

10 Key Steps to Starting a Business in Huntington County, Indiana



There are several key steps to starting a business in Huntington County, Indiana. The steps are to give you a general idea on where to begin.

1. Get Basic Information and Assistance

Starting a business can be confusing. For this reason, there are multiple agencies in Northeast Indiana that can assist you with all your business questions. The Department of Economic Development (260) 356-5688 serves as a clearinghouse for business information. While they do not provide business start-up counseling, there are a host of agencies in Northeast Indiana that can assist you.

Business Information:

Public Libraries - Business Technology Department	
Andrews: Madison Street	(260) 786-3574
Huntington: 200 W. Market	(260) 356-0824
Markle: 155 W. Sparks	(260) 758-3332
Roanoke: 126 N. Main Street	(260) 672-2989
Warren: 123 E. 3rd Street	(260) 375-3450

Northeast ISBDC
4312 Hobson Road, Ste. B
Fort Wayne, IN 46815



Contact our office at (260) 481-0500 or visit our state website at www.isbdc.org for additional assistance.

2. Create a Business Plan

A business plan is like a roadmap; it shows you where you are in relation to where you want to be. Whether you believe in a business plan or not, starting a business involves many ideas that need to be documented and actions that need to be taken. Many businesses fail without a business plan, and furthermore, lenders require one prior to being considered for a loan. The above organizations can assist you with this process.

3. Determine the Business Type

All corporations are State charted and must file Articles of Incorporation with the Secretary of State. More information is available from the Secretary of State, Corporation Division, Indiana Government Center, 302 W. Washington, Room E018, Indianapolis, IN 46204. (317) 232-6576

4. Determine a Business Name

The name you choose for your business is very important. In addition to making sure that the name describes your business clearly, you need to ensure that the name is not already being used. If you choose a name that is anything other than your personal name, state law requires you to file a fictitious business name statement. The Certificate of Assumed Business Name is available for a small fee at the Huntington County Recorder's Office.

Recorder's Office (260) 358-4848
Business Hours: 8 a.m. to 4:30 p.m. (Monday to Friday)

5. Determine the Legal Structure of the Business

Several legal structures exist in the state of Indiana. Your choice of legal structure will affect your income taxes and personal liability. Most businesses start as a Sole Proprietorship or a Partnership and are legally the least complicated.

Corporation and Limited Liability Companies (LLC's) must register with the Secretary of State. Assistance on the structure that suites your business should be sought from one of the business assistance organizations or from an attorney or accountant.

6. Select a Site and Determine Zoning Requirements

Determining zoning requirements prior to signing a lease or contract is imperative. You must check with the county to see if the type of business you plan to operate is legal in the desired location. If operating from home, you must follow the requirements of the Home Based Business Regulations. You can obtain more information by contacting:

Huntington City/County Plan Commission
Huntington County Courthouse
(260) 358-4836

7. Operating a Home Based Business

Determining zoning requirements prior to signing a lease or contract is imperative. You must check with the Huntington Office of City Planning to see if the type of business you plan to operate is legal in the desired location. If operating from home, you must follow the requirements of the Home Occupations Regulations.

8. Get Tax Information

Several types of taxes may be levied on businesses including income tax, employment tax and other fees.

State Taxes (Sales Tax Certificate, Corporate Income Tax):

State Economic Development Corporation
(800) 463-8081

www.ai.org/doc/index.html

County Taxes (tangible – physical - business assets):

Huntington County Treasurer's Office

Huntington County Courthouse

(260) 358-4860

Business Hours: 8 a.m. to 4:30 p.m. (Monday to Friday)

9. Apply for a Business License(s) / Permit(s)

Certain types of businesses must hold special city permits or licenses. Licenses may also be required through the State of Indiana. To find out what licenses are needed, please contact:

City / County

City / County Planning Commission	(260) 358-4836
County Health, Courthouse	(260) 358-4831
Indiana State Information Center	(800) 457-8283
www.ai.org/sic/index.html	
Professional Licensing Agency	
www.state.in.us/pla/	
Fire Code, Huntington Fire Department	(260) 356-3620
City / County Building Permits	(260) 358-4836
City / County Planning Commission	(260) 358-4836
AT&T	(800) 222-0400
Gas	(800) 777-2060
United REMC	(800) 542-6339
Huntington Water Works	(260) 356-3220

10. Obtain Employer ID Numbers (if you intend to employ staff)

A whole new set of responsibilities arises when a business hires employees. Employers register as an employer, pay additional taxes, withhold, match and submit employee withholdings, and must obtain worker's compensation insurance. For more information:

Internal Revenue Service

(800) 829-3676

www.irs.gov



Small Business Fact Sheet

of Licenses, Permits and Regulations Huntington County

Northeast ISBDC
4312 Hobson Center, Suite B
Fort Wayne, IN 46815
(260) 481-0500
www.isbdc.com

The local, state and federal requirements for licensing, taxes and other regulations vary depending on the type of business and where it is conducted or located. The following are the general requirements.

FILING OF BUSINESS NAME

Often referred to as the DBA (Doing Business As.) If you are a Sole Proprietorship or a Partnership, you should register the *Certificate of Assumed Business Name* with the Huntington County Recorder's Office located at 201 N. Jefferson St. #101, Huntington, IN.

Phone: (260) 358-4848. The Certificate is available for a small fee.

Note: If you contact the Recorder's Office before filing, as a courtesy, the Recorder's Office will check their files to determine if your proposed company name is already in use by another business.

The *Certificate of Assumed Business Name* is **not a license** and does not provide copyright protection.

BUILDING AND ELECTRICAL PERMITS

To inquire about building and electrical permits and any other permits that may be required, contact the City/County Plan Commission. Phone: (260) 358-4836.

LOCAL OCCUPATIONAL LICENSE

Contact the County Recorder's office to see if a general business license is required. However, you must file a Certificate of Assumed Business Name in the County Recorder's Office (if you name your business anything other than your own personal name) or be on record with the Indiana Secretary of State.

STATE OCCUPATIONAL LICENSE

Over 100 professions and occupations require Indiana licenses or Certificates of Competency. Many require special training or examinations. You can find State Permit Assistance by calling (800) 45-STATE (800) 457-8283 or by contacting the Professional Licensing Agency at (317) 232-2980.

ZONING

To inquire whether the location of the prospective business being considered is zoned for business, contact the Huntington City/County Plan Commission, Phone: (260) 358-4836.

FENCE, SIGN, AND PARKING LOT PERMITS

To comply with County Fence, Sign, or parking lot Ordinances, contact the City/County Plan Commission located at 201 N. Jefferson St. #208, Huntington, IN. Phone (260) 358-4836

PLANNING AND ZONING

You must contact the Huntington City/County Plan Commission for information about Zoning, Improvement Location Permits, Certificates of Compliance, and Economic Development matters.

COUNTY HEALTH PERMITS

Several types of businesses must obtain health permits and be inspected by the Health Department. In particular, businesses engaged in handling food must submit an application and detailed plans of their food service prior to being inspected by the Health Department in receiving the food permit. For more information, contact the Huntington County Health Dept. Phone: (260) 358-4831.

All wholesale food businesses which engage in the manufacture or distribution of foods, beverages, and/or additives of any type (whether on a seasonal basis or not) are required to be registered with the Indiana State Department of Health, per the requirements of the Indiana Food, Drug, and cosmetic Act (IC 16-42-1-6). For a detailed information packet, contact the Indiana State Department of Health, Food Protection Program, Two North Meridian Street, Indianapolis, IN 46204. Phone (317) 233-7360.

INCORPORATING

All corporations are state chartered and, in Indiana, must file Articles of Incorporation, Bylaws, and Trade Name with the Secretary of State's (SOS) office. The filing fee is usually \$90, but depends on the number of shares issued. Contact the Indiana Secretary of State, Corporate Division, Room 155 State House, Indianapolis, 46204; Phone: (317) 232-6576; or view the SOS Business Services Division web site at <http://www.in.gov/sos/business/index.html>.

FEDERAL - EMPLOYER IDENTIFICATION NUMBER

This registers the business with the federal government. *All businesses, except sole proprietorships with no employees, are required to register using Form SS-4.* If the business has employees, it is required to withhold Federal Income Tax and Social Security Tax from wages paid to employees. A free Business Tax Kit is available at the Internal Revenue Office. The kit includes forms and information that help a business comply with federal tax laws and regulations. You can request a Business Tax Kit by calling the IRS Document Distribution Center in Indianapolis at either (800) 829-1040 or (800) 829-3676. Also, check out the IRS web site: <http://www.irs.gov>. It has an excellent document search function and offers a great deal of helpful information for businesses. From the IRS Home page, click on "Business" in the sidebar, then on the Business page, select "Small Business/Self-Employed" from that sidebar.

Here are some specific forms that will be useful:

Form 1040 ES	Estimated Tax for Individuals
Publication 509	Tax Calendar
Publication 937	Business Reporting
Form SS-4	Application for Employer Identification Number (EIN)
Publication 587	Business Use of the Home
Schedule SE	Self-Employment Tax
Publication 917	Business Use of the Car
Publication 535	Business Expenses

Or you can call (800) 829-3676 to request the form (EIN application) by mail.

STATE - SALES TAX & CORPORATE INCOME TAX

The State of Indiana requires that businesses collect a seven percent (7%) Gross Retail Sales and Use Tax on certain items. If the business is retail, wholesale, or manufacturing, it must obtain a *Retail Merchant's Certificate* for the collection of and/or exemption from the Indiana Gross Retail Sales and Use Tax. (Generally, service businesses are excluded.) The Certificate allows the business to buy merchandise for resale without paying the 7% tax and also gives them the authority to charge the 7% tax. Complete *Form BT-1* to apply for your Retail Merchants' Certificate. Application includes a \$25 fee. This form can be found on the Department of Revenue website.

All Indiana corporations are subject to a *Corporate Income Tax* and may be required to file quarterly estimated income tax returns.

Further information may be obtained for both the sales tax and corporate tax from the Indiana Department of Revenue in Fort Wayne at 1415 Magnavox Way, (260) 436-5663, or from the Indianapolis office in Room N105 in the State Office Building at 100 N. Senate Ave. Indianapolis, 46204, (317) 232-2240. The Department of Revenue web site is at www.in.gov/dor.

Note: The local office can supply you with the certificate in approximately one or two days. The Indianapolis office will take approximately six weeks.

LOCAL - TANGIBLE TAX

A tax is levied on tangible (physical) business assets and inventory with the tax rate set by the local taxing unit. The taxes are due by May 15th each year and are levied by those assets and inventory held or possessed on March 1st. Contact the Huntington Co. Assessor, (260) 358-4800, if you need help determining in which township your business is located. For more information regarding your property taxes contact the Huntington County Treasurer, (260) 358-4860.

FEDERAL UNEMPLOYMENT TAX

If a business has one or more employees it may be liable for Federal Unemployment Taxes. Contact the IRS at their web site for more information.

STATE UNEMPLOYMENT TAX

In addition to the Federal Unemployment Tax, an employer must pay the State Unemployment Tax. State requirements for employers can be found at <http://www.IN.gov/dwd/employer/requirements.html>. You can also call the Department of Workforce Development at 1-888-WORKONE. The Department's mailing address is Indiana Department of Workforce Development, Indiana Government Center South, 10 North Senate Avenue, Indianapolis, 46204.

WORKER'S COMPENSATION

Worker's compensation insurance is compulsory for all employers in Indiana. It is carried by private insurance agents, and law regulates premiums paid by employers. Contact your local insurance agency or call the Worker's Compensation Board of Indiana, 100 N. Senate Ave, Room 601, Indianapolis, 46204. Phone: (317) 232-3808.

REGULATORY ASSISTANCE

The Regulatory Ombudsman Program helps Indiana businesses get fast, clear answers from federal, state, and local regulatory agencies. Serving as mediator, information-gatherer, expediter and problem solver, the Ombudsman works regularly with other agencies whose functions affect business. This program is located at the Indiana Economic Development Corp. at One N. Capitol, Suite 700, Indianapolis, 46204. Phone: (800) 463-8081.



Business Plan for a Startup Business

The business plan consists of a narrative and several financial worksheets. The narrative template is the body of the business plan. It contains more than 150 questions divided into several sections. Work through the sections in any order that you like, except for the *Executive Summary*, which should be done last. Skip any questions that do not apply to your type of business. When you are finished writing your first draft, you'll have a collection of small essays on the various topics of the business plan. Then you'll want to edit them into a smooth-flowing narrative.

The real value of creating a business plan is not in having the finished product in hand; rather, the value lies in the process of researching and thinking about your business in a systematic way. The act of planning helps you to think things through thoroughly, study and research if you are not sure of the facts, and look at your ideas critically. It takes time now, but avoids costly, perhaps disastrous, mistakes later.

This business plan is a generic model suitable for all types of businesses. However, you should modify it to suit your particular circumstances. Before you begin, review the section titled *Refining the Plan*, found at the end. It suggests emphasizing certain areas depending upon your type of business (manufacturing, retail, service, etc.). It also has tips for fine-tuning your plan to make an effective presentation to investors or bankers. If this is why you're creating your plan, pay particular attention to your writing style. You will be judged by the quality and appearance of your work as well as by your ideas.

It typically takes several weeks to complete a good plan. Most of that time is spent in research and re-thinking your ideas and assumptions. But then, that's the value of the process. So make time to do the job properly. Those who do never regret the effort. And finally, be sure to keep detailed notes on your sources of information and on the assumptions underlying your financial data.

If you need assistance with your business plan, contact the SCORE office in your area to set up a business counseling appointment with a SCORE volunteer or send your plan for review to a SCORE counselor at www.score.org. Call (800) 634-0245 to get the contact information for the SCORE office closest to you.

Business Plan

OWNERS:

Your Business Name

Address Line 1

Address Line 2

City, State, Zip Code

Telephone

Fax

E-Mail

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II. Executive Summary

Write this section last.

We suggest that you make it two pages or fewer.

Include everything that you would cover in a five-minute interview.

Explain the fundamentals of the proposed business: What will your product be? Who will your customers be? Who are the owners? What do you think the future holds for your business and your industry?

Make it enthusiastic, professional, complete, and concise.

If applying for a loan, state clearly how much you want, precisely how you are going to use it, and how the money will make your business more profitable, thereby ensuring repayment.

III. General Company Description

What business will you be in? What will you do?

Mission Statement: Many companies have a brief mission statement, usually in 30 words or fewer, explaining their reason for being and their guiding principles. If you want to draft a mission statement, this is a good place to put it in the plan, followed by:

Company Goals and Objectives: Goals are destinations—where you want your business to be. Objectives are progress markers along the way to goal achievement. For example, a goal might be to have a healthy, successful company that is a leader in customer service and that has a loyal customer following. Objectives might be annual sales targets and some specific measures of customer satisfaction.

Business Philosophy: What is important to you in business?

To whom will you market your products? (State it briefly here—you will do a more thorough explanation in the *Marketing Plan* section).

Describe your industry. Is it a growth industry? What changes do you foresee in the industry, short term and long term? How will your company be poised to take advantage of them?

Describe your most important company strengths and core competencies. What factors will make the company succeed? What do you think your major competitive strengths will be? What background experience, skills, and strengths do you personally bring to this new venture?

Legal form of ownership: Sole proprietor, Partnership, Corporation, Limited liability corporation (LLC)? Why have you selected this form?

IV. Products and Services

Describe in depth your products or services (technical specifications, drawings, photos, sales brochures, and other bulky items belong in *Appendices*).

What factors will give you competitive advantages or disadvantages? Examples include level of quality or unique or proprietary features.

What are the pricing, fee, or leasing structures of your products or services?

V. Marketing Plan

Market research - Why?

No matter how good your product and your service, the venture cannot succeed without effective marketing. And this begins with careful, systematic research. It is very dangerous to assume that you already know about your intended market. You need to do market research to make sure you're on track. Use the business planning process as your opportunity to uncover data and to question your marketing efforts. Your time will be well spent.

Market research - How?

There are two kinds of market research: primary and secondary.

Secondary research means using published information such as industry profiles, trade journals, newspapers, magazines, census data, and demographic profiles. This type of information is available in public libraries, industry associations, chambers of commerce, from vendors who sell to your industry, and from government agencies.

Start with your local library. Most librarians are pleased to guide you through their business data collection. You will be amazed at what is there. There are more online sources than you could possibly use. Your chamber of commerce has good information on the local area. Trade associations and trade publications often have excellent industry-specific data.

Primary research means gathering your own data. For example, you could do your own traffic count at a proposed location, use the yellow pages to identify competitors, and do surveys or focus-group interviews to learn about consumer preferences. Professional market research can be very costly, but there are many books that show small business owners how to do effective research themselves.

In your marketing plan, be as specific as possible; give statistics, numbers, and sources. The marketing plan will be the basis, later on, of the all-important sales projection.

Economics

Facts about your industry:

- What is the total size of your market?
- What percent share of the market will you have? (This is important only if you think you will be a major factor in the market.)

- Current demand in target market.
- Trends in target market—growth trends, trends in consumer preferences, and trends in product development.
- Growth potential and opportunity for a business of your size.
- What barriers to entry do you face in entering this market with your new company? Some typical barriers are:
 - High capital costs
 - High production costs
 - High marketing costs
 - Consumer acceptance and brand recognition
 - Training and skills
 - Unique technology and patents
 - Unions
 - Shipping costs
 - Tariff barriers and quotas
- And of course, how will you overcome the barriers?
- How could the following affect your company?
 - Change in technology
 - Change in government regulations
 - Change in the economy
 - Change in your industry

Product

In the ***Products and Services*** section, you described your products and services as you see them. Now describe them from your customers' point of view.

Features and Benefits

List all of your major products or services.

For each product or service:

- Describe the most important features. What is special about it?
- Describe the benefits. That is, what will the product do for the customer?

Note the difference between features and benefits, and think about them. For example, a house that gives shelter and lasts a long time is made with certain materials and to a certain design; those are its features. Its benefits include pride of ownership, financial security, providing for the family, and inclusion in a neighborhood. You build features into your product so that you can sell the benefits.

What after-sale services will you give? Some examples are delivery, warranty, service contracts, support, follow-up, and refund policy.

Customers

Identify your targeted customers, their characteristics, and their geographic locations, otherwise known as their demographics.

The description will be completely different depending on whether you plan to sell to other businesses or directly to consumers. If you sell a consumer product, but sell it through a channel of distributors, wholesalers, and retailers, you must carefully analyze both the end consumer and the middleman businesses to which you sell.

You may have more than one customer group. Identify the most important groups. Then, for each customer group, construct what is called a demographic profile:

- Age
- Gender
- Location
- Income level
- Social class and occupation
- Education

- Other (specific to your industry)
- Other (specific to your industry)

For business customers, the demographic factors might be:

- Industry (or portion of an industry)
- Location
- Size of firm
- Quality, technology, and price preferences
- Other (specific to your industry)
- Other (specific to your industry)

Competition

What products and companies will compete with you?

List your major competitors:

(Names and addresses)

Will they compete with you across the board, or just for certain products, certain customers, or in certain locations?

Will you have important indirect competitors? (For example, video rental stores compete with theaters, although they are different types of businesses.)

How will your products or services compare with the competition?

Use the Competitive Analysis table below to compare your company with your two most important competitors. In the first column are key competitive factors. Since these vary from one industry to another, you may want to customize the list of factors.

In the column labeled **Me**, state how you honestly think you will stack up in customers' minds. Then check whether you think this factor will be a strength or a weakness for you. Sometimes it is hard to analyze our own weaknesses. Try to be very honest here. Better yet, get some disinterested strangers to assess you. This can be a real eye-opener. And remember that you cannot be all things to all people. In fact, trying to be causes

many business failures because efforts become scattered and diluted. You want an honest assessment of your firm's strong and weak points.

Now analyze each major competitor. In a few words, state how you think they compare.

In the final column, estimate the importance of each competitive factor to the customer. 1 = critical; 5 = not very important.

Table 1: Competitive Analysis

Factor	Me	Strength	Weakness	Competitor A	Competitor B	Importance to Customer
Products						
Price						
Quality						
Selection						
Service						
Reliability						
Stability						
Expertise						
Company						
Reputation						
Location						
Appearance						
Sales Method						
Credit Policies						
Advertising						
Image						

Now, write a short paragraph stating your competitive advantages and disadvantages.

Niche

Now that you have systematically analyzed your industry, your product, your customers, and the competition, you should have a clear picture of where your company fits into the world.

In one short paragraph, define your niche, your unique corner of the market.

Strategy

Now outline a marketing strategy that is consistent with your niche.

Promotion

How will you get the word out to customers?

Advertising: What media, why, and how often? Why this mix and not some other?

Have you identified low-cost methods to get the most out of your promotional budget?

Will you use methods other than paid advertising, such as trade shows, catalogs, dealer incentives, word of mouth (how will you stimulate it?), and network of friends or professionals?

What image do you want to project? How do you want customers to see you?

In addition to advertising, what plans do you have for graphic image support? This includes things like logo design, cards and letterhead, brochures, signage, and interior design (if customers come to your place of business).

Should you have a system to identify repeat customers and then systematically contact them?

Promotional Budget

How much will you spend on the items listed above?

Before startup? (These numbers will go into your startup budget.)

Ongoing? (These numbers will go into your operating plan budget.)

Pricing

Explain your method or methods of setting prices. For most small businesses, having the lowest price is not a good policy. It robs you of needed profit margin; customers may not care as much about price as you think; and large competitors can under price you anyway. Usually you will do better to have average prices and compete on quality and service.

Does your pricing strategy fit with what was revealed in your competitive analysis?

Compare your prices with those of the competition. Are they higher, lower, the same? Why?

How important is price as a competitive factor? Do your intended customers really make their purchase decisions mostly on price?

What will be your customer service and credit policies?

Proposed Location

Probably you do not have a precise location picked out yet. This is the time to think about what you want and need in a location. Many startups run successfully from home for a while.

You will describe your physical needs later, in the *Operational Plan* section. Here, analyze your location criteria as they will affect your customers.

Is your location important to your customers? If yes, how?

If customers come to your place of business:

Is it convenient? Parking? Interior spaces? Not out of the way?

Is it consistent with your image?

Is it what customers want and expect?

Where is the competition located? Is it better for you to be near them (like car dealers or fast food restaurants) or distant (like convenience food stores)?

Distribution Channels

How do you sell your products or services?

Retail

Direct (mail order, Web, catalog)

Wholesale

Your own sales force

Agents

Independent representatives

Bid on contracts

Sales Forecast

Now that you have described your products, services, customers, markets, and marketing plans in detail, it's time to attach some numbers to your plan. Use a [sales forecast spreadsheet](#) to prepare a month-by-month projection. The forecast should be

based on your historical sales, the marketing strategies that you have just described, your market research, and industry data, if available.

You may want to do two forecasts: 1) a "best guess", which is what you really expect, and 2) a "worst case" low estimate that you are confident you can reach no matter what happens.

Remember to keep notes on your research and your assumptions as you build this sales forecast and all subsequent spreadsheets in the plan. This is critical if you are going to present it to funding sources.

VI. Operational Plan

Explain the daily operation of the business, its location, equipment, people, processes, and surrounding environment.

Production

How and where are your products or services produced?

Explain your methods of:

- Production techniques and costs
- Quality control
- Customer service
- Inventory control
- Product development

Location

What qualities do you need in a location? Describe the type of location you'll have.

Physical requirements:

- Amount of space
- Type of building
- Zoning
- Power and other utilities

Access:

Is it important that your location be convenient to transportation or to suppliers?

Do you need easy walk-in access?

What are your requirements for parking and proximity to freeway, airports, railroads, and shipping centers?

Include a drawing or layout of your proposed facility if it is important, as it might be for a manufacturer.

Construction? Most new companies should not sink capital into construction, but if you are planning to build, costs and specifications will be a big part of your plan.

Cost: Estimate your occupation expenses, including rent, but also including maintenance, utilities, insurance, and initial remodeling costs to make the space suit your needs. These numbers will become part of your financial plan.

What will be your business hours?

Legal Environment

Describe the following:

- Licensing and bonding requirements
- Permits
- Health, workplace, or environmental regulations
- Special regulations covering your industry or profession
- Zoning or building code requirements
- Insurance coverage
- Trademarks, copyrights, or patents (pending, existing, or purchased)

Personnel

- Number of employees
- Type of labor (skilled, unskilled, and professional)

- Where and how will you find the right employees?
- Quality of existing staff
- Pay structure
- Training methods and requirements
- Who does which tasks?
- Do you have schedules and written procedures prepared?
- Have you drafted job descriptions for employees? If not, take time to write some. They really help internal communications with employees.
- For certain functions, will you use contract workers in addition to employees?

Inventory

- What kind of inventory will you keep: raw materials, supplies, finished goods?
- Average value in stock (i.e., what is your inventory investment)?
- Rate of turnover and how this compares to the industry averages?
- Seasonal buildups?
- Lead-time for ordering?

Suppliers

Identify key suppliers:

- Names and addresses
- Type and amount of inventory furnished
- Credit and delivery policies
- History and reliability

Should you have more than one supplier for critical items (as a backup)?

Do you expect shortages or short-term delivery problems?

Are supply costs steady or fluctuating? If fluctuating, how would you deal with changing costs?

Credit Policies

- Do you plan to sell on credit?
- Do you really need to sell on credit? Is it customary in your industry and expected by your clientele?
- If yes, what policies will you have about who gets credit and how much?
- How will you check the creditworthiness of new applicants?
- What terms will you offer your customers; that is, how much credit and when is payment due?
- Will you offer prompt payment discounts? (Hint: Do this only if it is usual and customary in your industry.)
- Do you know what it will cost you to extend credit? Have you built the costs into your prices?

Managing Your Accounts Receivable

If you do extend credit, you should do an aging at least monthly to track how much of your money is tied up in credit given to customers and to alert you to slow payment problems. A receivables aging looks like the following table:

	Total Current	30 Days	60 Days	90 Days	Over 90 Days
Account					
Receivable Aging					

You will need a policy for dealing with slow-paying customers:

- When do you make a phone call?
- When do you send a letter?
- When do you get your attorney to threaten?

Managing Your Accounts Payable

You should also age your accounts payable, what you owe to your suppliers. This helps you plan whom to pay and when. Paying too early depletes your cash, but paying late can cost you valuable discounts and can damage your credit. (Hint: If you know you will be late making a payment, call the creditor before the due date.)

Do your proposed vendors offer prompt payment discounts?

A payables aging looks like the following table.

Total Current	30 Days	60 Days	90 Days	Over 90 Days
Account				
Receivable Aging				

VII. Management and Organization

Who will manage the business on a day-to-day basis? What experience does that person bring to the business? What special or distinctive competencies? Is there a plan for continuation of the business if this person is lost or incapacitated?

If you'll have more than 10 employees, create an organizational chart showing the management hierarchy and who is responsible for key functions.

Include position descriptions for key employees. If you are seeking loans or investors, include resumes of owners and key employees.

Professional and Advisory Support

List the following:

- Board of directors
- Management advisory board
- Attorney
- Accountant
- Insurance agent
- Banker

- Consultant or consultants
- Mentors and key advisors

VIII. Personal Financial Statement

Include [personal financial statements](#) for each owner and major stockholder, showing assets and liabilities held outside the business and personal net worth. Owners will often have to draw on personal assets to finance the business, and these statements will show what is available. Bankers and investors usually want this information as well.

IX. Startup Expenses and Capitalization

You will have many [startup expenses](#) before you even begin operating your business. It's important to estimate these expenses accurately and then to plan where you will get sufficient capital. This is a research project, and the more thorough your research efforts, the less chance that you will leave out important expenses or underestimate them.

Even with the best of research, however, opening a new business has a way of costing more than you anticipate. There are two ways to make allowances for surprise expenses. The first is to add a little "padding" to each item in the budget. The problem with that approach, however, is that it destroys the accuracy of your carefully wrought plan. The second approach is to add a separate line item, called contingencies, to account for the unforeseeable. This is the approach we recommend.

Talk to others who have started similar businesses to get a good idea of how much to allow for contingencies. If you cannot get good information, we recommend a rule of thumb that contingencies should equal at least 20 percent of the total of all other start-up expenses.

Explain your research and how you arrived at your forecasts of expenses. Give sources, amounts, and terms of proposed loans. Also explain in detail how much will be contributed by each investor and what percent ownership each will have.

X. Financial Plan

The financial plan consists of a 12-month profit and loss projection, a four-year profit and loss projection (optional), a cash-flow projection, a projected balance sheet, and a break-even calculation. Together they constitute a reasonable estimate of your company's financial future. More important, the process of thinking through the

financial plan will improve your insight into the inner financial workings of your company.

12-Month Profit and Loss Projection

Many business owners think of the [12-month profit and loss projection](#) as the centerpiece of their plan. This is where you put it all together in numbers and get an idea of what it will take to make a profit and be successful.

Your sales projections will come from a sales forecast in which you forecast sales, cost of goods sold, expenses, and profit month-by-month for one year.

Profit projections should be accompanied by a narrative explaining the major assumptions used to estimate company income and expenses.

Research Notes: Keep careful notes on your research and assumptions, so that you can explain them later if necessary, and also so that you can go back to your sources when it's time to revise your plan.

Four-Year Profit Projection (Optional)

The 12-month projection is the heart of your financial plan. [The Four-Year Profit projection](#) is for those who want to carry their forecasts beyond the first year.

Of course, keep notes of your key assumptions, especially about things that you expect will change dramatically after the first year.

Projected Cash Flow

If the profit projection is the heart of your business plan, cash flow is the blood. Businesses fail because they cannot pay their bills. Every part of your business plan is important, but none of it means a thing if you run out of cash.

The point of this worksheet is to plan how much you need before startup, for preliminary expenses, operating expenses, and reserves. You should keep updating it and using it afterward. It will enable you to foresee shortages in time to do something about them—perhaps cut expenses, or perhaps negotiate a loan. But foremost, you shouldn't be taken by surprise.

There is no great trick to preparing it: The [cash-flow projection](#) is just a forward look at your checking account.

For each item, determine when you actually expect to receive cash (for sales) or when you will actually have to write a check (for expense items).

You should track essential operating data, which is not necessarily part of cash flow but allows you to track items that have a heavy impact on cash flow, such as sales and inventory purchases.

You should also track cash outlays prior to opening in a pre-startup column. You should have already researched those for your startup expenses plan.

Your cash flow will show you whether your working capital is adequate. Clearly, if your projected cash balance ever goes negative, you will need more start-up capital. This plan will also predict just when and how much you will need to borrow.

Explain your major assumptions, especially those that make the cash flow differ from the *Profit and Loss Projection*. For example, if you make a sale in month one, when do you actually collect the cash? When you buy inventory or materials, do you pay in advance, upon delivery, or much later? How will this affect cash flow?

Are some expenses payable in advance? When?

Are there irregular expenses, such as quarterly tax payments, maintenance and repairs, or seasonal inventory buildup, that should be budgeted?

Loan payments, equipment purchases, and owner's draws usually do not show on profit and loss statements but definitely do take cash out. Be sure to include them.

And of course, depreciation does not appear in the cash flow at all because you never write a check for it.

Opening Day Balance Sheet

A balance sheet is one of the fundamental financial reports that any business needs for reporting and financial management. A balance sheet shows what items of value are held by the company (assets), and what its debts are (liabilities). When liabilities are subtracted from assets, the remainder is owners' equity.

Use a startup expenses and capitalization spreadsheet as a guide to preparing a balance sheet as of opening day. Then detail how you calculated the account balances on your [opening day balance sheet](#).

Optional: Some people want to add a [projected balance sheet](#) showing the estimated financial position of the company at the end of the first year. This is especially useful when selling your proposal to investors.

Break-Even Analysis

A [break-even analysis](#) predicts the sales volume, at a given price, required to recover total costs. In other words, it's the sales level that is the dividing line between operating at a loss and operating at a profit.

Expressed as a formula, break-even is:

$$\text{Break-Even Sales} = \frac{\text{Fixed Costs}}{1 - \text{Variable Costs}}$$

(Where fixed costs are expressed in dollars, but variable costs are expressed as a percent of total sales.)

Include all assumptions upon which your break-even calculation is based.

XI. Appendices

Include details and studies used in your business plan; for example:

- Brochures and advertising materials
- Industry studies
- Blueprints and plans
- Maps and photos of location
- Magazine or other articles
- Detailed lists of equipment owned or to be purchased
- Copies of leases and contracts
- Letters of support from future customers
- Any other materials needed to support the assumptions in this plan
- Market research studies
- List of assets available as collateral for a loan

XII. Refining the Plan

The generic business plan presented above should be modified to suit your specific type of business and the audience for which the plan is written.

For Raising Capital

For Bankers

- Bankers want assurance of orderly repayment. If you intend using this plan to present to lenders, include:
 - Amount of loan
 - How the funds will be used
 - What this will accomplish—how will it make the business stronger?
 - Requested repayment terms (number of years to repay). You will probably not have much negotiating room on interest rate but may be able to negotiate a longer repayment term, which will help cash flow.
 - Collateral offered, and a list of all existing liens against collateral

For Investors

- Investors have a different perspective. They are looking for dramatic growth, and they expect to share in the rewards:
 - Funds needed short-term
 - Funds needed in two to five years
 - How the company will use the funds, and what this will accomplish for growth.
 - Estimated return on investment
 - Exit strategy for investors (buyback, sale, or IPO)
 - Percent of ownership that you will give up to investors
 - Milestones or conditions that you will accept

- Financial reporting to be provided
- Involvement of investors on the board or in management

For Type of Business

Manufacturing

- Planned production levels
- Anticipated levels of direct production costs and indirect (overhead) costs—how do these compare to industry averages (if available)?
- Prices per product line
- Gross profit margin, overall and for each product line
- Production/capacity limits of planned physical plant
- Production/capacity limits of equipment
- Purchasing and inventory management procedures
- New products under development or anticipated to come online after startup

Service Businesses

- Service businesses sell intangible products. They are usually more flexible than other types of businesses, but they also have higher labor costs and generally very little in fixed assets.
- What are the key competitive factors in this industry?
- Your prices
- Methods used to set prices
- System of production management
- Quality control procedures. Standard or accepted industry quality standards.
- How will you measure labor productivity?

- Percent of work subcontracted to other firms. Will you make a profit on subcontracting?
- Credit, payment, and collections policies and procedures
- Strategy for keeping client base

High Technology Companies

- Economic outlook for the industry
- Will the company have information systems in place to manage rapidly changing prices, costs, and markets?
- Will you be on the cutting edge with your products and services?
- What is the status of research and development? And what is required to:
 - Bring product/service to market?
 - Keep the company competitive?
- How does the company:
 - Protect intellectual property?
 - Avoid technological obsolescence?
 - Supply necessary capital?
 - Retain key personnel?

High-tech companies sometimes have to operate for a long time without profits and sometimes even without sales. If this fits your situation, a banker probably will not want to lend to you. Venture capitalists may invest, but your story must be very good. You must do longer-term financial forecasts to show when profit take-off is expected to occur. And your assumptions must be well documented and well argued.

Retail Business

- Company image
- Pricing:

- Explain markup policies.
 - Prices should be profitable, competitive, and in accordance with company image.
- Inventory:
 - Selection and price should be consistent with company image.
 - Inventory level: Find industry average numbers for annual inventory turnover rate (available in RMA book). Multiply your initial inventory investment by the average turnover rate. The result should be at least equal to your projected first year's cost of goods sold. If it is not, you may not have enough budgeted for startup inventory.
- Customer service policies: These should be competitive and in accord with company image.
- Location: Does it give the exposure that you need? Is it convenient for customers? Is it consistent with company image?
- Promotion: Methods used, cost. Does it project a consistent company image?
- Credit: Do you extend credit to customers? If yes, do you really need to, and do you factor the cost into prices?