



# Palouse

## Economic Development Council

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Promoting economic development in the Washington counties of Asotin, Columbia, Garfield and Whitman

## Consider Business Basics

**Why do I want to start a business?** Talk to successful business owners. Are your reasons realistic? Have them describe a typical day, week, month. Is that what you want? Consider asking a business owner if you could job shadow for a day.

**What skills or personality traits do I have that may help or hinder my success?** Make a list of good traits and bad traits. Only you know if the good can overcome the bad. What does it take to run a small business?

Am I organized?

Do I have experience in this type of business?

What skills do I bring? What ones can I hire? Can I hire them?

Can I support myself and/or family financially during the early startup months.

Do I have family support and a cheering section?

Am I healthy? Am I willing and able to put in long hours (50-60 hours/week) to get started? Am I willing to work weekends or put off vacations?

Do I like people?

Can I deal with stress?

Am I a self-starter?

Can I make decisions?

Do I have money to put into the business? Can I provide at least 25 percent?

How is my credit?

Am I willing to put up house, car or other for collateral?

Am I prepared to lower my standard of living until business is established?

Do I have a fallback plan?

When things get tough, will I give up or push harder?

**Do I understand the market and the competition?** What do I have that makes me better? Do some research. Who is the competition? How much demand is there for your service or product? Check out the supply line. How and where do I get my raw product? How do I get my service or product into the marketplace?

### What kind of insurance do I need?

General liability insurance

Personal property, fire, theft

Vehicle insurance

Business interruption insurance

Talk to an insurance agent. If you have employees you will need workers' compensation insurance. See [www.wa.gov/ini/insurance/workers.htm](http://www.wa.gov/ini/insurance/workers.htm) for more information.

### **Is having a business partner a good idea?**

Can a partner provide more money for start-up? Does the partner's skills complement yours? Do you have the same vision for this business?

Consider the following:

Roles and responsibilities – Who will do what? How will you make decisions? How will you resolve conflicts?

How will a break-up of the partnership be handled? Buy outs etc. You might be perfectly happy now, but situations change.

### **What form of legal ownership is best?**

**Sole Proprietorship:** The simplest and most common form of ownership, a sole proprietorship is owned by an individual or a married couple. It may have employees. Operating as a sole proprietorship means the owner is personally responsible for all liabilities of the business. For federal income taxes, the business is taxed at the personal level for all profits generated by the business. The business does not have to file a separate tax return.

**Partnership:** two or more people share ownership of a business. Owners share and pay personal taxes on the profits of the business. Each partner is individually responsible for the liabilities of the business.

**Limited Liability Company (LLC):** is a combination of the corporate form of ownership in that it provides limited liability and the partnership, which allows you to be taxed as in a partnership.

**Corporation:** A corporation is a separate legal “person”, wholly apart from the individual shareholders who own it, and limiting the liability for the owners.

**C-Corporation:** Most large businesses operate as C-corporations. A C-corporation may have different classes of stock (such as common and preferred) and an unlimited number of shareholders. A C-corporation files its own federal tax return in which corporate profits are taxed and the owners are taxed on their share of the profits.

**Subchapter S Corporation:** this form of corporation is limited to one class of stock, and a limited number of shareholders. An S-corporation does not pay a corporate tax.

### **How much money will I need to start a business?**

Start up costs: what you need to get started. Make a list of everything you will need to get open: equipment, initial inventory, fixtures, lease costs, office supplies, vehicles, signs, fees & permits, pre-opening advertising, brochures, web site design;

Operating costs: what you will need until your business reaches break-even (income pays the bills): rent, utilities, phone, employee wages, payroll taxes, advertising, inventory, insurance, bookkeeping.

### **How do I finance it?**

Most common sources of funding are personal resources; savings, loans from family or friends, other investors, home equity loans.

Banks will lend to some start-ups if they are satisfied with your business plan, level of experience, credit history, and collateral. You will need to have 25 to 30% of your own money.

Other loans: There may be some specialized loans from non-bank lenders. The Small Business Development Center in Spokane can sometimes help with loans or loan guarantees through a separate financial institution. See their website at [www.wsbdc.org](http://www.wsbdc.org) or call them at 509-358-7765.

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