

# START UP

 SMART

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# SMALL BUSINESS DEVELOPMENT CENTER

SBDCs provide high quality, confidential, one-on-one consulting, access to capital, training, and resources to empower new and existing businesses. When you become a client of the SBDC, you will have access to guidance from a team of experienced business professionals, access to capital, access to training, and more.

01 STARTUP ASSISTANCE

02 FINANCIAL ASSISTANCE

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06 MARKETING

07 BUSINESS OPERATIONS

08 HUMAN RESOURCES

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10 BUSINESS VALUATIONS

02 STARTUP  
SMART



South Central Regional Center



# STARTUP SMART

## INTRODUCTION

In this training we will review the key steps of starting, managing, and growing a business. You will learn how to write a business plan, conduct market research, fund your business, meet your legal obligations, launch your business, and more.

### PLAN BUSINESS



### START BUSINESS



# WHAT IS A SMALL BUSINESS?

There are different definitions for small businesses, depending on which organization is classifying them. The Federal Government, Small Business Administration, and others all have their own definition of what makes a small business. Generally, small businesses need to be a legally recognized business entity, have fewer than 500 employees, and make less than \$40 million in revenue per year.

## LEGAL ENTITY

A small business needs to be a privately owned corporation, partnership, or sole proprietorship.

## EMPLOYEES

An establishment with fewer than 500 employees.  
(Small Business Administration)

## REVENUE

A small business makes less than \$40 million in revenue and has less than 1,500 employees. (Federal Government)

## MICRO BUSINESSES

Employ four or less employees.

# SMALL BUSINESS FACTS



**33.2 MIL**

Small businesses  
in the USA

**1 HALF**

Of US workforce  
is employed by  
small businesses

**525,000**

New jobs each  
year created by  
small businesses

**45%**

Of US GDP is  
tied to small  
business

**20%**

Of small businesses  
fail within the first  
year

**124,551**

Black owned  
businesses in  
the USA

**32%**

Of small  
businesses are  
owned by  
women

**GEN X**

41 - 56 year olds  
own the majority  
of small  
businesses

**67 CENTS**

Of every \$1 spent  
at small  
businesses stays  
local



# TOP REASONS BUSINESSES FAIL

## MONEY

Cash flow and money management problems

## BUDGETING

Failing to adequately budget

## TAXES

Making mistakes on business taxes

## SUPPORT

Failure to seek outside help or resources

## BANKING

Using personal bank accounts for business expenses

## CREDIT

Ignoring business credit opportunities

## PLANNING

Lack of business planning

## EXPERIENCE

Lack of experience or knowledge

**DISCIPLINED**

**SELF AWARE**

**EMPATHETIC**

**MOTIVATED**

**RISK TAKERS**

**PASSIONATE**

**CREATIVE**

**RESOURCEFUL**

**COMMUNICATORS**

**FLEXIBLE**

**RESILIENT**

**OPTIMISTIC**



# TRAITS OF SUCCESSFUL ENTREPRENEURS

# WHAT IS YOUR 'WHY?'

Before starting a new business, it's important to understand why you want to start a business. Your "Why" can be a variety of things, and it can help you develop and work toward your goals.



## MONEY & WEALTH

Do you want to make money and generate wealth?



## FLEXIBILITY

Do you want a flexible lifestyle and the ability to make your own schedule?



## LEGACY

Do you want to create a business to pass on and leave a legacy?



# ARE YOU READY?

Do you have what it takes to be a small business owner?

## **DETERMINATION**

Am I determined enough to meet my goals?

## **DISCIPLINE**

Do I have the personal discipline to see this through?

## **DISAPPOINTMENT**

How will I handle disappointment?

## **SUPPORT**

Do I have a support network?

## **DISCOMFORT**

Am I comfortable with uncertainty?

## **PREPAREDNESS**

Do I feel ready to start a business?



# BUSINESS PLAN

Your business plan is the foundation of your business. It's a roadmap for how to structure, run, and grow your new business. You'll use it to convince people that working with you — or investing in your company — is a smart choice.

## ORGANIZE

Serves as an action plan to manage, organize and sustain

## CUSTOMERS

Helps identify and define your target market

## FUNDING

Helps plan and anticipate future capital needs

## STORYTELLING

Tells the story of your business to others, like potential lenders

# WHAT KIND OF BUSINESS?

The first step in writing a business plan is to identify what kind of a business you're planning to start or buy. The type of business you plan to own will determine how you write your business plan.



## START A BUSINESS

You're starting a brand new business. Your plan will show how you will start and manage it.



## BUY A BUSINESS

You are buying an existing business. Your business plan will show how you plan to operate it.



## BUY A FRANCHISE

You are buying an existing franchise. A business plan will likely be provided for you to adjust.

# PLAN ELEMENTS

A business plan should include key sections to thoroughly cover all elements that are important to the operation of your business.



**OFFERING**  
PRODUCT OR SERVICE



**FINANCIAL**  
PROJECTIONS



**MARKETING**  
STRATEGY



**OPERATIONS**  
KEY PERSONNEL

# MARKET RESEARCH

■ **WHAT DO I WANT TO SELL?**

■ **WHAT WILL MY PRODUCT OR SERVICE DO?**

■ **WHAT PROBLEM DOES MY PRODUCT/SERVICE SOLVE?**

■ **HOW IS MY PRODUCT/SERVICE DIFFERENT FROM WHAT CURRENTLY EXISTS?**

■ **WHO WILL BUY IT? HOW WILL I FIND OUT?**

■ **HOW MUCH WILL THEY PAY FOR IT?**

# UNDERSTANDING THE COMPETITION

## WHO

Who is already providing this product or service?

## PRICING

How much do they charge?

## STRENGTHS

What are their strengths?

## WEAKNESSES

What are their weaknesses?

## CUSTOMERS

Who are their customers?

## AUDIENCE

What types of customers are they targeting?





# MARKETING STRATEGY

## CUSTOMERS

Which customers will I target?

## SOLUTION

What are my customers' problems, and how will my business solve them?

## BRAND REACH

How will customers find out about my business?

## MARKETING

How will I reach potential customers?

## LEADER

What sets my business apart from the competition?

## BUDGET

How much will I budget for marketing?

# OVERHEAD COSTS

Overhead costs are one-time startup costs that you will spend in order to open or launch your business.

STARTING INVENTORY

LEGAL FEES

LICENSES & PERMITS

LEASE/RENT DEPOSIT

REMODELING

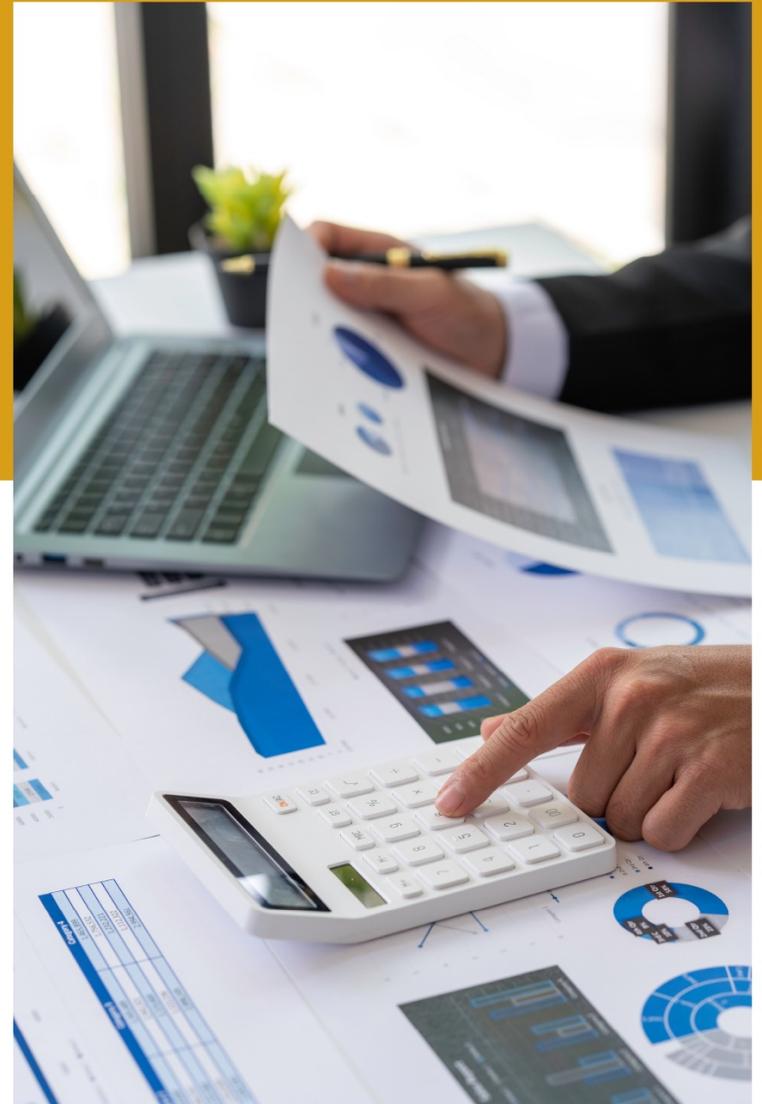
OFFICE FURNITURE

LOGO DESIGN

WEBSITE DESIGN

OFFICE EQUIPMENT

SUPPLIES



# VARIABLE COSTS

Variable costs or recurring costs are expenses that need to be paid regularly, usually on a monthly basis.

SALARIES

LEGAL FEES

ACCOUNTING FEES

RENT/LEASE PAYMENTS

INVENTORY

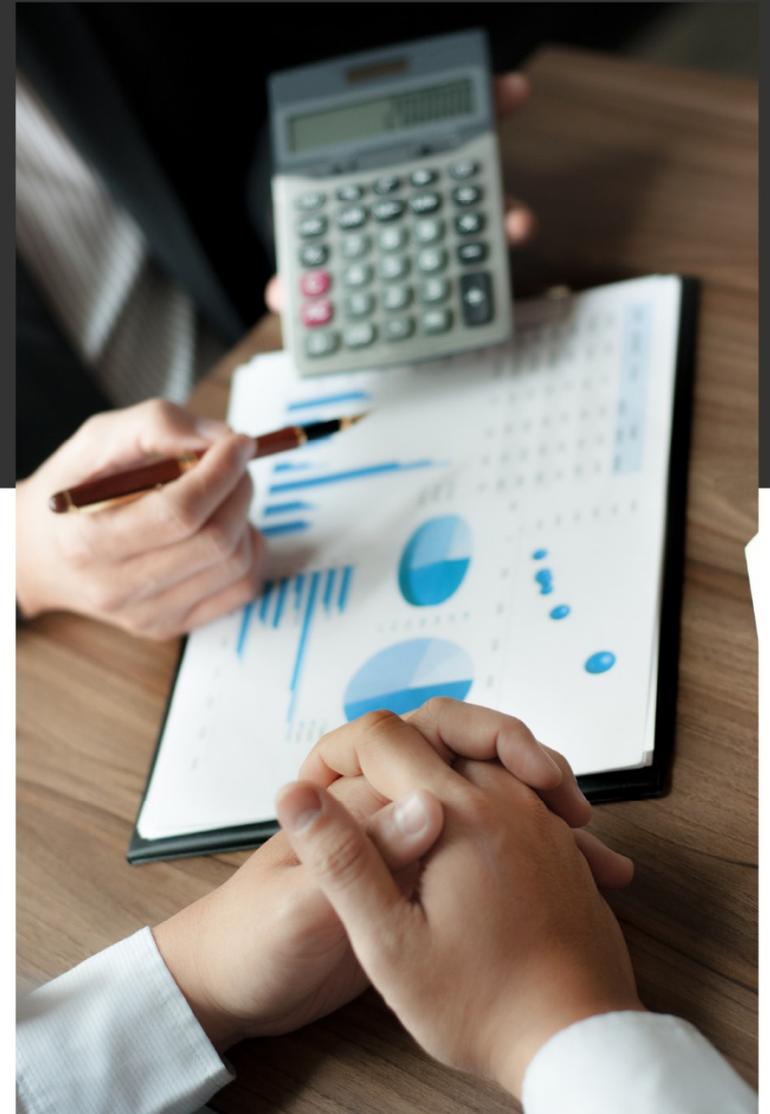
UTILITIES

ADVERTISING

WEBSITE HOSTING

DUES/SUBSCRIPTIONS

SUPPLIES



# FINANCIALLY PREPARE YOURSELF



## DEBT

Limit new debt

## LESS

Start living on less

## 6 MONTHS

How much do you need to live for 6 months

## SAVE

Start saving money

## TRACK

Track your expenses

## SIDE HUSTLE

Can you continue to work for stability

## PERSONAL

Get your personal finances in order

## BUDGET

Budget by the month



# FUND YOUR BUSINESS

Your business plan will help you figure out how much money you'll need to start your business. If you don't have that amount on hand, you'll need to either raise or borrow the capital.

## SAVINGS

Fund your business yourself through money you have saved

## INVESTORS

Money from investors who get a share of your business

## FAMILY

Borrow money from family or friends

## BORROW

Use a personal line of credit or credit card

## MICROLOANS

Microloans can be borrowed from economic development organizations

## LOCAL FUNDS

Cities and states often provide loans for local businesses

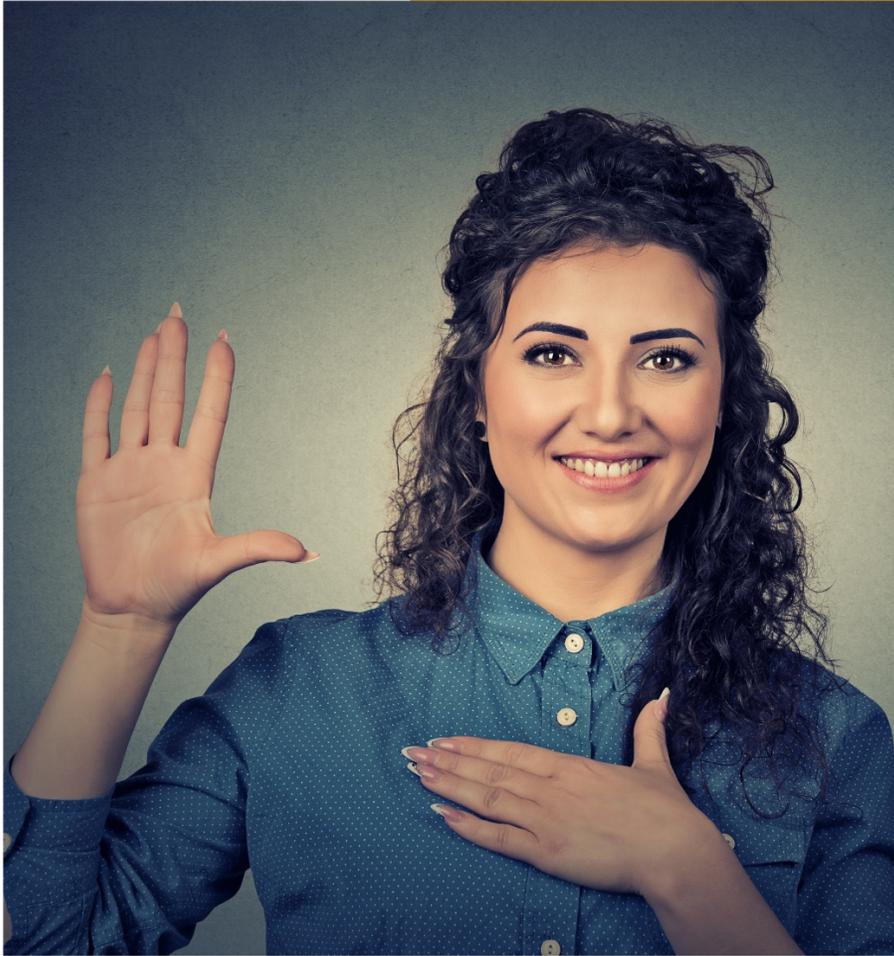
# BANK LOANS

A common way to fund businesses is to obtain a loan from a bank. Bank loans can be supported by the Small Business Administration. There are also local resources for “gap” financing, with local lending and economic development organizations “filling the gap” between available and necessary financial resources.



# CREDIT READINESS

What do bank lenders look for in a candidate for a business loan? These are the 5 C's of credit worthiness.



## CHARACTER

The general impression you make, trustworthiness

## CAPACITY

Can you comfortably afford your payments?

## COLLATERAL

Guarantees - You pledge something you own

## CAPITAL

Savings, investments, assets that help repay the loan

## CONDITIONS

How do you plan to use the money



# HOW MUCH?

You should make sure you understand exactly what your business will need in a loan. Make sure you ask for enough, it's better to ask for what you need up front then to ask for more later.

## ■ HOW MUCH DO YOU NEED?

How much money does your business *really* need?

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## ■ SHORT-TERM NEEDS

How much does your business need over the next few months?

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## ■ LONG-TERM NEEDS

How much does your business need over the next few years?

# TYPES OF LOANS

There are different types of loans that serve different purposes and have different repayment plans. Make sure you choose the type of loan that is right for your business.

## TERM LOAN

A term loan is a fixed amount of money that you will pay back during a specified period of time.

## LINE OF CREDIT

A line of credit allows you to borrow up to a maximum amount of money, repay some if it, and borrow more up to the maximum loan amount. This is helpful for retail businesses that regularly buy inventory.



# PICK YOUR BUSINESS LOCATION

Your business location is one of the most important decisions you'll make. Whether you're setting up a brick-and-mortar business or launching an online store, the choices you make could affect your taxes, legal requirements, and revenue.



# CHOOSE A NAME

It's not easy to pick the perfect name. You'll want one that reflects your brand and captures your spirit. You'll also want to make sure your business name isn't already being used by someone else.

- Research your chosen business name.
- Search the Secretary of State's business filing records.
- Search the Federal Trademark database.
- Google it - Is the name being used by other businesses?
- How easy will it be for people to find your business with your chosen name?



# LEGAL STRUCTURE

## SOLE PROPRIETORSHIP

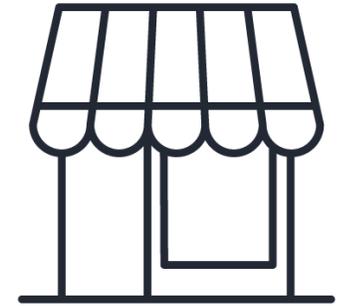
A sole proprietor is someone who owns an unincorporated business by himself or herself.

## CORPORATION

A corporation, sometimes called a C corp, is a legal entity that's separate from its owners. Corporations can make a profit, be taxed, and can be held legally liable. Corporations offer the strongest protection to its owners from personal liability, but the cost to form a corporation is higher than other structures.

TAXED

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TAXED

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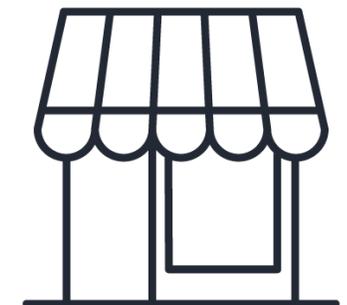


LIABILITY  
SHIELD



TAXED

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# LEGAL STRUCTURE

## LIMITED LIABILITY COMPANY (LLC)



The LLC is one of the most popular legal structures for a business today. An LLC offers the personal liability protections of a corporation, meaning the personal assets of members are insulated from claims against the company in most cases. It also has great flexibility when it comes to how the business is taxed and how profits and losses are passed through to the owners.

## GENERAL OR LIMITED PARTNERSHIP

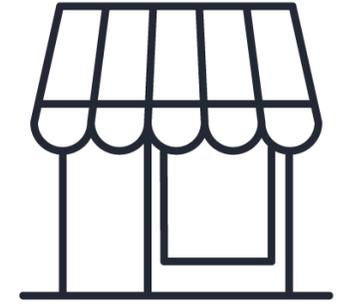
A general partnership must have at least two general partners (GPs), a limited partnership must have at least one GP and at least one limited partner. Limited partnerships are distinct from limited liability partnerships, in which all partners have limited liability.

TAXED

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LIABILITY SHIELD

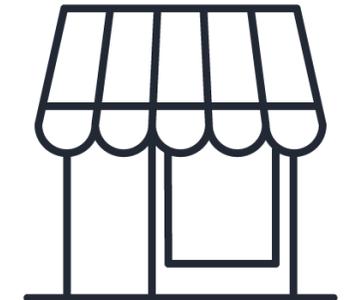


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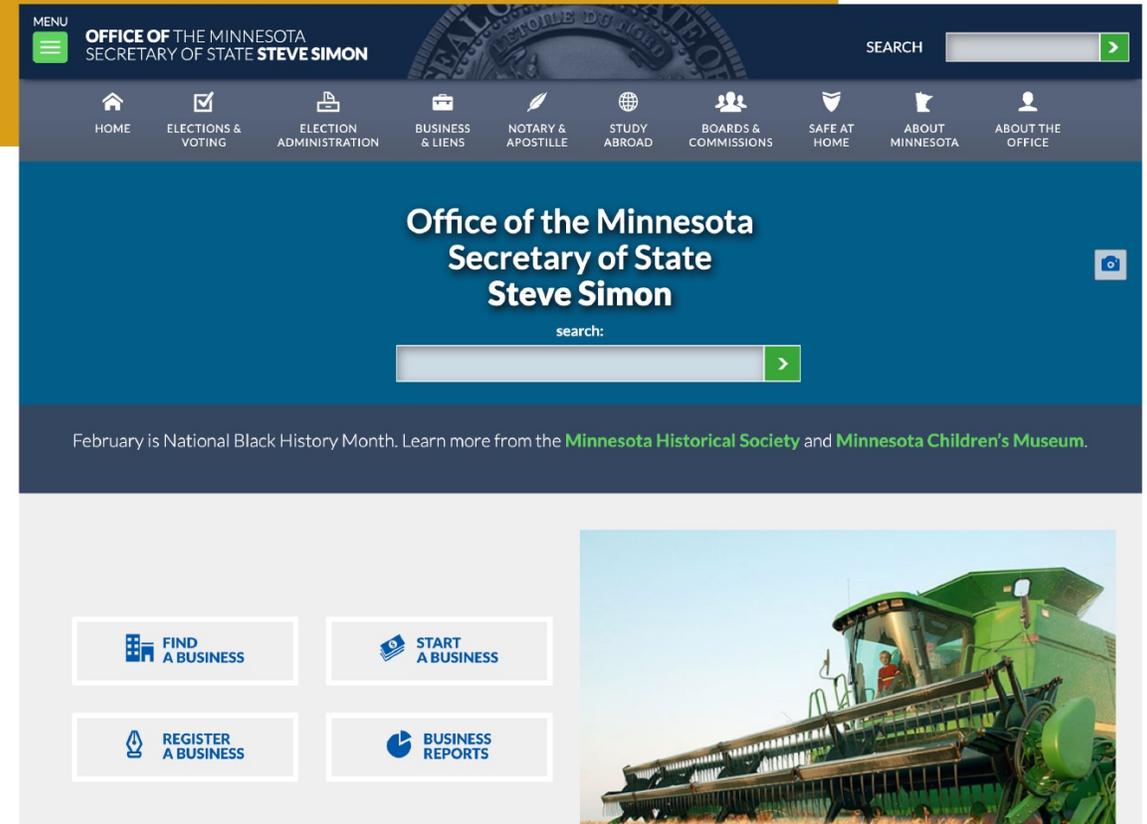


LIABILITY SHIELD



# REGISTER

Once you have selected your legal business entity, you will need to register it with the Minnesota Secretary of State. Businesses registered for the first time in the State of Minnesota are “domestic” filings. Businesses that have been filed in other states first are “foreign” filings. Contact a business attorney for any filing questions.





# INSURANCE

Most businesses should have some kind of business insurance. Here are some examples of types of insurance that may apply to your business.

- **GENERAL LIABILITY INSURANCE**
- **WORKERS COMP INSURANCE**
- **COMMERCIAL PROPERTY INSURANCE**
- **BUSINESS INCOME INSURANCE**
- **PROFESSIONAL LIABILITY INSURANCE**

■ **COMMERCIAL AUTO INSURANCE**

■ **SPECIFIC INDUSTRY INSURANCE**

# APPLY FOR TAX IDS

Your business will need to be assigned state and federal tax IDs.

The screenshot shows the Minnesota Department of Revenue website. The main heading is "Minnesota Tax ID Requirements". Below the heading, there is a brief description: "A Minnesota Tax ID Number is a seven-digit number used to report and pay Minnesota business taxes. If you need one, you can apply through [Business Tax Registration](#)." There are three expandable sections: "You need a Minnesota Tax ID if you:", "If you have a Minnesota Tax ID, you may need to apply for a new one if:", and "You do not need a Minnesota Tax ID to:". To the right, there is a "Contact Info" sidebar with fields for EMAIL (Contact form), PHONE (651-282-5225, 800-657-3605), HOURS (+), and ADDRESS (+). The footer includes the Minnesota Department of Revenue logo and social media icons.

## MN STATE TAX ID

Register for a Minnesota State Tax Id on the Minnesota Department of Revenue website.

The screenshot shows the IRS website. The main heading is "Apply for an Employer Identification Number (EIN) Online". Below the heading, there are language options: English, Español, 中文(简体), 中文(繁體), 한국어, Русский, Tiếng Việt, and Кыргыз тили. There is a "Hours of Operation" section: "Monday to Friday, 7 a.m. to 10 p.m. Eastern Standard Time." Below that is "Step 1: Determine Your Eligibility" with a list of requirements: "You may apply for an EIN online if your principal business is located in the United States or U.S. Territories.", "The person applying online must have a valid Taxpayer Identification Number (SSN, ITIN, EIN).", and "You are limited to one EIN per responsible party per day." A note explains: "The 'responsible party' is the person who ultimately owns or controls the entity or who exercises ultimate effective control over". To the right, there is a "Related Topics" section with links: "State and Federal Online Business Registration", "Online EIN: Frequently Asked Questions", "Employer ID Numbers", "System Requirements", "Privacy Act Statement and Paperwork Reduction Act Notice", and "Businesses with Employees". The footer includes the IRS logo and social media icons.

## FEDERAL TAX ID

Register for a Federal Employer Identification Number (FEIN) on the IRS website.

# LICENSES

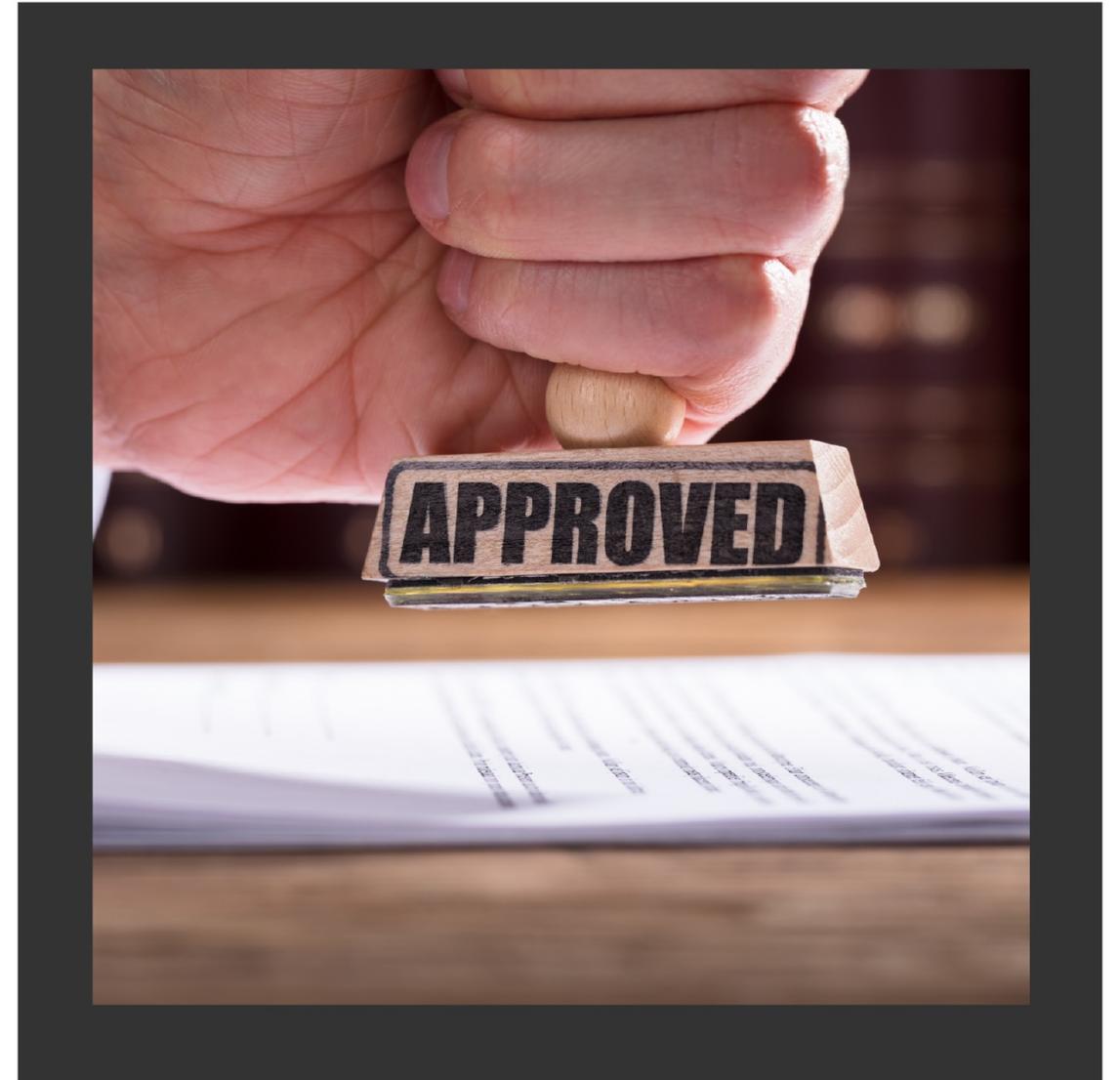
You may need to apply for business permits and licenses, depending on your type of business.

## PERMITS

Permits may be required for restaurants, liquor serving establishments, beauty salons, and other service and hospitality businesses.

## LICENSES

A license is often required for certain professions like medical practitioners, construction companies, and other businesses.





# BANK ACCOUNTS

Business bank accounts **MUST** be separate from personal accounts.

## **OPEN A BUSINESS BANK ACCOUNT**

All business income and expenses must go through a separate business bank account.

Schedule an appointment with a banker. Bring your State of Minnesota filing forms and your IRS EIN confirmation letter.

# LAUNCH



You've written your business plan, completed market research, and funded your business. Now it's time to launch. You'll need to file a legal business entity, get state and federal tax IDs, required licenses and permits, and open bank accounts for your new business.



# RESOURCES

There are many resources to support you along your small business journey. Find more resources and information on our website, [myminnesotabusiness.com](http://myminnesotabusiness.com).



**SBA**  
SBA.GOV



**SCORE**  
SCORE.ORG



**WOMEN VENTURE**  
WOMENVENTURE.ORG



**SMIF**  
SMIFFOUNDATION.ORG

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