

Necessity entrepreneurship: Tips for the accidental startup business

In today's tough economic times, when potential employers are all but slamming doors, many have no choice but to hire themselves. People who never considered starting their own businesses are forced to adopt a Plan B. Call them the accidental entrepreneurs.



GUEST COLUMN

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For many who are out of work, starting a business has become a survival necessity – the only option left outside the unemployment line. For those not unemployed, but underemployed, starting a small business is a means by which to supplement current income and perhaps grow their business into full-time work over time.

Practically speaking, not everyone will be the next Mark Zuckerberg – taking a simple idea like Facebook and catapulting it into a hugely successful business venture. If you're expecting to hit the jackpot with your big idea, you may want to be more realistic about your expectations. According to the Small Business Administration, about two-thirds of new firms survive at least two years, but only about half survive five years.

The good news: Data suggests that the survival rates of new businesses don't vary significantly between economic expansions and recessions, making now as good a time as any to hang up your own shingle. And, while the Great Recession has put a crimp in the credit markets, if you're peddling your talents, rather than your wares, you probably don't need as much startup capital.

No matter what type of entrepreneur you may be – accidental or otherwise – getting started on the right foot can make a huge dif-

ference to your bottom line and long-term success. Whether you are an out-of-work IT executive looking to start your own company, an innovator with the next great clean energy idea or simply turning your baking hobby into the local cupcake shop, here are a few useful tips to get your business going in the right direction:

■ **Develop a business plan.** No matter how great your idea may be, without an execution plan, you may as well be flying blind. Not only will preparing a comprehensive business plan help provide you with a roadmap to getting your business off the ground, but it may also be a necessity when seeking financial support from lenders or investors.

■ **Make an entity selection.** Are you going to be a sole proprietorship, a limited liability company, an S corporation or a regular C corporation? Consult with both legal and

accounting experts when choosing a type of entity because there may be legal and/or tax ramifications that are important to consider.

■ **Determine necessary licenses, permits and tax filings.**

Your local jurisdiction may require certain licenses or permits to operate your business.

Depending on the type of business and your location, you may also be required to have liability insurance. In addition, depending upon your entity selection, you may need to obtain a tax identification number from the IRS.

If you are selling tangible personal property (and some services), you may be liable for collecting and remit-

ting sales taxes to the state department of revenue.

■ **Develop an accounting routine.** As simple as it sounds, knowing (and keeping up with) basic accounting is essential. What are your startup costs? What do you need to maintain in cash reserves? What level of sales is needed for you to break even? Know the answers to these basic questions and develop good accounting habits, like recording transactions regularly and reconciling accounts monthly.

■ **Be realistic.** Many first-time business owners envision a much rosier picture than what actually transpires. Accurately estimate costs by doing extensive research upfront. How large is the market for your product/service and who/what is your target market? Remember that working for yourself doesn't always mean you have flexibility and freedom. You will soon (hopefully) have many customers, rather than one boss, to please.

■ **Have an exit strategy.** What will happen to your business if you get sick or pass away? If you have a partner or partners, consider having a buyout agreement in place. Most small-business owners don't think of this as a priority when they are first getting started, but having a succession plan can save you many headaches down the road.

As a new business owner, you don't need to know all the answers – none of us do. But, you should have an idea of what questions to ask and where to find the answers to your questions. The Small Business Administration can be an invaluable resource for small businesses. Visit its website at www.sba.gov.

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