

Thinking about starting or buying a business? You're not alone. Every year, thousands of Americans catch the entrepreneurial spirit, launching small businesses to sell their products or services. Some businesses thrive; many fail. The more you know about starting a business, the more power you have to form an organization that develops into a lasting source of income and satisfaction. This check-list is meant as a guide but is no substitute for the help of an experienced and reputable corporate consultant like The Rivo Consulting Group (www.rivogroup.com).

Evaluate and Develop Your Business Idea

1. Determine if the type of business suits you.
2. Use a break-even analysis to determine if your idea can make money.
3. Write a business plan, including a profit/loss forecast and a cash flow analysis.
4. Find sources of start-up financing.
5. Set up a basic marketing plan.

Decide on a Legal Structure for Your Business

6. Identify the number of owners of your business.
7. Decide how much protection from personal liability you'll need.
8. Decide how you'd like the business to be taxed.
9. Consider whether your business would benefit from being able to sell stock.
10. Research the various types of ownership structures:
 - Sole proprietorship
 - Partnership, LLP
 - LLC
 - C Corporation
 - S Corporation
11. Seek further information from an outside source regarding corporate structuring.

Choose a Name for Your Business

12. Think of several business names that might suit your company and its products or services.
13. Check domain name availability.
14. Check the list of fictitious or assumed business names.
15. Check the availability of your proposed names with the Secretary of State
16. Do a federal or state trademark search of your proposed name.
17. Choose between the proposed names that meet your requirements.

Register Your Business Name

18. Register your business name with your county clerk, if necessary.
19. Register your business name as a federal or state trademark.
20. Register your domain name if you'll need a web address.

Prepare Organizational Paperwork

21. Partnership:
 - Partnership agreement
 - Buyout agreement (also known as a buy-sell agreement)

22. LLC:
 - Articles of organization
 - Operating agreement
 - Buyout agreement (also known as a buy-sell agreement)
23. C Corporations:
 - Pre-incorporation agreement
 - Articles of incorporation
 - Corporate bylaws
 - Buyout agreement (also known as a buy-sell agreement or stock agreement)
24. S Corporations:
 - Articles of incorporation
 - Corporate bylaws
 - Buyout agreement (also known as a buy-sell agreement or stock agreement)
 - File IRS Form 2553, Election by a Small Business Corporation

Find a Business Location

25. Identify the features and fixtures your business will need.
26. Determine how much rent you can afford.
27. Decide what neighborhood would be best for your business.
28. Make sure any space you're considering is or can be properly zoned for your business.
29. Before signing a commercial lease, examine it carefully and negotiate the best deal.

File for Licenses and Permits

30. Obtain a federal employment identification number.
31. Obtain a seller's permit from your state if you will sell retail goods.
32. Obtain state licenses, if necessary.
33. Obtain a local tax registration certificate, a.k.a. business license.
34. Obtain local permits, if required.

Determine Insurance Requirements

35. Determine what coverage your business property requires.
36. Contact an insurance agent or broker to answer questions and give you policy quotes.
37. Obtain liability insurance on vehicles used in your business.
38. Obtain liability insurance for your premises if customers or clients will be visiting.
39. Obtain product liability insurance if you will manufacture hazardous products.
40. Check your homeowner's policy if you will be working from your home.
41. Consider health & disability insurance for yourself and your employees.

Set Up Your Books

42. Decide whether to use the cash or accrual system of accounting.
43. Choose a fiscal year if your natural business cycle does not follow the calendar year.
44. Set up a recordkeeping system for all payments to and from your business.
45. Consider retaining a consultant and accountant to help with business processes.
46. Have your consultant or accountant develop or train you on accounting software.

Set Up Tax Reporting

47. Familiarize yourself with the general tax scheme for your business structure.
48. Familiarize yourself with common business deductions and depreciation.
49. Obtain IRS Publications 334, *Tax Guide for Small Business*, and 583.
50. Obtain the IRS's *Tax Calendar for Small Businesses*.

Formalities and Expenses with Business Entity Formation

Although sole proprietorships and general partnerships are easy to set up and most often, fees and filings are not required to start the business, this type of entity is most often contraindicated by many start-up consultants.

LLCs and corporations, on the other hand, are a little more expensive to create and somewhat more difficult to maintain. To form an LLC or corporation, documents must be filed with the Secretary of State and a fee is required, ranging from \$50 to about \$350. In addition, owners of corporations and LLCs must elect officers (usually, a president, vice president, and secretary) to run the company. They also have to keep records of important business decisions and follow other formalities.

LLC's and Corporations offer a level of protection from personal liability and personal asset seizure. An experienced consultant can assist, with the direction of the principal, the filing of such paperwork that best suits an individual situation.

Income Taxes

Owners of sole proprietorships, partnerships, and LLCs all pay taxes on business profits in the same way. These three business types are "pass-through" tax entities, which means that all of the profits and losses pass through the business to the owners, who report their share of the profits (or deduct their share of the losses) on their personal income tax returns. Therefore, sole proprietors, partners, and LLC owners can count on about the same amount of tax complexity, paperwork, and costs.

Owners of these unincorporated businesses must pay income taxes on *all* net profits of the business, regardless of how much they actually take out of the business each year. Even if all of the profits are kept in the business checking account to meet upcoming business expenses, the owners must report their share of these profits as income on their tax returns.

In contrast, the owners of a corporation do not report their shares of corporate profits on their personal tax returns. The owners pay taxes only on profits they actually receive in the form of salaries, bonuses, and dividends.

The corporation itself pays taxes, at special corporate tax rates, on any profits that are left in the company from year to year (called "retained earnings"). Corporations also have to pay profits on dividends paid out to shareholders, but this rarely affects small corporations, which seldom pay dividends.

This separate level of taxation adds a layer of complexity to filing and paying taxes, but it can be a benefit to some businesses. Owners of a corporation don't have to pay personal income taxes on profits they don't receive. And, because corporations enjoy a lower tax rate than most individuals for the first \$50,000 to \$75,000 of corporate income, a corporation and its owners may actual have a lower combined tax bill than the owners of an unincorporated business that earns the same amount of profit.

Investment Needs

Unlike other business forms, the corporate structure allows a business to sell ownership shares in the company through its stock offerings. This makes it easier to attract investment capital and to hire and retain key employees by issuing employee stock options.

But for businesses that don't need to issue stock options and will never "go public," forming a corporation probably isn't worth the added expense. An LLC provides the same protection as a corporation, but the simplicity and flexibility of LLCs offer a clear advantage over corporations.

Changing Your Mind

Your initial choice of a business structure isn't set in stone. You can start out as sole proprietorship or partnership and later, if your business grows or the risk of personal liability increases, you can convert your business to an LLC or a corporation.

In Conclusion:

As you can see, starting a business involves making quite a few initial decisions and getting policies and paperwork in place. While you may have a great idea and are very proficient at creating your product(s) or delivering your service(s), it is true the vast majority of all small businesses will fail within the first few years. This can be largely attributed to the way a business is initially structured and operated. Just as you are the best at what you do, a seasoned corporate consultant like The Rivo Consulting Group is the best at what they do – making businesses work!



The Rivo Consulting Group can help with just one or all fifty of the points listed above. You don't have to go it alone! The Rivo Consulting Group has helped countless start-ups succeed well beyond their principals' dreams and can do it for you too. The Rivo Consulting Group is sensitive to the budgetary restrictions faced by many start-ups and will work with principals with fair rates and in some cases, even deferred compensation. It never costs anything to start an initial dialog! A veteran Rivo Consultant will always work personally with a principal and as a client, you will never be passed off to an office worker or intern. Your consultant will be an advocate, by your side, for as long as you deem necessary.

The Rivo Consulting Group commissions some of the area's most qualified professionals for legal, tax and accounting advice throughout any contracted start-up. No principal nor employee of The Rivo Consulting Group will represent him/herself as an accountant, CPA, Attorney, Enrolled Agent or the like and the points of interest contained in this article are for information purposes only. The reader is encouraged to seek the counsel of an attorney or CPA at any time throughout the business start-up cycle.