

SBAM's Rule of Thumb Series

Guide to Small Business Basics



Right Reason for Getting Into Business

- **Be Passionate and Believe Strongly in What You are Doing**
- **Know Your Physical and Mental Stamina Threshold**
- **Have Drive, Determination and Patience**
- **Learn Lessons from Mistakes**
- **Thrive on Independence – Be Disciplined and Take Charge**



Doing is Good, Why is Better

- Most people enter business because they know how to do something
- The biggest disadvantage is that they have not thought through:
 - Mission
 - Strategic (business) Plan
 - Operational Strategy
 - Marketing Strategy
 - Management Strategy
 - Funding Strategy



Business Decisions Start With Tax Decisions

- Business Structure
 - Sole Proprietor
 - Partnership
 - Corporation
 - S Corporation
 - Limited Liability Corporation
- Accounting Method
 - Cash
 - Accrual



Grow Your Business Not Your Taxes

- Sole Proprietor
 - Best for starting out
 - 15.3% tax on business profit plus individual income tax
- LLP
 - Requires attorney to set up
 - Actions determined by business, not individual
 - Length determined by contract
- LLC
 - Requires attorney to set up
 - Most popular form of business
 - Can be registered in multiple states
 - Can only be one person
 - 2 forms of administration:
 - Members can obligate the company
 - Manager can obligate the company



Grow Your Business Not Your Taxes

- S Corporation
 - Must have no more than 100 shareholders, Board of Directors
 - Always exists
 - No self-employment tax; dividends from company are taxable to shareholders
- Corporation
 - Must have similar structure (shareholders, Board) but also officials of the corporation
 - Corporation files own tax return; dividends taxable to shareholders



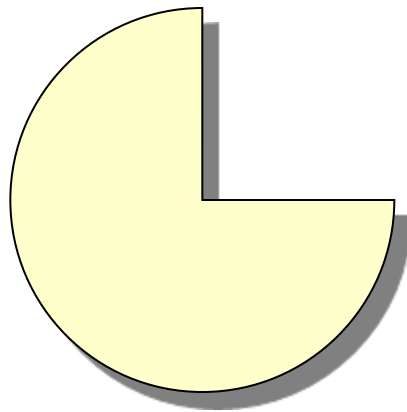
Good Management

- Have Management Expertise in:
 - Finance and Operation
 - Purchasing
 - Sales and Marketing
- Don't Neglect Business Matters
- Learn to be a Good Leader
 - Create Positive Work Environment
 - Understand Good Hiring Practices
 - Be Ready for Change

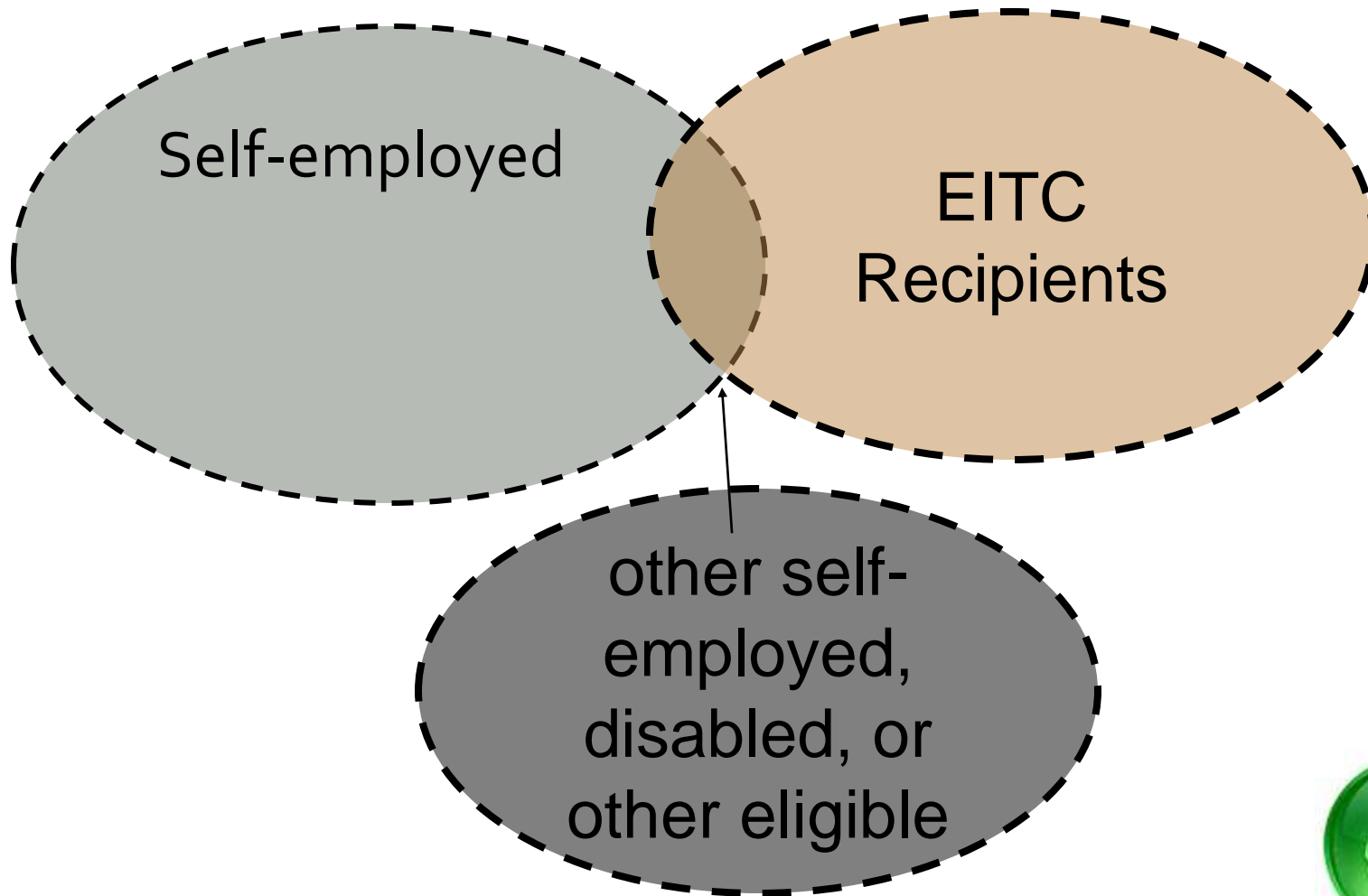


Claim the Tax Credits!

- Earned Income Credit
- Other Credits
- Affordable Care Act Small Business Credits
- A few examples to fill in the gaps...



So Who is Missing Out?

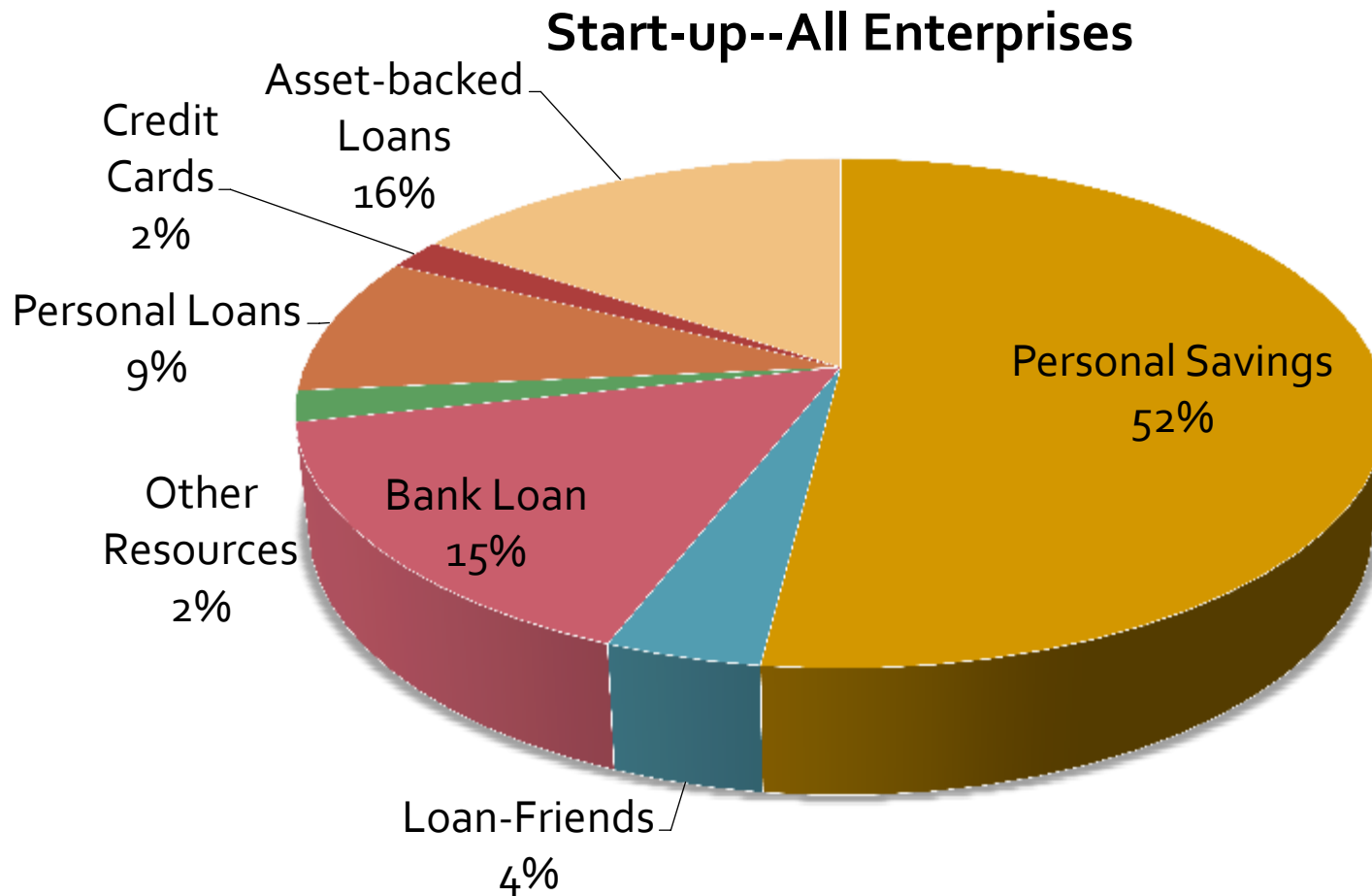


Be Capitalized

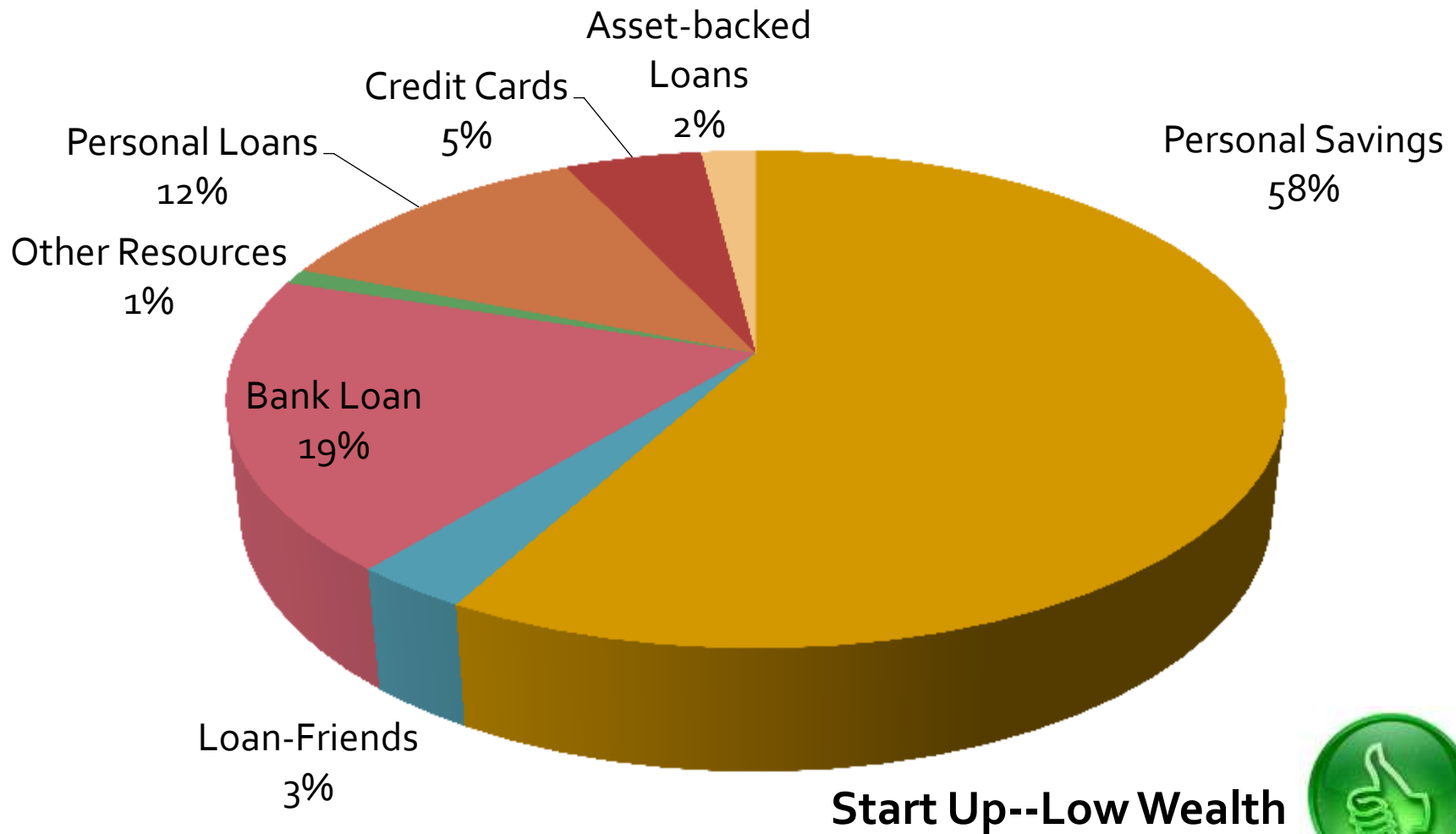
- Have Funds For Start-up and **Operating**
- Don't Underestimate How Much You Need
- Don't Over Estimate Revenues
- Plan For The Worst



Start-Up Funding Sources



Start-Up Funding Sources



Show Me the Money!

- Non-profit lenders
 - Micro-enterprise Developers (Catholic Charities-Juan Diego, Neighbor Works, NEF) Loans: \$250-3500, some help for larger, interest rates in 7-10% range
 - Economic Development Corporations (Omaha Small Business Network, Omaha CDC, MLCDC) Loans: \$1K- 10K, some leeway for bad credit, some additional requirements
- Commercial Lenders
 - Look more intensely at credit, cash and collateral
 - Risk assessment: 42% expenses vs. income limit
 - Capacity for repayment
 - Loans generally smaller than \$50,000

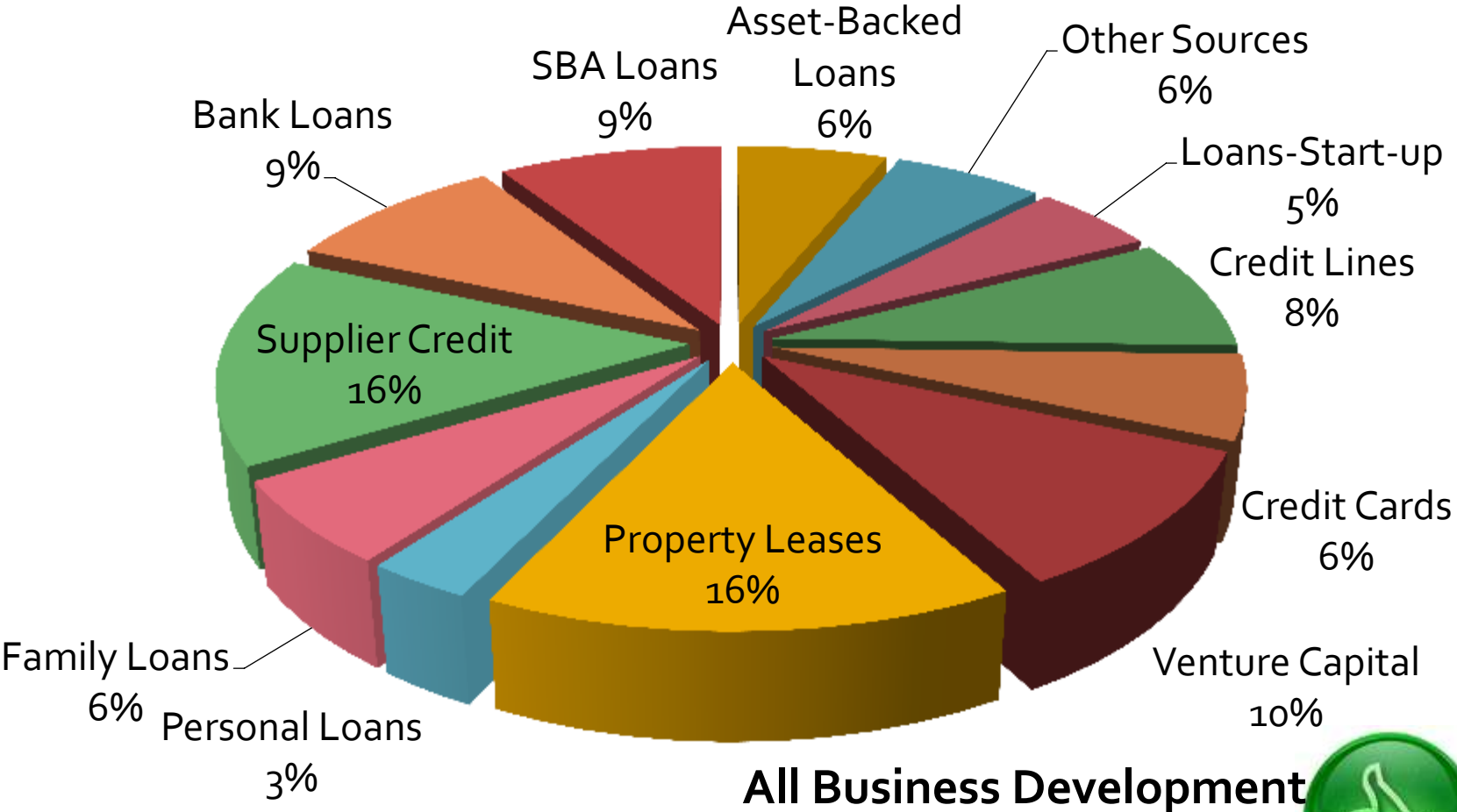


Show Me the Money!

- Community Lenders
 - Unique programs for certain demographics
 - Grameen America: micro-loans (less than \$1500) for women, pooled resources, education, collaboration, clustering
- Government Lenders
 - Small Business Administration
 - Heavy reporting, audit requirements, need strong management



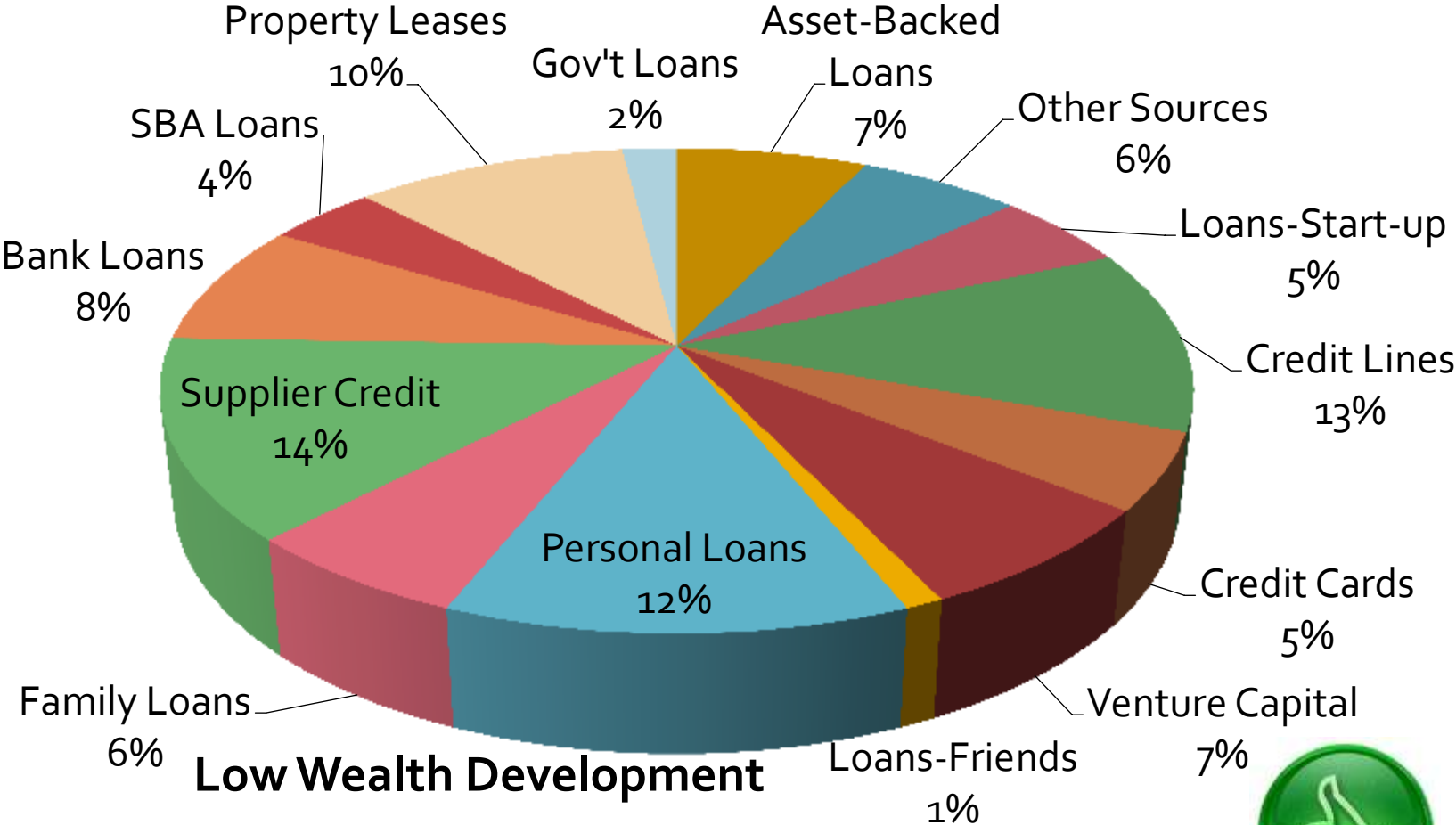
Business Development Funding Sources



All Business Development



Business Development Funding Sources



Low Wealth Development



Prepare and Plan

- Create a Business, Strategic and/or Marketing Plan
 - Be Realistic
 - Have Accurate Projections
 - Use Past History Or Market Research (when available)
- Include:
 - Mission, Vision and Goals
 - Problem and Solution Scenarios
 - Financial Needs and Outcomes



Understand Your Market

- Know Your Customers
 - Where They Live
 - Their Demographics Information
 - Why They Buy From You
- Watch Competition
 - Understand Who Their Customers are
- Be Involved in Community
 - Word of Mouth Travels Fast



Keep Good Records

- Car Expenses
- Travel Expenses
- Business Use of your Home
- Entertainment Expenses
- Employee and/or Contractor Expenses
- Receipts & Sources
- Deductible expenses



Measured Growth is Good Business

- Don't Confuse Success with Expansion
- Research and Analysis Before
- Expand when Time is Right
 - Do you have operations in place to handle expansion?
 - Are there enough sales to sustain future growth?
 - Do you have all the resources needed to expand?



Formalizing Your Business

- Get the accounting and tax counseling you need
- Have a federal and state employer identification number
- Pay sales, payroll and property taxes on time
- File the appropriate tax schedules on time
- Network and join relevant associations, chamber(s), and professional organizations



Have an Digital Presence

- Have Some Type of Web/ e-Presence
 - Almost a requirement in today's market
 - Gives you much space to explain products and services
 - Can lead to potential customers
- Watch Draw Backs
 - Takes time to manage
 - Is a reflection on your organization



At Your Service

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