

SECRETS TO SUCCESSFULLY STARTING YOUR OWN BUSINESS

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The American Dream is, and always will be, to come up with an idea, start a business and become rich from your own efforts. Based upon this motivation, thou sands of businesses fail each year, due primarily to not being familiar with the basics involved in running a business.

This report will enlighten you, and give you a number of suggestions you can use to better guarantee your chances for success. This report is written with the warning that any and every business venture contains certain inherent risks, and any number of alternatives. We do not espouse that any one way is the right way or that our suggestions are the only way. On the contrary, we advise that before investing any money in a business venture you seek counseling and help from a qualified accountant and/or attorney.

Just about the first thing you should consider before deciding to start or purchase a business is the legal form you'll be operating under. There are basically four choices: sole proprietorship, partnership, limited partnership, and/or corporation.

Each has a number of advantages and disadvantages. We'll try to enumerate some of them for you.

As much as anything else, for many people, starting a business is a form of ego-gratification, and they form a corporation for some sort of prestige gain - just to say, "I own a corporation."

With just a little bit of observation, you'll find that one of the major causes of business failures is due to the founder wasting start-up capital on frills, such as an impressive store-front office, expensive furnishings, and corporate legal costs.

One of the basic traits you must develop if you're going to be successful in business, is a tight hold on your expenditures. In fact, a good rule of thumb is that any thing that does not make money for you or protect your investment, should not be purchased at this time. Very definitely, this applies to the expense of setting up your own corporation.

Unless you have a partnership and start your business as such, the only real advantage to forming a corporation would appear to be that a corporate structure will semi-protect the property you personally own.

As an example, you own a home and car. You form a corporation to protect these possessions from business losses. Yet, if you can be found guilty of misusing corporate funds, your business creditors can pierce the corporate shield and come after your possessions.

Basically, if you invest everything you have in your business, as most newcomers do, you don't usually need a corporation because you have nothing to protect. Your house hold possessions, personal belongings, generally your car, ad even a portion of the equity in your home is protected by the homestead provision of the Federal Bankruptcy Act, and cannot be taken away from you.

As a sole proprietor or partner of a business you'll be paying taxes on your over all earnings, much the same as if you were holding down a salaried or hourly paid job. Whether you do or don't take out money as a salary will have no bearing on the earnings of your business and tax return.

The often advertised advantage of incorporating, that you can manipulate your salary in order to save on tax dollars, is real because of corporation laws. However, the IRS frowns on this practice. When your business is successful and making a lot of money, definitely check with your accountant on the advantages of incorporating.

As a corporation, you'll be subject to a number of other drawbacks as well: generally higher state taxes, stricter laws concerning the operation of your business, more elaborate accounting procedures, and legal papers that are required just about every time you make a major move or sign almost any contract. Thus, your legal and accounting fees will be much higher as a corporation than will those required for a sole proprietorship type of business.

As a sole proprietor or partnership, you'll find many areas require the registration of your business name. The cost however, is minimal, ranging from \$5 to \$100. About the best way to find out what laws apply in your area, is to call your bank and ask if they need a fictitious name registration card or certificate in order for you to open a business account.

Selecting a name for your business is quite important to you and particularly relative to advertising. Your business name should describe the product or services you offer. Fancy names such as, Linda's Clipping Service will lose potential "walk-in and passing" customers to the beauty shop across the street that calls itself, Patti's Beauty Salon or Jane's Hair Styling shop.

The advantage of using your full name in the title of your business, such as Johnny Jones' Meat Lockers, has the advantage of making credit somewhat easier to come by - provided you pay your bills on time - but it also includes the disadvantage of confining your services to a local or at most, a regional area.

Should you buy, lease, or rent space for your business? Think twice before you make any decision along these lines. Most businesses tend to grow quickly or they never get off the ground. There are a few exceptions, but only a very few, that tend to grow at a modified rate.

So, buying a piece of property and setting up your business on or within that property, obligates you to ownership regardless of what happens to your business.

Leases are almost always very strong contracts written by attorneys to the advantage of the property-owner. When you sign an agreement to pay someone for the use of their space over any length of time, you're "nailed in" to paying for that space regardless of what happens to your business.

In the beginning, it's wise to either get the shortest-term lease possible, or arrange to rent with an option to lease at a later date. This does not apply to a retail business, unless your particular business happens to be an untried one.

Definitely, you should open a business bank account. In selecting a bank for your business,

scout around and look for one that can, and will help you. Determine what your banking needs will be, and then via telephone, interview the managers of the banks in your area. The important thing is to be discretionary and not select just the most convenient bank to your business location.

A point to remember: the closer you can make the relationship between you and the bank manager, the better your chances are going to be for approval on loans and/or special favors you may need at a later date.

Try to become acquainted with as many of the bank employees as possible. The better you know them, the more courtesies they'll be extending especially to you in the course of your association.

Just as a doctor is a specialist in his field, and you go to him for medical problems, your banker is a specialist in his field and you should go to him for your money problems. In business, you'll have to learn that everyone is an expert in his own line of work, and in your associations with other business people, refrain from acting like a "sharpie" and/or pretending that you know exactly how everything works in someone else's specialty.

You'll find that very often, different banks specialize in different types of businesses. As an example, you're sure to find banks that specialize in real estate transactions, export-import businesses, and even manufacturing operations only. What I'm saying here is that if you're planning to sell a fairly expensive item, your customers will probably need and/or want financing. It will behoove you to select a bank familiar with your type of product that will afford your customers, through you, contract financing.

Some of the questions you should ask of your banker include the following:

Is it necessary to maintain a certain balance in your account before the bank will approve a loan for you?

What qualifications must you have in order to obtain a line of credit with the bank?

Does the bank limit the number of loans, or types of loans it will approve for small businesses?

What is the bank's policy regarding the size of a check you might deposit that requires holding for collection?

And what about checks less than that amount - will they be immediately credited to your account?

In almost all types of businesses, it will be to your benefit to set up with your bank a method of handling VISA, Master Charge, and regional credit cards. The important thing here is to ultimately set up your account in the bank that will service all of these credit transactions for you - one stop for all your banking needs. In most instances, you'll find that having the capability to fill orders/make sales via credit card transactions, will increase your volume of sales appreciatively.

Once you've made the decision as to which bank is going to handle your account, you'll need your Social Security Number or your Federal Employer's Identification Number, your driver's license, the fictitious name certificate, and if you're requesting a VISA or Master Charge franchise, you'll also need a financial statement. For corporations, you'll also need a corporate resolution approving of the opening of your business account.

There are different policies exercised in just about every state regarding installation/hook-up charges by the telephone and utility companies. Some require a deposit, and some don't.

You'll find that a great number of city business license departments are there solely for the purpose of collecting another tax. Depending on the type of business you're asking a license for, the building and zoning people may inspect your premises for soundness of structure and safety. Generally, you won't encounter any difficulties - you simply pay your fee to operate your business in that city, and the clerk types your name onto a city license certificate.

Relative to sales tax permits and licenses, each state's rules and regulations vary widely. The best thing to do is call your state offices and ask for information concerning registry and collection procedures. Many states require an advance deposit or bond, and you'll find that some wholesalers or manufacturers will not sell to you at wholesale prices until you can show them your sales tax permit or number.

Should your business entail selling your products or services across state lines, in an other state, you're not required to collect taxes except in those where you have offices or stores.

You may find also that your particular business requires the collection of Federal Excise Taxes. For information along these lines, check in with your local office of the Internal Revenue Service.

Some states also require certain businesses to hold state licenses, such as those required in many states for TV Repairmen. These are known as "occupational permits" and are most often required of barbers, hair stylists, real estate people and a number of other consumer oriented businesses. If you have any doubts, check with your state offices for a list of those occupations that require licensing.

Any business doing business in any type of interstate commerce is subject to federal regulations, usually through the Federal Trade Commission. This means that any business that shops, sells or advertises in more than one state is subject to such regulation, and this includes even the smallest of mail order operations.

Normally, very few business people ever have any contact with the federal regulatory agencies. The only exceptions being when there is a question of your operating your business unethically or illegally.

Any business that sells or distributes food in any manner almost always requires a county health department permit. If your business falls into this category, simply call the county health department and invite them out to your place of business for an inspection. The fees generally range from about \$25, depending on the size of your business when they first inspect it for permit approval.

There are also a number of businesses that require inspection by a fire marshal, and fire department approval. Generally, these are those that handle flammable materials or attract large numbers of people, such as a theater. Overall, the local fire department has to be allowed to inspect your premises whenever they desire to do so.

You may also run into a requirement for an air and/or water pollution control permit. These

specifically apply to any business that burns anything, discharges any thing into the sewers or waterways, or use any gas-producing product, such as a paint sprayer.

Without a doubt, you'll need to check on local regulations relating to advertising display signs. Each city or township makes its own rules and then enforces those rules according to its own thinking - check before you contract to have a sign made for your business.

The design and placement of your sign is very important to your business - specifically to retail establishments - but let me remind you that your business sign is usually the first thing a potential customer sees and as such, it should catch his eye and leave an impression that lasts. It would be a good idea to ride around your town and take a look at the signs that catch your eye, and try to determine the impression of the business that sign leaves on you. This is a basic learning formula for determining the design, size and placement of your business sign.

Some of the other things to consider before opening for business - If you intend to employ one or more employees, you'll be required to deduct Federal Income Taxes, and Social Security payments from their checks. This will involve your filing for a Federal Tax Number and necessitates contact with your local IRS Office.

Most states have "unemployment taxes" which will have to be deducted from the pay checks of any employees you hire. And there are a number of states that have income taxes - disability insurance - and any number of other taxes. Again, the best thing to do is check with your local office of the IRS. And above all else, don't forget to ask for the rules of the minimum wage law, and comply.

When your business grows to the point of needing additional help, don't be afraid to look for and hire the help you need. When you're ready to hire someone, simply run an ad in your local paper and/or register your needs with the local office of your state's employment service. Businesses either grow or die, and those that grow eventually need more people in order to continue growing. When that time comes, hire the additional people you need, and your business will continue growing. If you don't, for whatever reason, you'll find yourself married to your business and your business growth stymied.

Regardless of how small your business is when you begin, never walk in with the thought in mind that it's something to keep you busy. Anyone with an attitude of that kind is a fool. You begin and make a business successful in order to realize financial freedom. Establish your business. Put it on its feet, and then hire other people to do the work for you. And those businesses that require an operations manager, or some one to run a phase of the business you're too busy to handle, hire the person needed or the business will surely suffer.

To protect the investment of your business, you need business insurance. If you've never had any experience with business insurance, simply look under the heading of "business insurance" in your phone directory. Ask for bids from several different companies or agents... Primarily, you should have a policy that gives you general liability, fire, workmen's compensation, business interruption, and vehicle coverage. You may also want coverage against possible losses related to burglary, robbery, Life & Accident, Key Man, and Fidelity Bonds.

As the sole proprietor of a business, you won't be paid as an employee, so there will be no income tax deducted from whatever you withdraw from the company's earnings. What you'll have to

do is again check with the IRS Office for a Tax Guide For Small Businesses Handbook, and probably end up filing an estimated tax return on a quarterly basis.

The minute you open your doors for business, you'll have to spend some time engaged in the work of book-keeping. Exactly how, and using what forms, you keep books, should be on the recommendations of a good tax counselor... The same holds true for your overall business and/or payroll accounting system. Look for an experienced CPA that knows the accounting problems to your particular kind of business, and solicit his advise/counseling.

If your business is going to involve the possible purchase or lease of operating equipment, again seek the help of your tax counselor for the most advantageous method of obtaining the needed equipment.

Basically, arranging for your suppliers to give you materials on credit will depend upon your honesty and personal financial statement. The best way is usually a personal visit to the person with the power to approve or disapprove of credit at the company where you want to set up a credit account. Show him your financial statement, and explain your prospects for success. Then assure him that you've always honored all of your obligations, and that if ever there's a question or problem, you'd like for him to call you at home. And of course, give him your home phone number.

We won't go into the exigencies of advertising your products, services or business here, but there is something along these lines you should always keep in mind. The best kind of advertising your business can receive is that that you don't really pay for - publicity. When something unusual happens to you, your business, or your employees - that's news, so be sure you tell the news media in your area about it.

In closing, let me say that the most important ingredient of your eventual success will be the soundness of the planning you did before you started your business. Any number of bad things can really throw your business into a tailspin, but if you've done your homework well - really set up a detailed business plan before starting - your losses or setbacks will be minimal. Success takes planning, and within this report, you've got a basic checklist... The rest is up to you... Good luck, and may your life overflow with success in all that you undertake from this moment forward.