



S B D C *Wisconsin Small Business Development Center Network*

Planning Your New Business



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I. Introduction

Owning and operating your own business is an American dream and something within your grasp. To be successful, however, you have to avoid the entrepreneur's itch to just rush in. You must research your business idea, plan properly, and complete many tasks *before* you embark on this exciting adventure to succeed and avoid unnecessary expense!

This document contains information and tools to assist you in planning and avoiding pitfalls. From testing the feasibility of your idea (will you really be better off if you start this business?) to choosing a legal structure and writing your business plan, the information in this booklet will help you move toward getting it done the right way.

Planning Your New Business is a collaborative work by all twelve Wisconsin SBDCs and is brought to you by the Wisconsin Business AnswerLine. While it contains a great deal of helpful, even critical, information, it is not all-inclusive and is not meant to serve as the only resource you use when making business decisions. Research, research, research! We also recommend consulting with a qualified attorney and CPA before making legal and financial decisions about your business.

What is the Small Business Development Center (SBDC)?

The State of Wisconsin's twelve SBDCs are a network of business help centers affiliated with the University of Wisconsin system. In short, we help small business owners and entrepreneurs by giving them guidance, information and resources to help them grow an existing business, or start a new business. We are partially funded by the SBA (Small Business Administration) and provide a wide range of services including:

- Telephone Counseling
- In-person Counseling
- Business Plan Review
- Resources
- Information
- Classes & Seminars

Does the SBDC Lend Money?

No. However, we can review your business plan, which will be required by virtually any financial lender, public or private. And we may be able to suggest some resources for business loans.

What Is the Goal of the SBDC?

To ensure Wisconsin's economic health and stability through business counseling, learning and other various business support programs.

For further questions about starting your new business, the Wisconsin Business AnswerLine can connect you with your local SBDC, or one of our Business AnswerLine counselors will be happy to assist you. We can be contacted via our toll-free number, e-mail, or our web site listed here:

Wisconsin Business AnswerLine

(800) 940-SBDC [7232]

E-mail: sbdcanswerline@bus.wisc.edu

Web site: <http://www.wisconsinsbdc.org/>

We wish you entrepreneurial success, whatever your business venture may be!



II. About Starting Your Own Business

What It Takes To Succeed

Starting and operating a successful small business will depend on the following:

1. A practical business plan with a solid foundation
2. Your dedication and willingness to sacrifice to reach your goal
3. Your basic knowledge of management including finance, record keeping and marketing
4. Industry expertise and technical skills

Why Do You Want to Start a Business?

Review the list below and check the reasons that apply to you.

- Freedom from the 9-5 daily work routine.....
- Being your own boss.....
- Doing what you want when you want to do it.....
- Improving your standard of living.....
- Boredom with your present job.....
- Having a product or service for which you feel there is a demand.....

Some reasons are better than others; none are wrong. However, be aware that there are tradeoffs. For example, you *can* escape the 9-5 daily routine—but you may replace it with a 6 a.m. to 8 p.m. routine!

Personal Characteristics and Conditions

Going into business requires certain personal characteristics and conditions. This portion of the checklist deals with you, the individual. These questions require serious thought. Try to be objective.

- | | YES | NO |
|--|--------------------------|--------------------------|
| ▪ Are you a leader?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| ▪ Do you like to make your own decisions?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| ▪ Do others turn to you for help in making decisions?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| ▪ Do you enjoy competition?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| ▪ Do you have will power and self-discipline?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| ▪ Are you good at long-range planning (2-3 years or more)?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| ▪ Do you get along well with a wide variety of personality types?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| ▪ Do you understand marketing?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| ▪ Are you prepared to run the risk of losing your savings or going into debt?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| ▪ If you have a family, are they in agreement with the risks you'll be taking?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| ▪ Have you researched the costs of covering yourself and your family w/health insurance?.. | <input type="checkbox"/> | <input type="checkbox"/> |
| ▪ Are you prepared to work long hours, possibly including evenings and weekends?..... | <input type="checkbox"/> | <input type="checkbox"/> |
| ▪ Are you prepared to temporarily lower your standard of living if necessary?..... | <input type="checkbox"/> | <input type="checkbox"/> |

Your "yes" answers are a positive. Carefully consider your "no" answers. How will you compensate for these negatives?



Personal Skills and Experience

Certain skills and experience are critical to the success of a business. By answering the following questions, you can identify the skills you possess and those you lack (your strengths and weaknesses), and determine where you will need to hire or used outside resources.

	YES	NO
▪ Marketing and sales	<input type="checkbox"/>	<input type="checkbox"/>
▪ Networking	<input type="checkbox"/>	<input type="checkbox"/>
▪ Long-range planning	<input type="checkbox"/>	<input type="checkbox"/>
▪ Finance, bookkeeping, accounting, taxes	<input type="checkbox"/>	<input type="checkbox"/>
▪ Legal	<input type="checkbox"/>	<input type="checkbox"/>
▪ Technical skills	<input type="checkbox"/>	<input type="checkbox"/>
▪ People management/supervisory skills/human resources	<input type="checkbox"/>	<input type="checkbox"/>
▪ Have you ever worked in a business similar to the one you want to start?	<input type="checkbox"/>	<input type="checkbox"/>
▪ Have you had any applicable business training in school?	<input type="checkbox"/>	<input type="checkbox"/>
▪ Have you ever owned your own business before (any type)?	<input type="checkbox"/>	<input type="checkbox"/>

Disadvantages of Owning Your Own Business

Have you realistically considered the advantages and the disadvantages of owning your own business? Owning a business is going to be very different from working for someone else. Most people who dream about owning a business think a lot about the advantages. Take a few minutes to contemplate the disadvantages.

- You may have to endure an income that goes up and down like a roller coaster. From month to month or year to year your income may vary widely.
- You may find you are spending more and more time dealing with personnel, administrative, planning and legal matters as your business grows, and less time doing what it was that you wanted to do when you started the business.
- If you are used to reporting to only one boss you may be annoyed to find that you now report to many bosses. Your customers, government agencies that tax or regulate your business, investors in your firm, bankers, or other lenders, and, in some cases, your key suppliers, all will dictate much of the way you will operate.
- You may have to take large financial risks and spend time worrying about how to meet the next week's bills.
- It is likely you will need to work long hours, up to 10-12 hours or more per day, often six or seven days a week. Long vacations may be impossible, at least for quite a few years.
- You absorb the financial and personal responsibility for business problems. As owner, the buck stops with you. There is no boss to whom you can turn for help when a tough time technical or financial situation arises, or when there is a serious problem with a supplier or customer.
- You may face the loss of your entire business due to new competition, government regulation, or other changes outside your control.



III. Define Your Idea

Answer the following questions in terms of your business idea. These will be important components of your business plan.

1. Product or Service —Describe what you are selling and how it will benefit your customers.
2. Industry Type —Describe the industry. How big is it? Is it growing or declining? Open or saturated?
3. Industry Experience —Briefly describe your experience and education related to this product/service.
4. Other Experience —Describe other business management or ownership experience you may have.
5. Customers —Which category best represents your primary group of potential customers? General Public Business Government Specific Industry
6. Geographic Area —What geographic area will you serve? Local Statewide Regional National International
7. Demographic Factors —What other demographic factors identify your target market? Gender Ethnicity Income Education Other
8. Competition —Who is your competition? List them, and their strengths and weaknesses.
9. Location —Where will your business be located?
10. Marketing Strategy —What will be your primary method(s) of advertising and promotion?

If you have difficulty answering any of these questions in detail, you need to carefully assess your business idea or do more research before moving forward.



IV. Explore the Financial Feasibility

START-UP COSTS

This section will help you determine if a) you can realistically afford to start your business, and b) how much financing you may require, if any. A large number of small businesses fail each year. Too many entrepreneurs try to start and operate a business without sufficient capital (money). **Review your situation by using the charts below, and then analyze your answers to these critical questions.**

<u>CRITICAL QUESTIONS</u>	
1. How much money do you have? (complete Chart 1)	_____
2. Can you put this money into your business?	Yes No
2. How much money will you need to start your business? (complete Chart 2)	_____
3. How much money will you need to stay in business? (complete Chart 3)	_____
4. How much money will you need to borrow, if any? (complete Chart 4)	_____
5. Do you have a good credit rating?	Yes No
6. Do you have separate funds you can live on while you develop the business?	Yes No
7. Will starting this business put you (or your family, if applicable) at high risk?	Yes No

Chart 1- Personal Financial Statement (How much money do you have?)			
ASSETS		LIABILITIES	
Cash on hand		Accounts payable	
Savings account		Notes payable	
Stocks, bonds, securities		Contracts payable	
Accounts/notes receivable		Taxes	
Real estate		Real estate loans	
Life insurance (cash value)		Other liabilities (credit card debt)	
Automobile/other vehicles			
Other liquid assets			
Total Assets		Total Liabilities	
Net Worth (assets minus liabilities)			



Start-up Costs, cont.

Chart 2—Start-up Cost Estimate (How much money will you need to start your business?)	
Space (lease deposit; remodeling; decorating; land or building purchase)	
Fixtures, furniture, equipment	
Services, supplies	
Beginning inventory cost	
Legal and accounting (professional) fees	
Licenses, permits	
Deposits for utilities (phone line(s), etc.)	
Insurance	
Signs	
Advertising/promotions for opening	
Unanticipated expenses	
Office supplies	
Letterhead, envelopes, business cards (design & printing)	
Outside labor	
Salary & wages; payroll taxes	
Vehicle(s)	
Cash (three months working capital/expenses—use figure from Chart 3 below)	
Total Start-up Costs	

Chart 3—Estimated Expenses (What will it cost to run your business?)	Estimate
Your living costs/salary	
Employee wages	
Rent	
Advertising	
Supplies	
Utilities	
Insurance	
Taxes	
Maintenance	
Delivery/transportation	
Miscellaneous	
Total Estimated Expenses, 1 Month	
	X 12
Total Estimated Expenses, 1 Year	

Chart 4—Financing Worksheet	
Enter Cash Available from Chart 1	
Subtract start-up costs from Chart 2	-
Subtract 3 months expenses from Chart 3	-
Additional financing needed (if any)	



V. Choose the Right Legal Structure

The Most Common Forms of Business

Sole Proprietorship	A sole proprietorship is the least complex and easiest legal structure to form. One person (or husband and wife) owns and operates the business. Obtaining the required licenses or permits (if applicable) establishes the business. The sole proprietorship may also be called a DBA or "Doing Business As" when the name of the company is different from the individual's name. Wisconsin statutes do not require trade name or trademark registration for a sole proprietorship or DBA. There is however, voluntary registration with the Wisconsin Secretary of State.	
	Advantages Easy and economical to form significant income tax deductions Sole control over the business	Disadvantages Unlimited personal liability Lack of continuity if owner is incapacitated Raising capital may be more difficult
Partnership (General & LLP)	A partnership is the combination of one or more people or co-owners of a business under a partnership agreement. See the Wisconsin Department of Commerce noted below for differences between a general partnership and a limited liability partnership (LLP).	
	Advantages Ease of formation & low start-up costs Additional sources of business capital Broader management base Possible tax advantage Limited outside regulation	Disadvantages Unlimited liability Lack of continuity Divided authority Hard to find suitable partner
Limited Liability Company (LLC)	An LLC combines many of the advantages of a corporation with advantages of a partnership. If properly structured, an LLC will be treated like a partnership for income tax purposes.	
	Advantages Limited liability Flow-through tax treatment Alternative to S-Corps and partnerships	Disadvantages Fairly complex to set up No "continuity of life" like other corporations The LLC dissolves if one of the members dies or leaves
C-Corporation	A C-corporation is the most formal and complex business structure, operating under state laws with a restricted charter. Its owners are determined by the sale of shares of stock and ownership is restricted to those owning stock. One or more adults can incorporate a business. The corporation name should include Corporation, Inc., or Ltd. in its name. Names must be registered and cannot be the same as any other national or foreign company.	
	Advantages Limited liability Specialized management Ownership is transferable Possible tax advantages Easier to raise capital	Disadvantages Closely regulated Most expensive form to organize Extensive record keeping
S-Corporation	For tax purposes, a corporation can elect "subchapter S" status. In general, this means that while the business is legally a corporation and shares many of the characteristics of a corporation, it is taxed similarly to a partnership.	
	Advantages Limited liability Possible tax advantage Ownership interest, freely transferable	Disadvantages Restrictions on ownership Limited number of owners Deductibility of losses restricted

To learn more, contact the WI Department of Financial Institutions at <http://www.wdfi.org/> (608) 261-9555, and the Department of Commerce at www.commerce.state.wi.us/MT/MT-COM-2600.html, (800) HELPBUS.

Be sure to consult with a qualified attorney before making a decision on your legal structure.



VI. Write Your Business Plan

Why Do You Need a Business Plan?

A well-prepared business plan will do several critical things for you:

- It will help determine the feasibility of your business idea.
- It will pinpoint many decisions you will need to make.
- It will help you identify, collect, and organize critical information.
- It will help you make informed decisions.
- It will be required to apply for any financing you may need for your business.

Below is a good business plan outline; it lists the sections of a basic plan and asks key questions that you should answer in that specific section.

SBDC Business Plan Assistance

If you would like additional assistance in developing your business plan, contact the Wisconsin Business AnswerLine at (800) 940-7232. Counselors are available to review your business plan and provide you with feedback. In most locations your SBDC offers classes on completing a business plan, or they are affiliated with a community partner that offers classes. Call the Wisconsin Business AnswerLine for more information!

Business Plan Outline and Key Questions to Answer

1. **Executive Summary Section**
 - a. Why will the business succeed?
 - b. What do you want to start (or change)?
 - c. How much money is required?
 - d. What is the return on the investment?
 - e. Why is the venture a good risk?
2. **Business Description Section**
 - a. What type of business are you planning?
 - b. What products or services will you sell?
 - c. What type of opportunity is it (new, part-time, expansion, seasonal, year-round)?
 - d. Why does it promise to be successful?
 - e. What is the growth potential?
 - f. How is it unique?
3. **Marketing Section**
 - a. Who are your potential customers?
 - b. How large is the market?
 - c. Who are your competitors? How are their businesses positioned?
 - d. What market share do you anticipate?
 - e. How will you price your product or service?
 - f. What advertising and promotional strategies will you use?



Business Plan Outline, cont.

4. Research, Design, and Development Section

- a. Have you carefully described your design or development?
- b. What technical assistance have you received?
- c. What research needs do you anticipate?
- d. Are the costs involved in research and design reasonable?

5. Manufacturing Section

- a. Where will the business be located? Why?
- b. What steps are required to produce your product or service?
- c. What are your needs for production (i.e., facilities and equipment)?
- d. Who will be your suppliers?
- e. What type of transportation is available?
- f. What is the supply of available labor?
- g. What will it cost to produce your product or service?

6. Organization Section

- a. Who will manage the business?
- b. What qualifications do you have?
- c. How many employees will you need? What will they do?
- d. How will you structure your organization?
- e. What are your plans for employee salaries, wages and benefits?
- f. What consultants or specialists will you need? How will you use them?
- g. What legal form of ownership will you choose? Why?
- h. What licenses and permits will you need?

7. Critical Risks and Opportunities Section

- a. What potential problems could arise?
- b. How likely are they?
- c. How do you plan to manage these potential problems?
- d. What special opportunities exist?
- e. How will they help you?

8. Financial Section

- a. What is your estimated monthly business income for the first year? What is your quarterly income for years two and three?
- b. What will it cost to open the business? What will your personal monthly financial needs be?
- c. What sales volume will you need in order to make a profit during the first three years?
- d. What will be the break-even point?
- e. What will be your projected assets, liabilities, and net worth on the day before you open?
- f. What are your total financial needs?
- g. What are your potential funding sources? How will you spend it?
- h. How will the loans be secured?

9. Milestone Schedule

- a. What timing have you projected for this project?
- b. How have you set your objectives?
- c. Have you set up your deadlines for each stage of your venture?
- d. Is there a relationship between events in this venture?

Appendix

Have you included all important documents, drawings, agreements, and references here?



VII. Business Regulations

The following list addresses state and federal business tax requirements, as well as some licenses, permits and regulatory issues. **This list is by no means complete; it does not cover specific city or county requirements, and requirements change periodically. You will need to do some research.** Not all of the items in this section are required for every business. An excellent place to start is the **Wisconsin Business AnswerLine (800) 940-7232**. They can provide you with assistance in finding out which license or permit requirements apply to your business.

Basic Business Regulations

✓	What	Who	Where
☐	Business Name Filing/Registering All forms of business <i>except</i> sole proprietors & general partnerships Sole Proprietors/General Partnerships→ Trademark or Service Mark→	WI Dept. of Financial Institutions→ WI Secretary of State→ County Register of Deeds → WI Secretary of State→	(608) 261-9555 http://www.wdfr.org (608) 266-5653 http://www.sos.state.wi.us List of County Reg. of Deeds in WI: http://www.wrdaonline.org/ListOfOffices (608) 266-5653 http://www.sos.state.wi.us
☐	Federal Employer Identification Number (EIN) Also called the Federal Tax Identification Number	Internal Revenue Service	(800) 829-4933 http://www.irs.ustreas.gov
☐	WI Business Tax Registration -WI employer identification number -Seller's permit -Local exposition tax -Consumers use tax permit -Use tax certificate -Alcohol Beverage -Retail Alcohol Beverage -Cigarette and Tobacco Products -Dry Cleaning Facility	WI Department of Revenue	(608) 266-2776 http://www.dor.state.wi.us/html/business.html
☐	Licensing, Permits or Certificates Regulatory Issues	Wisconsin Business AnswerLine→ Business Wizard→	(800) 940-7232 http://www.wisconsin.gov/state/app/wizard/LoadIntro
☐	Independent Contractor Law	Internal Revenue Service (IRS)	(877) 829-5500
☐	Health Inspection (sale of food or lodging)	Dept. of Health & Family Services→ Local Dept. of Public Health→	http://dhfs.wi.gov http://dhfs.wisconsin.gov/LocalHealth
☐	Safety and Buildings	WI Dept. of Commerce, Safety & Building Division	(608) 266-3151 http://www.commerce.state.wi.us/SB



<input type="checkbox"/>	Safety Requirements	Occupational Safety & Health Administration (OSHA)	(312) 353-2220 (Regional Office) (608) 226-5240 (Free Consultation) http://www.slh.wisc.edu/wocp/index.php
<input type="checkbox"/>	Zoning (including working from home)	Your City/Town/Village Zoning Department	See Government Pages in your local telephone directory
<input type="checkbox"/>	Fire Inspection	Your local fire department	See Government Pages in your local telephone directory

Regulations for Employers

	What	Who	Where
<input type="checkbox"/>	Labor Law Posters (required)	WI Dept. of Workforce Development	(608) 266-6861 or (800) 362-7253 (DOC-Sale) http://www.dwd.state.wi.us/dwd/posters.htm
<input type="checkbox"/>	Americans With Disabilities Act (ADA) Requirements	U.S. Dept. of Justice	(800) 514-0301 (ADA publications) http://www.usdoj.gov/crt/ada/adahom1.htm
<input type="checkbox"/>	Immigration Law / I-9 Form	U.S. Citizenship and Immigration Services	(800) 375-5283 http://www.uscis.gov/portal/site/uscis
<input type="checkbox"/>	Unemployment Insurance	WI Dept. of Workforce Development	(608) 266-3100 http://www.dwd.state.wi.us/ui
<input type="checkbox"/>	Worker's Compensation	WI Dept. of Workforce Development	(608) 266-1340 http://www.dwd.state.wi.us/wc
<input type="checkbox"/>	Payroll Taxes	Internal Revenue Service (IRS) → WI Dept. of Revenue →	(800) 829-1040 http://www.irs.gov/businesses/small/content/0,,id=98942,00.html (608) 266-2776 http://www.revenue.wi.gov/html/business.html
<input type="checkbox"/>	Equal Rights & Opportunities Wage & Hour Labor Standards Law	WI Dept. of Workforce Development	(608) 266-266-6860 (Equal Rights) http://www.dwd.state.wi.us/er (608) 266-3345 (Labor Standards) http://dwd.wisconsin.gov/er/labor_standards_bureau



VIII. Task List for Starting Your Business

Following are just a few of the tasks most businesses have to address during the set-up phase.

Buy Appropriate Insurance

Talk with several qualified insurance agents to determine your needs for any of the following or other kinds of business insurance.

- Fire
- Robbery
- Accident liability
- Theft
- Vandalism
- Personal/Professional liability

Start a Business Records System

All businesses need to keep records. Following are some typical records, but be sure to check with your attorney and your accountant to determine what your specific needs are.

- Income/sales
- Accounts payable
- Employee records
- Payroll
- Expenses
- Accounts receivable
- Donations
- Tax records

Get Professional Assistance

Get a good set of advisors to cover a) tasks/areas you do not have time to cover, or b) tasks/areas where you do not have the appropriate skills or expertise. These include but are not limited to the following.

- income/sales
- Accounts payable
- Employee records
- Payroll
- Expenses
- Accounts receivable
- Donations
- Tax records

Miscellaneous Tasks

- Open a business checking account
- Arrange for financing/line of credit if needed, based on business plan
- Order business cards

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