

GETTING *Smart* WITH SMALL BUSINESS

By: Angela Lane



THE STATE OF THE economy is at the center of most newscasts these days, and from the sluggish stock market to the rising unemployment rate, the news isn't so pleasant. A downturn is a good time to review your skill sets and take stock of your options; when doing so, you'll often find that self-employment is a very viable alternative.

The main employment generator in the U.S. has been through the development of small businesses. In fact, about 60% to 80% of all new employment has been through business creations. When a small business entity is formed it is like a new-born baby that needs a great deal of care and attention. As with all major decisions in life, it's important to go into a business venture with your eyes wide open—the benefits of owning your own business are many, but as with anything that's worth the effort, it's not without challenges. So before you tie on that apron to make specialty cakes or strap on a tool belt to start a handyman business, consider some of these observations and facts.

Your business is totally dependent on your resources (financial and skill set) to survive. A new entity can chew through cash faster than the Japanese beetles can chew through my garden. According to the Small Business Administration's 2008 report to the president, the minimum business investment is \$10,000 but can increase up to \$100,000. Once the entity is generating some revenue, the entrepreneur can't expect

to draw anything out of the business for at least two years—that cash will probably need to be reinvested into the company.

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The turn-over rate is extremely high as well. About two-thirds of newly created businesses are out of business within two years. It has been my experience that the early withdrawal of cash from the company so that its creator can pay his personal expenses is the most common factor for this trend. Wouldn't it be nice if we could hang on to those jobs?

Another possible reason a business owner closes up shop is the time commitment it requires, especially in the early years. Ask any small business owner and most will tell you that they are never away from their business. They are either working in it or on it or thinking about it. There are no paid holidays, no vacation days, and very few weekends off. Even if you are away from the physical location your mind is still there. You really must be passionate about the endeavor to begin it and stick with it, but just remember, the effort can certainly pay off in the long run! 🚢

HERE'S SOME START-UP TIPS FOR MOVING FORWARD:

1. DETERMINE IF AN ENTITY SHOULD BE FORMED SUCH AS AN S-CORPORATION OR AN LLC.
2. FIND OUT IF THE COUNTY REQUIRES A BUSINESS LICENSE.
3. WHEN SELLING A PRODUCT OBTAIN A SALES AND USE TAX LICENSE AND FIND OUT ABOUT RE-SALE CERTIFICATES.
4. FIND OUT IF YOU NEED A TAXPAYER'S IDENTIFICATION NUMBER (TIN) AND HOW TO GET ONE.
5. ENGAGE A CPA EARLY IN THE START-UP PROCESS. THEY CAN HELP WITH ALL OF THE ABOVE.



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