thing, but she's got a sneaking suspicion that she's good enough to book paying gigs.

While she thinks the concert went great, she can't help but notice that most of the audience members seem completely disinterested in her songs. When she gets off the stage and asks her friend how it went, he gently suggests, "Maybe you should find something different to do."

So what's the point of this story?

While Jess finds passion and fulfillment in creating music, it doesn't translate to the audience. Take note, future entrepreneurs: Just because you think a small business idea is a good one doesn't mean potential customers will agree. The best businesses start because they expertly blend together this formula:

Your Passion + Solving a Customer's Problem = Small Business Success

It's a little simplified, but it gets to the main point: A business idea is only as good as the problem it solves. A good business idea should ignite your passion, but don't let it cloud your judgement. The bottom line here is that unless you have customers, even your greatest business idea won't make it.

So how to know if you've struck gold with your business idea?

Keep an eye out for these signs:

- Your family and friends keep talking about your business idea
- You've shared your idea on social media and it sparked a conversation
- You've shared the idea with people you've identified as potential customers and they loved it

The key here is to make note of how much buzz your business idea generates. There's a real difference between a polite reaction ("Oh how nice! Hope your business goes well.") and one where you could potentially land a customer ("That idea's amazing! Let me know when you're ready for my business.").

Question Two

Have You Done Your Research?

Once you've identified you have a great business idea, your next step should be to find out if there's a market for your product or services. In other words, if there are already plenty of businesses doing what you want to do, it might be tough to get customers.

Start by researching what's already out there and if there's demand for your business. Google can be pretty handy here - just search for your business category and see what comes up in your local area. You should also check out the [U.S. Census Bureau](#) to break down how many businesses like yours are already operating in your state. Don't forget to visit your local Chamber of Commerce ([find it here](#)) to see what competition is already up and running.

If you find that there are a few companies in your area doing what you want to do, sign up to be their customer. Go into their shop, buy their product, or hire their services. Take note of their customer experience. Do they go above and beyond to deliver? Do they offer any special deals and discounts? Find the holes and gaps in your competition's services - your business should take advantage of those weaknesses.

So what happens if there's healthy competition for your business idea?

Don't panic - your idea might need to be tweaked a bit before it works. When doing so, remember to keep the customer in mind. Where can you provide them with the most value? Can you adjust your product or services to fulfill a unique need?

Sometimes it just takes a simple tweak to stumble on a winning business idea.

Question Three

What Makes You Different?

Want to know something crazy?

There are over [50,000 fast food restaurant chains](#) in the United States. Not restaurant locations - actual *chains*. Considering just how saturated the fast food restaurant industry might be, why would anyone in their right minds consider opening a fast food place?

Well, it's simple - each chain offers something uniquely different. McDonald's is the original fast food chain. KFC specializes in fried chicken. Wendy's prides itself on offering fresh food. Carl's Jr. boasts huge burgers and sandwiches. These fast food chains are only successful and distinguishable to customers because they all offer something unique and different to customers.

Your small business needs to do the same thing. Unless you're inventing brand-new technology, there's probably someone else out there who's already doing something similar to what you want to do. That doesn't mean you should abandon your business idea; you just need to identify what makes you so different.



To figure out what makes your idea different, try coming up with your **unique selling proposition (USP)**. No need to come up with anything in-depth at this point; just identify the characteristics that make you different from your competition, like:

- Reliability
- Convenience
- Better customer service
- Humor
- Emotion/empathy
- Creativity
- Quality

Whatever characteristics you write out in your USP, make sure it's authentic to your business. Don't list that you have superior customer service unless a good portion of your day will be dedicated to managing the customer experience.

Question Four

What Resources Do You Need?

Starting a small business will definitely involve some startup costs. While you don't need a fat cushion of funds in your bank account, it is important to take note of what resources you already have, as well as what you might need. If you have savings set aside, great; if not, you'll need to figure out where your startup funds are coming from.

If you're using personal funds or a line of credit to finance your business, map out your expenses to ensure you know exactly how much you're spending. Save all of your receipts and track expenses, as many of these can be tax-deductible. Don't forget that you'll need funding to spend on any fees associated with starting your business, like licenses and insurance (more on this later).

Question Five

Are You Mentally Prepared?

One of the biggest benefits to starting a business is that you can be your own boss. But with that freedom comes a *lot* of responsibility - and freedom really only applies to the decisions you can make.

In truth, **your business will require more time from you than any nine-to-five job you've ever had.** You're more than a company founder. For the first few years of your business, you'll be the accountant, bookkeeper, marketer, and office manager. It's not just running your business - it's all the admin work that you need to do once the main bulk of your day is done, like:

- Find and market to clients
- Create invoices
- Register your business
- Build a website
- Open a business bank account
- Save receipts and invoices
- Buy tools/products/equipment

And that's just to get your business up and running!

That's why you should really dive deep to determine if you're ready to start your own business. If you're doing it because you're tired of your current job or you want to make more money, find another reason. You likely won't make a lot of money during your first year of business, and your main drive for starting a business shouldn't be boredom at your nine-to-five job.

If, however, you're starting your business because you want to solve a problem or you've always wanted to be a business owner, you've got the right entrepreneurial stuff.

Question Six

What's Your Long-Term Plan?

What's one thing that all successful business owners have in common?

Simple: They have a strong idea of where they want their businesses to be in five or ten years.

While you may want to be your own boss, what happens when your business grows enough to start hiring employees? Do you want to remain a small operation, or do you have your eyes on building a larger company? Do you always want to be in charge or do you have hopes of handing down your business to a great employee or relative?

No matter what your long-term plans might be, make sure you always keep them in mind when making any business decision.

Are there more questions you should ask yourself before you start your business? Of course!

But there comes a certain point where you need to stop spinning your wheels. Remember, owning a business is a huge learning curve, so don't think that you need to know everything before you start. There's no perfect time to start a small business. As long as you have a strong answer to these six questions, you're probably in a good place to get started.

02

Creating a Quick Business Plan

Want a blueprint for success? Then it's time to create a quick business plan.

The official definition of a business plan is a document that sets out what goals you have for your small business and the steps you're taking to achieve those goals. But for our purposes, let's think of a business plan as **a blueprint that helps you measure if your business is on the right track or if you quickly need to make adjustments.**

Think of it as a roadmap (remember those?). You use the map to follow a route to your final destination, but if you need to make a detour, you can still use the map to end up where you want to go. You're not just blindly taking roads while crossing your fingers and hoping for the best; there's intention in every route you take.

Your business plan will be like your entrepreneurial roadmap. You'll list out your company's goals and break down how long those goals are going to take you. After that, you'll list multiple steps that you'll take to achieve those goals. If anything changes and you need to make a "detour," you can revisit your business plan to get yourself back on track.

Don't worry, you don't have to create a super-official business plan. **Just think of this section as the opportunity to reflect on what it is that you actually want to achieve with your small business.**

A lot of your fellow entrepreneurs start their businesses because they know they can do better. They've worked with terrible bosses who prioritize the paycheck over the client work, or who make a point of yelling at their employees for the smallest infractions. These people start their businesses because they're sick and tired of watching that fat paycheck go straight into the boss's hands, only to end up with a small slice of payment.

Or maybe they feel frustrated that they're "controlled" by their bosses. They have to clock in and clock out of work, and get their boss's permission to take sick leave or time off. They're ready to set their own schedules - and one of the best ways to do that is to venture out on their own.

You probably have similar reasons for wanting to start your own business. And those reasons can be enough to get you up in the morning for the first few months.

But eventually, that initial fuel is going to burn out. You need something more than emotions to sustain the act of starting, running, and growing your company.

That's where your business plan comes into play.

Think of your business plan as a written checklist for three key milestones from the day you start:

1. Six months out
2. One year out
3. Five years out

Break down what your successful business will look like at each of these stages. Really get specific here, as these milestones can help measure if your business is on the right track, or if you should do some course corrections.

Here are a few questions that can get you started:

- How many clients will you have?
- How much will your business be making in profits?
- Where will you be working?
- How many employees will you have?
- Where will you be getting most of your work?

Make sure you keep your answers realistic; after all, it's pretty rare to have 50 customers within the first three months of starting your business (unless you inherited a lot of clients from your previous job). Feel free to adjust the milestones as you learn more about running a business, but pay attention. If you're constantly adjusting your milestones, it shows that your business outlook might not be realistic.

Once you've mapped out your anticipated milestones, write a quick paragraph answering each of the following questions:

1. How much money will you spend per month on acquiring/ maintaining your products?
2. How much money will you spend on supplies, software, or anything else you need to run your business?
3. How many new clients do you plan on acquiring each month?
4. How many clients will you try to keep once you acquire them?
5. How many jobs will you complete each week? Month?
6. If you're selling products, how many do you want to sell each week? Month?
7. How much time each week will you dedicate to admin activities?
8. What's the time limit you'll spend on travel each day?
9. When will you hire your first employee? Your second?

These questions are meant to encourage thinking about more than the day-to-day aspect of running your small business. It's easy to get trapped in thinking about what you need for today and tomorrow - but what about a month from now? Six months from now?

The bottom line is that your business plan can help prevent you from getting so caught up in your day-to-day activities that you don't end up growing your business.

One important Note

If you're looking to secure a business loan from a bank or credit union, you might be asked to supply them with a business plan. This type of plan requires more financial information, like current sales, business growth, and financial forecasts. You should certainly use the plan you developed for this section as a foundation for a more "official" business plan, but keep the two separated. The plan you created just now is meant to be a personal roadmap for your company.

03

Getting the Funds to Start Your Business

It's a fact of life: Starting a small business requires some funding. If you don't have a financial plan in place, you might end up putting your own personal money on the line.

The best way to get the funds to start your business largely depends on these factors:

- The type of industry you're operating in
- If you have office space or business property
- If you need lots of tools, software, products, etc.
- How much money you'll invest in your marketing (more on this later)
- How much startup capital you already have
- How much capital you need to get up and running

It's okay if you don't have the answers to these questions now. But it's worth researching how much other businesses needed when they first started out.

For that reason, talk to other entrepreneurs in your industry or reach out online. There are plenty of Facebook groups, LinkedIn networks, and forums out there filled with people who are happy to point you in the right direction. Remember, each industry is different and requires different startup capital. For example, starting a commercial cleaning business or handyman service is going to take a lot less capital than starting your own restaurant.

Here are a few more ways you can find out how much money you'll probably need to start your business:

01 The cost of supplies in your area: Whether you're running a service or selling products, supplies are probably going to cost you a fair chunk of money. List out all the supplies you'll need to get started (plan for the first six to twelve months). Once you have that list in hand, research how much those supplies cost in *your particular area*. These prices can vary based on your location, like if you're located near a city or out in the country.

At this point, it might be worth investing in relationships with vendors who sell the supplies you're looking for. Find a vendor who's willing to work with you if you're open to a long-term partnership. Discounted supplies can save your business a lot of money when you're trying to start up your company.

02 Join a trade association: If there's a trade association in your area, consider investing in a membership. Trade associations within your industry offer a wealth of opportunity to meet other small business owners who can provide you with advice on how much money you'll need to start your company. Some trade associations can even offer you sample financial worksheets and business plans, which can help you form your own. To see if your industry has a trade association near you, [visit the Department of Labor's CareerOneStop website](#).

03 Seek out a mentor: A mentor can provide you with an incredible amount of information on how much you can expect to spend when starting your business. Your mentor could be a fellow business owner in your area, or it could be someone you've established a rapport with online. If you want to expedite the process of finding a mentor, try using [SCORE's mentor matching program](#), which pairs experienced entrepreneurs with new business owners. Just enter a little information about your business, and you'll be matched with someone who has started or currently owns a company within your industry.

Of course, these aren't the only ways to find out how much money you'll need to start your company. Business consultants, guides, and even online articles can shed some much-needed light on what your wallet should anticipate.

So what should you do once you find out how much you'll need to start your business? Well, you've got plenty of options - let's take a look at them.

Option One:

Getting a Small Business Loan

A small business loan is probably one of the most traditional ways of getting funding for your company. This type of loan can give you the instant equity you need to rent out office space, gather supplies, start hiring employees, and develop marketing materials. However, there are notable drawbacks to the small business loan; one of the biggest is if your company doesn't make it, you'll end up paying for the loan out of your own pocket.

Wondering if a small business loan is right for you? It might be if:

- **You need a large amount of capital to start your business**
- **You don't want to seek out funding from investors or venture capitalists**
- **You don't have enough personal funds to start your business or you don't want to use them**
- **You understand the responsibilities associated with a small business loan**

While each bank and credit union has a different process associated with getting a small business loan, here's a general overview on what you can expect:

01 Identify how much you need: In order to figure out how much money you'll need to take out, create inventory of all the tools, supplies, employees, office space, and other items you need to conduct business for the first six to twelve months (or longer, if you think you won't make a profit right away). Try to avoid taking out the maximum amount of money unless you can justify it. You *will* have to pay this loan back, whether through your business's funds or, should it fail, through your personal funds.

You should also identify how exactly the money is going to help you start your business. Don't just take out money without a sound strategy in place. This is where creating a strong business plan can help you identify the exact steps for spending that money wisely.

02 Explore your options: Fortunately there's no one-size-fits-all business loan, which means you can find funding that's right for your particular needs. For example, there are line-of-credit loans, secured and unsecured loans, and a lot more. There are even business loans created specifically for women and minority entrepreneurs. Explore your options to see what's out there so you can be confident you're getting the right loan.

03 Find the best lender: At first glance, it might make sense to explore business loans at the bank where you have your personal accounts. But it's worth branching out to see if there's a lender that can give you better options for your business loan. Plenty of banks specialize in small business loans; additionally, credit unions could be a great place to find loans with more generous repayment options.

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04 **Get all your paperwork together:** When you're ready to apply for your business loan, get all of your paperwork lined up. The most common type of paperwork you should expect to submit include:

- Personal application
- Resume, with business experience listed
- Business plan
- Personal credit report (your lender will usually provide this for you)
- Federal and state tax returns
- Personal bank statements
- Financial statements from your business (if you're already doing business)
- Legal documents associated with your business

05 **Expect to hear no:** Business loans can be tough to get, especially if you're opening up shop in a tough industry (hello, restaurants!). Don't be discouraged if you hear no a few times before you hear a yes. If anything, use rejection as an opportunity to ask the lender why you were rejected and if there's anything you could do differently. Sometimes the feedback won't be useful, especially if you were rejected because the lender doesn't have an appetite for your business. However, if a lender tells you that you could use stronger financial documents or need to work on your business plan, that's actionable advice you can use for the next loan application.

When applying for a business loan, expect to answer a *lot* of questions like:

- Why do you need this loan?
- If you get this loan, how are you going to use the money?
- What assets and supplies are you purchasing?
- Who are the vendors you'll be purchasing from?
- Will you use this money to hire employees?
- Do you have any business debts? If so, with whom?
- Do you have any mentors or partners who are advising your business?

Of course, there are a lot more steps involved in getting a small business loan. But if you're ready to start the process, you can [connect with small business lenders here](#).

Option Two:

Getting a Small Business Grant

Like small business loans, grants are forms of funding that you can apply for. Unlike loans, you don't ever have to pay them back. Grants can be hard to find and tough to get, but if there's a strong possibility that you could get one, they're definitely worth looking into.

As an extra bonus, we've compiled the places where you can start the process of applying for a small business grant. They include:

- [Grants.gov](#): You can search for thousands of federally funded grants meant to help small business owners launch their entrepreneurial dreams. Just click on the "Search Grants" option and enter a keyword to find relevant grants (the keyword could be your industry, your location, or even grants for women and minorities).
- [USA.gov](#): This is another federal website where you can search for small business grants. You'll also find advice on how to apply for small business grants, and even a list of lenders who offer loans.
- [Small Business Development Center](#): Each state has a Small Business Development Center, which provides low-cost training, mentoring, and resources to help entrepreneurs start their own companies. Many SBDCs can even help business owners find and apply for state business grants.
- **Competitions**: Lots of larger companies hold competitions where they provide winning businesses with generous grants. For example, FedEx holds an [annual competition](#) where they award 10 small businesses with grants of up to \$25,000. The National Association of the Self-Employed (NASE) offers [\\$4,000 in monthly grants](#) to small business owners (must be a member to apply). For more examples of small business grant competitions, or to apply, [check out this NerdWallet article](#).

In order to get a small business grant, you'll need a lot of the same paperwork listed in the previous section. Grants aren't always the fastest way to get funding, especially if you're applying for a competitive one.

However, many entrepreneurs may want to try out this financial option, as it can be freeing to get a large sum of money without repayment restrictions.

Option Three:

Using Investors

Starting a business with investment money can seem like a pretty attractive option to plenty of entrepreneurs. After all, you don't have to repay investors if the business fails, plus you can often get a significant sum of money if investors are interested in your business idea. However, bringing people on board usually means that you'll lose 100% stake in your company. That means if your business ends up doing really well and you want to go public or sell it, your investors will take a large cut of that money.

Additionally, working with investors usually requires you to give up some of your freedom as a business owner, as you'll be expected to answer to them on how, why, and when you spend your money. If you give investors enough power in your company, there's a chance that they could replace you as the CEO of your own company. It's a rare occasion, but it's worth noting that it *does* happen.

If you're interested in working with a potential investor, make sure a lawyer reviews any and all legal documents and agreements. And whatever you do, don't send or accept any money without having a legally binding agreement in place.

If you understand the risks of working with investors and you're still interested, here's how to find and convince venture capitalists to invest in you:

01 **Look for investment platforms:** Websites like [startup.co](https://www.startup.co) represent an excellent place for entrepreneurs to post their business plans in the hopes of attracting investors. If you're planning on using an online platform to find investors, make sure you have a really strong business plan. Also, avoid being scammed by too-good-to-be-true investors. While most investors on this site are legit, there's always the possibility that you could get scammed.

If you're interested in working with a potential investor, make sure a lawyer reviews any and all legal documents and agreements. And whatever you do, don't send or accept any money without having a legally binding agreement in place.

02 **Find an angel:** We're not talking about the celestial being here! An angel investor is someone who invests in your company while also providing you with advice and access to their networks. If you're interested in working with an angel investor, use this [Angel Investment directory](#) to find some investors in your area.

03 **Turn to the crowd:** Crowdfunding sites like [Kickstarter.com](https://www.kickstarter.com) represent an excellent opportunity for entrepreneurs to get investment capital from everyday people. These sites usually require a description of your business idea, information on how you'll use the money, and any rewards that you'll offer people for investing in your company. The most successful Kickstarters are those that incorporate video in their pitches, as it gives potential investors the opportunity to see a company's products and services in action.

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04 **Get social:** While not the most straightforward method, professional social networking sites like [LinkedIn](#) provide you with a good opportunity to talk about your business and attract the attention of potential investors. Just be careful not to reveal too much detail about your business plan. Instead, focus on building out your company's brand. Write blog posts about your business, give updates about successful milestones, and network with other entrepreneurs and investors in your area. With a little luck and a lot of diligence, you could end up connecting with an investor who's interested in your company's potential.

Want to learn more about attracting investors for your small business? Take a look at this quick [Small Business Administration course](#) on how to find and attract investors.

Option Four:

Using Personal Finances

Some entrepreneurs may find themselves with enough money to entirely fund their new business, or at least part of it. Using your personal finances can be an excellent way to avoid the costs associated with paying back a small business loan. Plus you have more freedom to do what you like with your money!

Of course, there are some disadvantages that come with using personal finances to fund your business. For example, if you use a credit card to pay for supplies but your business ends up failing, you'll still have to pay back that money. If you're using personal money to fund your business, make sure it's money that you'd be okay with losing. Not all small businesses end up being successful, so don't end up putting yourself and your family in a hole by maxing out all of your personal finances for your entrepreneurial dreams.

Speaking of which, that leads us to our next section...

Avoid These Common Money Mistakes!

No matter what type of funding you use to start your business, make sure you make smart choices with your money. Avoid these common mistakes so you can make your funding last longer:

- **Not doing your research:** We've mentioned it before, but it's worth mentioning again - make sure you research exactly how much you anticipate spending on your new business. While you don't need to get an exact figure, you do need some sort of ballpark number. Otherwise, it becomes too easy to quickly run out of money.
- **Not planning out the famine:** Unless you're very lucky, you're probably not going to land sales right away. In fact, you may even have a few months where you're not making money at all. Make sure you plan ahead for these "famine" periods. Have enough funding to see you through the months where you're spending heavily but not making money. Give yourself a timeline for when you want to start breaking even or making a profit, since you don't want to be dipping into your rainy day fund forever.
- **Going to the wrong bank:** Make sure you're picking the right lender for your small business. Ideally, the right lender will understand your particular industry, as well as what common financial milestones look like. Ultimately, pick the lender that makes you feel comfortable and confident. Think of your lender as another business partner - you only want to work with one who's just as excited about your business as you are.

Now that we've talked about how to get the capital you need to get your business on the road, let's dive into the paperwork that'll fuel your business's journey from the get-go.

04

Taking Care of (More) Business: Licenses, Insurance, and Software

Confession: This isn't going to be the most exciting part of the book. But don't skip this chapter, because it contains really important advice on securing things you need to start and run your business, like:

- A business license
- Business insurance
- Accounting/bookkeeping software
- Payroll
- And more

Even if you think you don't need any of the above right now, it's better to get it set up sooner rather than later. Otherwise, you might end up forgetting to get your business license or setting up an insurance policy - a mistake that could end up costing you BIG time. For example, not having business insurance in place means you could be held personally liable for accidents, damages, and even lawsuits.

Boring paperwork aside, this section focuses on the key plans and documents you need in place before Day 1 of starting your business. Let's take a look at the key items you need to get in place ASAP.

Picking Your Business Structure

One of the toughest challenges to starting your business is picking your structure. Your business structure will have implications for the following:

- How you file for taxes
- How much you end up paying in taxes
- Your personal liability for losses and damages

It's no exaggeration to say that picking your business structure is one of the most important decisions you'll make during these early stages. So let's make sure you have all the information you need to make the best decision for you!

There are a few questions you should ask yourself before you start looking into which business structure you should pick. Think through your answers to these questions:

- Are you starting a full-time business, or are you doing this as a side business or money-making hobby?
- Do you want to be personally liable for any business debts, or do you want to protect your personal assets?
- Are you starting this business yourself, or working with someone else?
- Are you willing to learn more about any corporate obligations you might have?

Don't worry if you're not sure of all the answers to these questions. The main goal here is to figure out how much time you're going to devote to your business, and how much you want to protect your personal assets. If you're starting a business with someone else, that could affect the type of tax structure you should choose.

Here are the different types of business structures you can choose from, and the benefits/drawbacks of each:

Sole Proprietorship

This is a type of unincorporated business structure where just one person is running the company. It's the simplest type of business structure to start, as you really don't need to do anything. Come tax time, if you haven't set up a business structure, the IRS automatically considers you to be a sole proprietorship and will tax you accordingly.

As a sole proprietorship, you can do business under your own name or choose to register your business name with your state. If you choose the latter option, you'll be considered: "NAME doing business as COMPANY NAME".

The benefits of being a sole proprietorship include:

- Easy to start
- Avoid getting taxed twice ("pass through")

There are some considerable disadvantages to running a sole proprietorship, especially if you're planning on hiring employees or incurring large business debts. These disadvantages include:

- Being personally liable for company debts
- Being personally liable if the company gets sued
- The company ceases to exist if you die

[Click here](#) for more information on what you should expect as a sole proprietorship.

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General Partnership

This is a type of unincorporated business structure where two or more people are running a company together. It's a little more complicated to set up than a sole proprietorship, as you'll need to fill out a partnership agreement that includes ownership percentages, responsibilities, and more. You and your partner should also map out what will happen in certain situations (for example, if one partner wants to buy the other out; if a partner decides to leave, etc.).

A general partnership should register their business name, which can be a unique trade name or a combination of the partners' last names (law firms often opt for the latter choice).

The advantages and disadvantages of starting a general partnership are similar to a sole proprietorship, as it's an unincorporated business.

Your income and losses will be reported on your personal tax return, but you'll also have to submit special partnership forms to the IRS, which show how income and losses were divided.

[Click here](#) for more information on what you should expect as a general partnership.

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Corporation

A corporation is a type of incorporated business structure that limits a business owner's personal liability, as the corporation is its own legal entity. Setting up a corporation can be a little more tricky and requirements can vary on a state-by-state basis. You don't need to live in a particular state to have your corporation located there, so many business owners tend to incorporate in states with the easiest requirements. [Click here](#) to find your state's requirements for setting up a corporation.

One of the biggest benefits to structuring as a corporation is that you're not as personally liable for debts and legal costs as you would be if you owned a sole proprietorship or general partnership. That's because ownership is spread out via shares or stocks. Corporations are subject to double taxation, meaning the corporation pays its own taxes, and you'll pay your taxes based on your income.

Before you take this step, it's worth seeking out the advice of a lawyer or accountant to determine what you should do. A corporation comes with a huge number of responsibilities, as ownership is shared amongst yourself, shareholders, and other entities. Be sure you're prepared for these responsibilities and fully understand your obligations before structuring your business as a corporation.

[Click here](#) for more information on what you should expect as a corporation.

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Limited Liability Company (LLC)

A limited liability company (LLC) combines the benefits of a corporation with those of an unincorporated business. In other words, business owners have limited liability for debts and don't have to pay separate corporation taxes. Limited liability companies are also pretty easy to set up on your own; most business owners are able to fill out a LLC form [here](#) or do it through a paid online service like [LegalZoom](#).

[Click here](#) for more information on what you should expect as a limited liability company.

Choosing the right business structure takes time and plenty of research.

If you're not absolutely confident what structure you should be, contact a lawyer or accountant in your area for more help. You can search for lawyers in your area online, or you could turn to your personal network to see if they can recommend anyone. No matter how you source your lawyers, make sure you pick the one who you can imagine building a long-lasting relationship with, and who has plenty of experience with businesses like yours.

Important: When structuring your business, you may be required to create a federal and state tax ID, which is known as an Employer Identification Number (EIN). Your EIN makes it possible for your business to pay state and federal taxes, as well as hire employees and conduct other business activities. You'll also need an EIN before you can open a business bank account.

Applying for an EIN is a pretty straightforward process - [just head to the IRS website to get yours.](#)

Getting Registered and Licensed: More Fun Forms to Fill Out

Once you've figured out which business structure works for you, you'll need to determine which licenses and permits you need to apply for. Fortunately, this process is extremely easy, thanks to the [US Small Business Administration](#)'s website. If you haven't already checked out their website, take some time out of your day to do it. The site is full of great information on requirements for getting your business up and running.

So what's a quick and simple way to figure out if you need to register and license your business? **Easy - we've done it for you:**

Registering Your Business

You will likely also be required to register your business in the states where you do business. Generally, "doing business" can include performing any of the following in a state:

- Having a physical presence (store, shop, office)
- Holding business meetings with clients and vendors
- Earning a large amount of revenue from sales in that state
- Hiring and managing employees

Each state has different registration requirements, which you can [find here](#).

Applying for Licenses/Permits

In addition to registering your business, you might need to apply for a license or permit to conduct business in your state. Unfortunately, these requirements vary on a state-by-state basis; you may even find that you have to apply for a separate business license in your particular county and city.

The easiest way to figure out what licenses and permits you need is to [visit this site](#) and click on your state where your business operates. From there, you'll be taken to your Secretary of State's website, where you can learn your state's requirements for getting a business license and/or permit.

Don't Forget About Small Business Insurance!

No surprise here - a small business insurance company has a section about insurance.

But don't let that minimize the importance of protecting your new business, even if you only have a couple of customers and a single product to your name.

Don't believe us? Ask any small business owner if you need business insurance. We're willing to bet that 9 times out of 10, the people you asked responded with a resounding YES.

So why is business insurance so important?



Simple: It ensures you're protected from costs associated with lawsuits, property damage, and medical bills.

Similar to how car insurance protects the driver against massive bills, business insurance keeps you protected from claims and lawsuits, whether a claim occurred on your business's property or in a client's home.

For example, let's say you're hired to repair some leaks on a client's roof. You breeze through this seemingly easy project, but then a rainstorm reveals that you actually didn't do as great a job as you thought. The client's bedroom is ruined - and you have to pay up.

Or you're competing with a few other businesses to land a long-term project with a client who needs your services. The project could completely change the future of your business, so you're ready with your portfolio, customer testimonials, and even a few free estimates. You're 100% confident you've got this job in the bag - but then the client rejects your proposal simply because you're not insured.

Business insurance is no joke - and if you want to own a successful small business, you *have* to have it.

Clients won't work with you if you're not insured. In fact, in many states, you may find that you can't even get licensed without business insurance.



Don't worry, you don't need anything too complicated when you're starting out your business.

Most business owners will need to start with a [general liability insurance policy](#), which typically covers accidents, property damage, and anything else damaged while running your business. Business owners with employees should also secure a [workers compensation policy](#), which covers the medical costs and wages of any employee who is injured on the job.

You can [find and compare quotes](#) for both types of policies at Simply Business. We specialize in small business insurance, so you'll get personalized coverage at affordable prices. All you need to do is provide a few details about yourself and your business - we'll take care of the rest.

Getting Your Business Bank Account

Opening a business bank account can feel like a huge step toward making your business “feel” more official - and it is. It sounds obvious, but your business bank account is where your finances will live. From payroll to taxes and everything in between, your company’s bank account will be your financial backbone for as long as your business exists.

Opening your business’s first bank account is pretty straightforward, so we’ll keep our tips simple:

- Don’t register your bank account under your social security number (unless you’re a sole proprietorship). Instead, use your Employer Identification Number (EIN) to open up your account. If you don’t have it yet, [just head to the IRS website to get yours](#).
- Come with all paperwork pertaining to your business, including your license. If you don’t have your business license yet, go back in this book to learn how to get one.
- Get separate accounts for all your financial purposes. If you’re starting out small and don’t plan on hiring employees right away, one business bank account should work. Otherwise, it’s recommended that you get one account for business expenses, one for payroll, and one set aside for paying taxes.

Finding the best business bank account will largely depend on where you live, the type of business you’re running, and your immediate needs.

There's a lot of paperwork you need to get together before it feels like you can actually launch your business.

And we get it - when you're ready to launch, you don't want to be held back by applications and administrative tasks. But trust us; once you have your license, insurance, bank account, and any other paperwork taken care of, you'll be able to do business with more peace of mind.

Plus, did we mention that it's easier to land customers when you can show that you're licensed and insured?

Speaking of which, let's dive into one of the trickiest aspects of successfully starting your own business - finding those customers!

05

How to Find Customers: A Quick Guide to Marketing

When it comes to finding customers, new businesses will inevitably experience a lot of obstacles. You're probably competing against other businesses that offer a similar product or service as you. You might not have the biggest marketing budget, so it feels like a challenge getting your name out there. And you might feel pressured to start being profitable right away - how else are you going to pay your bills?

Take a deep breath! These challenges are actually easy to overcome. All you need is a little imagination, some elbow grease, and the tips you'll find in this section.

Spend Some Time With Your Customers

Remember in the beginning of this book when we suggested spending time researching your competition?

Well, this section is pretty similar, except this time, we want you to talk to the people who might become your customers. It doesn't matter who they are - family members, friends, past colleagues, or even clients from another job - so long as they have a genuine interest in your business's products or services. After all, it's tough getting actionable feedback from your best friend from college if he or she has no idea what you're trying to sell.

Write down a list of folks who you can talk to about your business idea, including the products and services you're hoping to sell. Once you've identified this list, you're going to want to answer the following questions:

- "What matters the most to my customers?"
- "What problem is my business trying to solve for them?"
- "How does my business solve that problem?"

Keep in mind that all customers have a pain point that needs to be removed. Ultimately, your product or service has to successfully minimize or remove that pain point. Otherwise, you'll have a tough time keeping customers after their first purchase, meaning your marketing costs will be that much more expensive.

Listen to the feedback your customers are trying to give you.

It can be tough to hear something different from what you've anticipated, especially if you've already invested a lot of blood, sweat, and tears into your business. Consider making tweaks to your products or services based on their feedback, especially if it's a consistent theme. While you don't need to run to the drawing board after one criticism, it is worth paying attention if there's a general theme within your customers' feedback.

Identify Your Product's Value

If you want to master your marketing, you need to figure out what makes your product so different. You should have already done this when you researched your small business; if you haven't yet, go back to the first chapter of this guide. These differences are going to form the foundation of your marketing efforts, since they're going to differentiate you from your competition.

Find a way to sum up what makes your product so different and valuable in one or two sentences. No need to get fancy; in fact, the simpler the statement, the better. If you feel as though you can't sum up your product's value statement, ask for help from someone who's good at writing. Your product's value statement can help inspire a lot of your marketing campaigns. In fact, think of it as an elevator pitch for your business - it's what you'll tell potential customers when you manage to grab a few seconds of their time.

One important note: Make sure you don't base your product's value on pricing. While it might seem like a good idea to market yourself as the cheapest product or service in your industry, the truth is that any competitor could end up being cheaper. Your product's value needs to be based on more solid footing than price; otherwise, you're putting your business at serious risk.

Figure Out Your Business's Story

This part can trip up a lot of small business owners, especially if you feel like you don't really need to tell your story. But if there's a lot of competition in your market - or if you just want to land more customers - it helps to tell the story of how and why you started your company.

For example, let's say you run a commercial cleaning business. Your marketing materials list your company's name, your pricing, and contact information. Sounds pretty straightforward and boring, right? And how does that differentiate your company from other commercial cleaners in your area?

Your business's story is a necessity because it gives you the opportunity to really connect with customers in a creative and genuine way. Going back to the example, maybe you started your commercial cleaning business because you were inspired to use high-quality, organic cleaning products for larger, environmentally-conscious offices.

Having trouble identifying your company's story?

Here are a few prompts to help you get inspired:

- Figure out what gets you excited about starting your business; chances are your brand's story is hidden there.
- Sit down with a good friend or family member and talk about the process of starting your business.
- Ask yourself *why* you want to start your own business.

Don't pressure yourself to come up with the most creative story or brand. Ultimately, you want your business's story to be genuine. Customers are quick to spot something disingenuous, so don't base your entire marketing campaign off of a story you think they want to hear.

Start Expressing Yourself

Now that you've identified your brand's story and know your product's value, it's time to start expressing yourself to customers. Every business should have a logo, as this is going to add some personality to your marketing materials and branding. If you've got a knack for graphic design, try designing your own logo; otherwise, it's best to farm this task out to an expert who can quickly capture the essence of your business.

In general, your business's logo should:

- Be clean
- Be simple
- Be recognizable
- Be professional
- Be associated with your business

Your logo should be a seamless part of your business. That's why it's recommended that you avoid large, messy, or complicated logos that need more than a second to interpret. If you're looking for inspiration, try checking out what logos your competition is using, or search for images online. Remember not to use a logo without permission or payment; instead, have a professional designer create one for you.

Once you have your logo, add it to everything and anything with your business's name, including:

- Website
- Company cards
- Company vehicles
- Clothing
- Marketing materials
- Social media
- Email signature

Create a Marketing Plan

At first glance, the plan is simple: Find potential customers. Get them to buy your product or service. Impress them so that they continue to be customers.

These are great goals to have - but how exactly are you going to achieve these steps?

That's precisely where the marketing plan comes into play. Like a business plan, the marketing plan is the blueprint for detailing what success looks like to your company. Your marketing plan should map out your goals for the upcoming year, as well as what milestones you'll be using to determine if you've achieved those goals.

To determine what these milestones are, ask yourself these following questions...

01 What's your overall goal?

Every plan needs a strong goal - so when it comes to your marketing plan, think about how much you want to sell in your first year of business or any other growth metric that matters to you. When creating this goal, make sure it's realistic for your small business. Everyone has dreams of making millions of dollars right off, but it's probably not going to happen for a bit.

If you're still having trouble identifying a realistic goal for your marketing plan, reach out to other small business owners in your industry for their advice.

02 How will you build awareness?

Awareness of your business or product is crucial to having a successful launch. How are you going to get word out there that you're in business? Where are you going to spread the word? Will you be offering a trial of your products or services? How soon do you want to start letting others know that you're ready to do business? Building awareness can make for a better launch, since you may have customers that are ready to buy from you on Day 1.

03 What's your pricing?

Figuring out your product or service pricing is a crucial step - and one that a lot of business owners tend to mess up. Here's the most common mistake: a business owner knows they are going up against some competition. So in order to attract customers, the business owner decides to price their products at an incredibly low price.

Here's the thing: It's a lot harder to raise your prices than it is to lower them. Customers will already be used to your prices, so if you raise them, they'll definitely be unhappy about it. But think about the reverse - if you end up lowering your prices, you'll have some pretty pleased customers.

Play around with your pricing as you grow your business, but remember to overestimate how much you should charge. Underpricing your products or services might leave you struggling to pay your business's bills. Plus, what's to say that another company won't offer even lower prices and take a chunk out of your clientele base?

04 What's your marketing budget?

Figure out how much you're willing to spend to reach out to your customers. You don't need thousands of dollars to have a strong marketing strategy - just be a little creative with how you're spreading your message. Even something as simple as mailing high-quality postcards about your business can be enough to get a few customers rolling in.

Don't forget about the importance of word-of-mouth, especially if you're on a shoestring budget. Get family and friends to spread the word that you're in business. If you have previous clients from another job, let them know that you're working for yourself. Take every opportunity to talk about your new business. Once you start bringing in customers, offer them referral bonuses or discounts for recommending you to other customers. It may feel like you're tooting your own horn a lot, but the more you talk about your business, the more likely it is that people will sit up and take notice.

05 Who is your customer?

We've spent a lot of this guide talking about customers - but who exactly *is* your customer? Identifying your customer can be helpful for your marketing efforts, because then you can tweak your messaging to really hit their particular pain points.

For example, let's say you're a handyman in a suburb where real estate is in high demand. With a little research, you discover that your average customer is a middle-class family with a couple of kids, and they're looking to get the best offer on their house possible. Thanks to this information, you can start tailoring your marketing message to their situation. Instead of just listing your handyman services, you can talk about how your work helps lead to higher listing prices and faster closing times.

Continued...

Finding out who your customer is and what they look like can be a huge win for your marketing efforts. If possible, look for revealing info about your customer like:

- Gender
- Age
- Location
- Income level
- Behaviors
- Interests

You can get more specific with your customer research, but the above characteristics will tell you a lot about how you should craft your message and the type of places where you should market to your customers.

Speaking of which...

06 How will you reach this customer?

There are a lot of different ways to reach your customers; from social media to email and billboards to mail, there's a wealth of marketing opportunities. The only problem is that with lots of choice comes tough decisions. How do you determine which channel is best to reach your customers? How much will you need to spend in order to get your message in front of your customers?

This is at the heart of marketing, and it's a topic that requires a much more in-depth exploration. But when you're just starting out, don't be afraid to try out different ways of reaching the customer. With a little trial-and-error, you'll find the right marketing opportunity for your business.

Your marketing plan can give you a lot of guidance on what you can do to reach out to customers.

But sometimes even landing those first few customers can feel like an impossible challenge. That's why, in addition to the above steps, we recommend the following techniques:

01 Network, network, network

Don't underestimate the power of word-of-mouth. If you want to get word about your business out there, it might be worthwhile to go to local events, fairs, and any other place where you can reach out to potential customers. Make sure you have professional business cards with your contact information that you can hand out to customers. Pretty soon, your networking efforts will build up the momentum you need to start bringing in customers.

02 Offer discounts and free trials

Whether you're providing a product or a service, free trials, and discounts can do a lot to help you attract new customers to your business. In order to make free trials work for you, ensure that the product or service you're offering is so indispensable that your customer can't live without it. If you're offering a "meh" product or service, you'll end up losing a lot of potential business after your free trial ends.

03 Create relationship maps

A relationship map is a visual aid that helps you identify where your product or service is needed the most. Once you've identified where it's needed, list out the people within that area that you have a strong relationship with. For example, if you run a commercial cleaning business, a relationship map could help you locate a few local trade organizations with businesses who might benefit from your service.

04 Use social media - wisely

Your customers are probably spending a lot of time on social networking sites like Facebook and Twitter - so if you want to reach out to them, consider investing in paid social campaigns. Each platform is different, but in general, paid social campaigns place your ads in front of customers while they're scrolling through their feed.

Social campaigns provide great opportunities to offer free trials and first-time customer discounts, but be warned - it can be easy to overspend on social campaigns. Make sure you have enough money to engage in this campaign, plus be aware of when you might need to stop.

05 Get noticed on Google

Google listings are often a source of trust for customers, especially if they're checking out a company that they're interested in doing business with. Think about the last time you looked up a restaurant or a local store - chances are Google listings (including website information, phone number, and reviews) helped you make your final purchasing decision. To get noticed on Google, make sure you have a website (you can set one up on [SquareSpace.com](https://www.squarespace.com) or [Wix.com](https://www.wix.com) for cheap).

From there, create a free [Google Account for your business](#), then search for that business name on Google. When it appears, you should see a "More Info" option that appears in the top-right corner of the map listing. Click on that link to be taken to a page where you can manage your business listing, as well as add your website address, request reviews, and more.

Sometimes it can feel as though it's taking forever to find your first customer, but keep your head up! The work you're putting in now is creating momentum for your business for years to come.

Marketing is definitely one of the most challenging aspects of running a small business, especially if you're flying solo.

That's why we encourage you to read up more on the subject whenever possible. Speaking of flying solo, let's explore what you should do when you're ready to hire your first employee.

06

Hiring Your First Employee: What You Need to Know

Your small business is growing and thriving. You can barely stop for a breath before you have another client requesting your services. In fact, you've made a pretty impressive name for yourself...

And now you're ready to hire your first employee!

Hiring help is an excellent way to expand your business or just free up your schedule so you can focus more on the tasks and projects you love. While there's no right time to hire your first employee - lots of small business owners hire their first employee immediately, while others wait until work gets busy - make sure you're hiring the right employee.

Lots of small business owners struggle with the process. It can be tough to find someone who will do the kind of work that you'll be proud of. Trust can be a huge issue too, as you need to find employees who are responsible and trustworthy enough to represent your business, both in attitude and in the work they produce.

So how do you find that employee? Take a look at these tips and hints from small business owners who've been there before:

- **Pay attention to personality:** Skill means nothing if you have an uneasy feeling about a potential employee. A bad hire has the potential to drag your business down, so trust your gut instinct here. If something's telling you no, just don't even bother with the hire.
- **Be cautious about hiring friends and family:** Sure, your cousin's stepson might be desperate for a job and hounding you at every moment for a job. But that doesn't mean you should just go ahead and hire them. Hiring friends or family members simply because you have a relationship with them can be a recipe for disaster. If you've worked with a friend before and you feel 100% confident that they'll respect you as a boss, then proceed - but it's best to hire someone you can have a more professional relationship with.
- **Hire for a skill you don't have:** If you want to grow as a small business owner, it pays to hire someone who has a different skill than you. For example, if you have a hard time with marketing, make an effort to hire an employee who is a natural at it. It's an easy way to learn new skills that can help your small business earn more money.
- **Look for a self-starter:** You've got a business to run - and you don't exactly have time to be chasing around an employee who constantly needs to be told what to do. That's why it's worth finding someone who's self-motivated. Look for that person who goes above and beyond the call of duty. These employees can be tough to find, but trust us - once you do, they make your life a whole lot easier.

Finding that first employee marks a HUGE step for your small business. With an extra pair of hands, you can do twice as much work.

You've Got Your First Employee - Now What?

Okay, so you finally found someone you're comfortable working with. Now what should you do to set them up for success?

- 01 **Get workers comp insurance:** We've mentioned it before, and it's worth mentioning again - [workers compensation insurance](#) is CRUCIAL once you start hiring employees. Get this insurance set up before your employee's first day, as you don't want to be personally liable for any work-related injuries.
- 02 **Set up payroll:** Plenty of employees have horror stories about not getting paid for their first few weeks on the job (you might even have a few yourself). No matter what, you have to make sure your employees get paid, so set yourself up with payroll software once you start looking for that first employee. For payroll, consider using software like [QuickBooks Online](#). For about forty bucks per month, you can take care of both your accounting and payroll needs. There's also a free trial you can use if you're not sure about using paid software.
- 03 **Work out a schedule:** Some small businesses may involve traveling from job to job, especially if you're offering a service. Working out a daily schedule might seem annoying, but hear us out - your schedule can make a huge difference in how much money you bring in on a given day. If your employee is spending all of his time in traffic getting from job to job, you're severely limiting the number of projects he can get done in a day (and how much money he can make). Make this mistake on a regular basis, and you're cutting a pretty deep chunk out of your company's profits.

When working out a schedule, plan it so that you and your employee aren't spending all day traveling from job to job. For example, spend one day hitting up projects in your neighborhood, then use a slow day to go take care of that job that's an hour's drive away. When you maximize the number of jobs you and your employees can hit up in a day, you maximize your money-making potential. **Continued...**

04 **Get feedback:** Ask your employee for ways that you can improve being a better boss. A lot of employees end up leaving their last jobs because their bosses weren't great; don't end up falling into that same rut. Your employee should feel comfortable giving you feedback on what's working and what's not working. If your employee feels listened to and respected, they're probably going to stay with you a lot longer.

Here's where we should mention that you'll probably end up losing a really good employee within the first couple years of working together. It's a tough problem to have, but anyone who's as good as you are at their job may eventually want to start their own business. Don't get burnt out by this cycle; keep your eye out for great employees who'll want to cut their teeth working with you and your company.

Ready to Get Started?

Starting your own small business will be tough - but it will also be one of the most rewarding things you could ever do.

Think about all the freedom you're about to enjoy. The ability to make your own decisions without a boss telling you what to do.

You'll be able to take on your own projects and work with the clients you like. You can set your own schedule so you can decide what time you need to take off. Maybe that means more time at home with your family, or actually having the time to go on that vacation you've been dreaming about for years.

Whatever your reasons, starting your own small business is going to be life-changing. So take this moment to appreciate where you are right now. Because if you follow the advice of this guide, there's a good chance you'll be running a successful small business in the future.

Author's Note

Got any feedback about the book you want to share?
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