Thinking about starting a business?

- Be your own boss, make your own decisions (and mistakes!).
- Your effort benefits YOU directly.
- Potentially high growth and high earnings.
- Excitement and satisfaction.
- Must be a self-starter.
- Must be decisive.
- Must be willing to take some risks and uncertainty.
- Will family and other personal obligations allow for 18+ hour days?
- Can you fund the startup phase?
- Do you plan and organize well?
- Do you have the stomach for sales, marketing, competition, …?

What sort of business?

- Consulting—sell time and expertise.
- Manufacturing/Design—have a product like a widget, software, etc.
- Services—provide specific solutions, like computer setup, maintenance, PCB manufacturing, etc.
- Franchise—buy a license to operate an existing business entity (typically retail, but also service).

Will you need a facility or just work out of your home? Will clients/customers need to visit your place of work?

*Need to investigate licensing and zoning requirements.*

Basic business types

**Sole proprietorship**

- Easy to start: just do it!
- Few regulations, but also few protections (e.g., liability). Benefits but also risks both business and personal property.
- File an IRS Schedule C and handle business income similarly to personal income.

**Partnership**

- General and limited partnership.
- Advisable to get a legal partnership agreement.
- Need to spell out equity, compensation, distribution, dispute settlements, etc.

**Corporation**

- Corporation is a separate entity that the law views separately from the owners (shareholders).
- Primary advantage is limited liability.
- Corporate entities are subject to taxes and other restrictions.
- Chapter “S” corporations: taxed on individuals (like a partnership)
- LLC: Limited Liability Company—has liability advantages and tax advantages.

**MONEY: finding startup finances.**

- Personal savings
- Family gifts and loans
- Money from friends and relatives
- Investors
- Bank loans
- Other

**Bootstrapping vs. initial financing**

**Convincing lenders and investors: the business plan**

- **Basic Information:** your name, name of business, address, and so forth.
- **Business Description:** what your business does, how long, history, current major assets, etc. Also describe the business structure (legal ownership, incorporation, etc.).
- **Management Profile:** give background and short bio for each owner/manager.
- **Market Description:** describe the market, competitors, your products, your current and potential customers, and how you plan to address the market.
- **Financial Information:** income statements and balance sheets (or reasonable estimates if business is new). Also include personal financial information on each owner.
- **Three year detailed business description:** current assets, projected earnings and justification, explicit assumptions, etc.

**Things to think about...**

- Most new business “fail” in the economic sense.
- There is lots of support and assistance out there: people with a lot less education than you have started and maintained successful businesses!
- Seek out advice and assistance: formal and informal.
- Think very hard before making long-term expenditure commitments.
- Make good professional contacts and collaborations.
- Will you have employees? Review tax and legal implications.
- Learn how to operate in a business-like manner: get paid for what you do, account for all income and expenditures, maintain professional records, follow through on commitments, etc.

**RESOURCES:** SBA (small business administration), IRS, Montana business offices, and many, many more.