



# How to Start and Manage a Home-Based Business



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*How to Start and Manage a Home-Based Business was originally authored by Barbara Cunningham, former business development specialist for the University of Missouri Extension's Business Development Program.*

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*For personalized information and assistance, please locate a Missouri Small Business and Technology Development Center at by visiting the list at [www.missouribusiness.net/sbtcd/centers.asp](http://www.missouribusiness.net/sbtcd/centers.asp) or phone (573) 884-1555.*

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## Learning Objectives

- Identify licenses and regulations required to operate your business legally.
- Recognize keys to recordkeeping success.
- Plan an effective marketing strategy.
- Identify resources to assist you in your business.
- Address issues such as legal structure, taxes, insurance and sources of financing.
- Begin preparing a business plan

## Obligations to Start and Operate

All operating businesses are subject to a number of tax obligations, permit and license requirements, zoning restrictions and other laws at the city, county, state and federal government levels.

As a future business owner, begin by learning what your obligations will be BEFORE opening your business. After learning the requirements, secure the forms, apply for the licenses and registration numbers and identify all the costs. These costs are not only part of a business's start-up expenses but also an ongoing cost of doing business. So, place these expenses in your yearly operating budget and create a calendar of dates when the taxes and licenses are due for renewal and payment. Order the free IRS *Small Businesses Tax Calendar* by phoning (800) 829-3676 or from the Small Business/Self-Employed section of the IRS Web site at [www.irs.gov/businesses/small](http://www.irs.gov/businesses/small).

## General Information

While every business may not be subject to all the requirements provided, carefully read the information provided by your respective city, county, state and Federal government. Many requirements stem from the legal structure you choose for your business; the type of business you are starting; the estimated revenues anticipated; the number of employees; and the physical location of the business.

## City

City Hall is the first place to call to learn the requirements of the city where you plan to operate your business. Offices within City Hall issue zoning clearances, occupational licenses, home-based business guidelines and inform you of your tax obligations per their city.

Occupation License. Businesses operating in most metropolitan area cities must obtain an occupation license regardless of their size, composition or legal structure.

A prerequisite for obtaining a license is usually a Zoning Clearance. The clearance assures that the location from which the business will operate has the proper zoning for that type of business. Home-based businesses can legally operate if they meet the "home occupation" requirements of their city. Each town or city has its own guidelines. Some are vague and others are very specific. See sample requirements at the end of this section. It is important to note that additional clearances may be required. For example, food-serving establishments require health department clearances in most cities. (Note: Some cities require those representing multi-level marketing companies to obtain home occupation permits and some do not. If you represent a multi-level company, check with your city. Don't rely on the home office of the

company you represent. It is your responsibility. Check directly with your city). Most occupation licenses are issued on a calendar year basis. The cost of a license may vary by type of business. There may be a flat fee for first registration or prorated based on the number of months remaining in the year. Fees may be based on gross sales, square footage of the business or home-based status.

Kansas City and St. Louis have local Small Business Administration (SBA) offices to help local businesses:

Kansas City, Missouri: SBA Office  
1000 Walnut, Suite 500  
Kansas City, MO 64106  
(816) 426-4900

St. Louis, Missouri: SBA Office  
200 N. Broadway, Suite 1500  
St. Louis, MO 63102  
(314) 539-6600

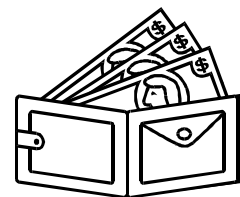
For local city hall telephone numbers, check your telephone book listings.

Businesses selling on a retail basis must also obtain a tax identification number from the state prior to obtaining a city occupation license. Contact your state business tax registration office. In Missouri, it is the Department of Revenue at [www.dor.mo.gov/tax/business](http://www.dor.mo.gov/tax/business).

**Earnings and Profit Tax:** Some cities require a business to withhold an earnings tax of 1 percent or more on the gross wages, salaries, commissions and all other earned compensation paid to employees living and/or working within its geographic boundaries. The amount withheld from employees' paychecks must be remitted to the City usually on a quarterly basis. For the business itself, there may also be a profit tax on net profits, which is usually collected on or before April 15<sup>th</sup> of each year.

Contact your local City Hall for more information.

**Miscellaneous Taxes:** Other city taxes your business might be subject to include, business personal property tax, real property tax (property owners) and a utility tax based on gross receipts tax on users of electricity, natural gas, steam and telephone. Contact your local City Hall for more information.



## Sample Home Occupation City Ordinances

The following are given only as samples. Each location varies. Be sure to call city hall and request a copy of the requirements for your city.

KANSAS CITY, Missouri Zoning Ordinance  
Residential Home Occupation Guidelines



Home occupations are permitted in any residential zoning district when the business is operated according to the following guidelines from section 39.042 of the zoning ordinance:

1. A home occupation shall be located in the dwelling and carried on only by members of the immediate family of the person occupying such dwelling as his or her private residence.
2. There shall be no exterior storage of business equipment, materials, merchandise, inventory or heavy equipment.
3. There shall be no exterior indication of the home occupation.

4. One unilluminated nameplate not exceeding eighty (80) square inches may be displayed. The nameplate may carry only the name and occupation of the resident.
5. Neither home occupation nor any storage of goods, materials or products connected with a home occupation shall be allowed in any accessory building or structure.
6. Merchandise shall not be displayed or offered for sale either within or outside the residence.
7. No activity shall produce any noxious matter or odor nor shall there be any perceptible noise beyond the lot line.
8. No sales are permitted on site.

Additionally, off street parking in zoning districts R-1, R-2, R-3, R-4, R-4-0, R-5-0, and R-6 shall be limited to passenger vehicles only. No trucks shall be parked in said district, except:

- a) For deliveries, and
- b) Any truck which has a length of twenty (20) feet or less and which is used primarily as the owner's personal means of transportation and which is licensed for a gross weight of not more than 12,000 lbs.

**PLATTE CITY, Missouri Zoning Ordinance  
Residential Home Occupation Guidelines  
Section 5.700. Home Occupations.**

1. Home occupations shall be permitted in the R-1, R-2 and R-3 Districts.

2. Restrictions and Limitations:
  - (a) The home occupation shall be incidental and subordinate to the principal residential use of the premises and not more than twenty-five (25) percent of the floor area of any one floor of a dwelling unit, or one room whichever is the smaller, shall be used for a home occupation.
  - (b) No outdoor storage of materials or equipment used in the home occupation shall be permitted.
  - (c) No alteration of the exterior of the principal residential building shall be made which changes the character thereof as a residence. The home occupation shall be carried on entirely within the principal residential structure and under no circumstances shall the home occupation be carried on within a detached accessory building.
  - (d) No sign shall be permitted unless required by State Statute, and if so required, shall not exceed two square feet in area, shall not be illuminated and shall not be placed flat against the main wall of the building.
  - (e) No person shall be engaged in such home occupation other than a person occupying such dwelling unit as his residence.
  - (f) No equipment shall be utilized that creates a nuisance due to noise or electrical interference.
  - (g) Parking generated by the conduct of a home occupation shall be provided off-street in an area other than the required front yard.
  - (h) No commodities shall be displayed or sold on the premises except that which is produced on the premises.

3. Particular Home Occupations Permitted:

Customary home occupations include, but are not limited to, the following list of occupations; provided, however, that each listed occupation is subject to the requirements set forth above:

- (a) Art, dancing and music schools provided that instruction is limited to five pupils.
- (b) Professional offices for architects, engineers, planners, lawyers, accountants, bookkeepers, and similar professions.
- (c) An office for realtors, insurance agents, brokers, sales representatives and manufacturing representatives when no exchange of tangible goods is made on the premises.
- (d) Radio, television, phonograph, recorder and small appliance repair services.
- (e) Day care centers caring for less than five unrelated children.
- (f) Home crafts and hobbies such as model making, rug weaving, lapidary work, cabinet making, etc.
- (g) Tailoring, alterations and seamstresses.

4. Particular Home Occupations Prohibited

- (a) Antiques - retail
- (b) Funeral services
- (c) Groceries - retail
- (d) Second-hand merchandise - retail
- (e) Tourist homes
- (f) Equipment rental
- (g) Automobile and other motor vehicle repair services
- (h) Physicians
- (i) Dentists
- (j) Chiropractors
- (k) Beauty and barber services

## County

**Business Property Tax.** The primary registration required at the county level is for property tax purposes. Other licenses such as a Merchants/Manufacturers License may be an obligation depending on the county. Regardless of location, the county courthouse is where you seek information on registering your business.

## State

The Missouri Small Business and Technology Development Centers (SBTDC) offers a free guide, *Starting a New Business in Missouri*, on the “nuts and bolts” of operating a business in Missouri, available online:

[www.missouribusiness.net/sbt/dc/startup.asp#starting](http://www.missouribusiness.net/sbt/dc/startup.asp#starting).

The counselors at the SBTDC can also provide guidance about business registrations and tax requirements.

### Missouri SBTDC:

Phone: (573) 884-1555

Center list:

[www.missouribusiness.net/sbt/dc/centers.asp](http://www.missouribusiness.net/sbt/dc/centers.asp)

## State Business Licenses, Fees, Permits and Regulations

Some professions are regulated by state boards and require licenses at a personal and/or business entity level. For more information contact the Missouri Division of Professional Registration, 3605 Missouri Boulevard, P.O. Box 1335, Jefferson City, MO 65102; phone: (573) 751-0293 or on the Web at:

[www.pr.mo.gov](http://www.pr.mo.gov).

The Missouri Revised Statutes can be explored to learn about required license and permits for specific businesses. The statutes are searchable and can be found online at:

[www.moga.mo.gov/statutesearch/](http://www.moga.mo.gov/statutesearch/).

## **Forms of Organization and Registration**

### **Legal Structure Registration**

There are four basic forms of business organization: sole proprietorship, partnership, limited liability company and corporation. There are many modifications and variations within these forms, but the key to selection revolves around the concept of liability and taxation. In choosing your business structure, consult with both a qualified accountant and attorney who are familiar with your resources and objectives. A description of the forms of organization follows:

#### **Sole Proprietorship**

A sole proprietorship is a business owned and operated by one person. It is simple to organize and the initial start-up costs are usually less than other forms of organization. The owner is entitled to all profits but assumes all risks and is liable for all debt. Under this form, personal assets may be confiscated to pay business debts.

#### **Partnership**

A general partnership is a business owned and operated by two or more persons. Unless limited by terms of the partnership agreement, action of one partner obligates all partners. Each partner is responsible for 100 percent of all debts unless limited by preparing the partnership agreement. While a partnership can be formed by an oral agreement, the assistance of a lawyer is strongly recommended in preparing a written partnership agreement. Partners share all profits and are responsible for all losses as stated in the partnership agreement.

#### **Limited Partnership**

A limited partnership is one in which the partners have limited personal liability. It allows investors, who are not actively involved in the operations of the business to be partners without the risk of unlimited liability that exists in a general partnership. A limited partner risks only his/her investment but must allow one or more general partners to exercise control over the business. If the limited partner becomes involved in the partnership's operations, he/she may lose his or her protected status as a limited partner. The general partners in a limited partnership are fully liable for the partnership's debts. Every limited partnership must have one or more general partners as well as one or more limited partners. Filing a "Certificate of Limited Partnership" with the Secretary of State is required.

#### **Limited Liability Company**

A limited liability company (LLC) is an organization formed under the Missouri LLC Act (enacted 1993). The people who participate in and run an LLC are generally known as "members." In a partnership they would be equivalent to partners. Unlike a partnership,

however, the members have no personal liability for what another member of the LLC does or for what the LLC itself does. Members of the company can be actively involved in the management of the business, but they are shielded from liabilities. A LLC is not a corporation, partnership or trust, but has corporate-like liability protection for the owners and partnership-like flexibility in capital and management structure.

Any person may form a LLC company by signing and filing Articles of Organization with the Secretary of State's office. Creating a LLC generally requires the assistance of a lawyer who has studied this type of business organization and who can shape the LLC to meet the needs of the owners. LLCs must be properly structured and maintained for their members to be taxed as if they were a partnership or a corporation.

### **Corporation**

A Corporation is a legal entity established and operated under Chapters RSMO.351 upon meeting certain statutory requirements established by state law. The Corporation is liable for all debt. Owners are entitled to all profits of the corporation, but debt liability is limited to the amount of equity the owners have invested in the corporation. The owners of a corporation are the stockholders. To become incorporated, a business must file Articles of Incorporation with the Secretary of State. The advantages of a corporation are that the life of the business is perpetual and stockholders have limited liability. Corporations are subject to special taxation and are more difficult and expensive to organize than other forms of ownership. Corporate charters usually restrict the type of business activities and corporations are subject to many state and federal controls. Corporations must: file articles of incorporation; adopt a set of bylaws; observe corporate formalities on a regular basis such as

election of directors; obtain an Employer ID Number even if there are no employees; file required state and federal estimated tax quarterly; file an annual report and pay annual fee to continue corporation.

### **Subchapter S Corporation**

A Subchapter S provides the legal protection of a corporation, but for tax purposes, the income or loss is passed on to the shareholders in proportion to their ownership. It is important to note that to be recognized as a Subchapter S, the corporation must apply to the IRS for "S Status" within 75 days of the business's formation - request Form 2553. To elect an "S" status, a corporation must meet the following requirements:

- 1) Be a domestic corporation.
- 2) Have only one class of stock.
- 3) Have no more than 100 stockholders.
- 4) Operate on a calendar tax year or have a business purpose for adopting a fiscal year.
- 5) Have only individuals and their estates and certain trusts as shareholders.
- 6) All shareholders must be US citizens or residents.
- 7) It must not be a member of an affiliated group of corporations.

**Registration fees for the State of Missouri must be filed with the Secretary of State's Office at:**

[www.sos.mo.gov/business/corporations/form\\_s.asp](http://www.sos.mo.gov/business/corporations/form_s.asp).

**Sole proprietors and general partnerships** must file a fictitious name registration. Fee: \$7.

**Limited Liability Companies** file Articles of Organization. Fee: \$105.

**Limited partnerships** register the partnership.  
Fee: \$105.

**Corporations file** for a domestic corporate charter by filing articles of incorporation.  
Minimum fee is \$58.

### **Fictitious Name Registration:**

## Buddy's Auto Repair

Anyone who regularly transacts business for profit in Missouri under a “**fictitious name**” is required by law to register that business name with the Secretary of State’s office. For a sole proprietorship or partnership, a business name is generally considered "fictitious" unless it contains the full name (first and last) of the owner or all of the general partners and does not suggest the existence of additional owners. Use of a name which includes words like company, associates, brothers or sons suggests additional owners and will make it necessary for the business to file and publish the fictitious business name on company letterhead, business cards, in advertising or on its product.

Registering a fictitious name does not offer protection for that name. If someone already has filed the name you are filing as a fictitious name, no notice is given to either party. There could literally be hundreds of companies with the same name. In the case of a corporation, the business name must be distinguishable from

other corporate names already on file in the records of the Secretary of State’s office. If the name has not been previously registered, then you can reserve your corporate name for 60 days for a \$25 filing fee while the articles of incorporation are being prepared to be filed.

This does not prevent a national company operating in states other than Missouri from filing a suit if you infringe on their national name, logo or trademark. You may want to do a national name search or trademark search to insure the use of the name you select. You may also want to protect the name you select by establishing a trademark at the state and/or national level. The Small Business and Technology Development Center at Warrensburg, Missouri offers assistance with trademarks and trademark searches. For more information on their services, contact them at (816) 543-4402 or visit [www.ucmo.edu/sbt/dc](http://www.ucmo.edu/sbt/dc). For the U.S. Patent and Trademark office, visit [www.uspto.gov](http://www.uspto.gov) or call (800) 786-9199 or (571) 272-1000.

Incorporated businesses from another state that plan to do business in Missouri must register as a Foreign Corporation. The filing fee is \$155.

All filing and name registration can be done through local offices of the Secretary of State or the Jefferson City Office: Office of the Secretary of State, Corporation Division, P.O. Box 778, Jefferson City, MO 65102, (866) 866-223-6535 for new corporations, and (573) 751-4153 for name registration.

## Comparison of Forms of Legal Structure

	<b>SOLE PROPRIETORSHIP</b>	<b>PARTNERSHIP / REGISTERED LIMITED LIABILITY PARTNERSHIP</b>	<b>LIMITED LIABILITY COMPANY (LLC)</b>	<b>S CORPORATION</b>	<b>C CORPORATION</b>
Legal Liability	Unlimited	Unlimited for general partnership, limited for RLLP	Limited, same as RLLP or corporation	Limited	Limited
Continuity of the Entity	Limited to life of proprietor	Limited, unless provided for in partnership contract	Dissolve date or Perpetual Life	Perpetual Life	Perpetual Life
Acquisition of Capital	Limited to only what the proprietor can secure	Generally limited to what partners collectively can raise	Generally limited to what members collectively can raise	Maximum of 100 stockholders, but capital generally not raised by selling stock	Unlimited number of stockholders, but capital generally not raised by selling stock
Transfer of Interest	Easy because all assets owned by individual proprietor	Right to distributions easy to transfer; interest in assets and right to management cannot be transferred without consent of other partners	Economic rights are transferable, management rights transferable with consent of other members	Stock easy to transfer unless restricted by agreement, by articles of incorporation or by being statutory close corporation	Stock easy to transfer unless restricted by agreement, by articles of incorporation or by being statutory close corporation
Management	All management decisions by proprietor	Usually all general partners will be actively involved in management activities	Usually managed by members, but can have separate managers with duties as outlined by the operating agreement	Managed by directors, who are elected by shareholders unless statutory close corporation has chosen to eliminate directors	Managed by directors, who are elected by shareholders unless statutory close corporation has chosen to eliminate directors.
Taxation of Income and Expenses	All income and expenses reported on proprietor's individual tax return	Divided among partners in accordance with investment or partnership agreement and reported on partners' individual returns	Divided among members in accordance with investment or operating agreement and reported on members' individual returns	Passed directly through to the shareholders according to the amount of stock held. Generally no income tax paid by corporation	Taxed separately at the corporate level, again at the shareholder level if distributed as a dividend
Liquidation of Entity	At the discretion of the proprietor, treated as sale of individual assets	Required upon withdrawal of a partner unless partnership agreement permits business continuation	Same as partnership	Normally a two-thirds vote of shareholders is required	Normally a two-thirds vote of shareholders is required
Major Advantages	Independence, flexibility, minimum of legal requirements	Additional management input and operational responsibilities shared, additional capital and equity available, flexibility, shared overhead means increased profits, limited liability with RLLP	Same as partnership plus limited liability without having to file annual document, can be treated as any business form for income tax purposes	Limited liability, profits taxed once, direct pass through of income and expenses to shareholder	Limited liability, can offer fringe benefits to owners and deduct them for income tax purposes
Major Disadvantages	Unlimited liability, limited life, limited management ability, limited investment potential	Unlimited liability unless RLLP, annual renewal filing to keep RLLP, limited life, relations among partners can cause problems, changes of partners or partnership agreement may be difficult	Relations among members can cause problems, changes of members or operating agreement may be difficult	Not every corporation can qualify, cannot deduct fringe benefits for owners or their families, relations among shareholders or directors can cause problems	Difficult to get assets out or to sell business without double tax, relations among shareholders or directors can cause problems

## State and Federal Tax Requirements

Businesses making sales of tangible products and selected commodities and services to the final consumer are required to secure a sales tax number and submit sales tax on a regular basis to the state where they are located. Bonds are sometimes required to secure a sales tax number. To make sales tax exempt purchases (usually wholesale businesses) a use tax number is required. A business should carefully review with the state its obligations in these areas before opening a business. Each state has its own peculiar requirements as to what is subject to sales tax and what is not. Increasingly more and more service businesses are required to pay sales tax.

Contact: Sales/Use Tax, Missouri Department of Revenue, (573) 751-2836.

Any person or company making retail sales of tangible personal property in Missouri is required to collect and remit Missouri sales tax. It is the business' responsibility to ensure that sales tax is collected at the correct tax rate. You must have a Missouri Retail Sales License prior to making sales. If you conduct retail sales without a valid Missouri retail sales tax license, you will be assessed a penalty in the amount of up to \$500 for the first day and \$100 for each subsequent day, not to exceed \$10,000, in addition to any other penalties or interest that may be imposed. For the first twenty days, this penalty does not apply to persons opening a business in the state of Missouri for the first time.

A bond must accompany the application for the license. The amount of the bond is based on your estimated monthly gross sales. The amount of your bond is calculated as follows:

*Estimated monthly gross sales X your tax rate = monthly tax*

*Monthly tax (rounded to the next highest \$10) X 3 = amount of bond.*

Estimated monthly gross sales is the amount of sales you estimate your business will make in taxable sales in an average month. If you estimate your sales to be less than \$500 for three months, you may be eligible to file the minimum bond of \$25. Any amount over that requires a minimum bond of \$100.

*Example:* Mrs. Jones will be opening a gift basket business in Jefferson City, which has a sales tax rate of 6.225%. Because the business is new and has no history of sales, she has estimated her average gross sales per month to be \$5000. Her bond is computed as follows:

$\$5000 \times 6.225\% = \$311.25$   
round to the next highest \$10 = \$320

$\$320 \times 3 = \$960$  bond

If you are unable to estimate your bond, you can contact Business Tax Registration at (573) 751-5860 for assistance. Business Tax Registration reviews all bond amounts to be sure they are in accordance with Missouri Statutes. The following items are taken into consideration when determining a sufficient bond amounts: previous ownership of business, types of products or services sold, location of business, business hours, operating expenses, etc. Bonds may be posted through a cash bond, surety bond, certificate of deposit or irrevocable letter of credit. Complete information on the types of bonds is included in the Missouri Tax Registration Application.

Craft sellers must charge the sales tax rate at the point of sale. For example, a vendor from Independence who sells at a show in Springfield must charge the sales tax rate for

the city of Springfield and note those sales separately on their sales tax report to the Missouri Department of Revenue. If you go to a show in another state, you need to obtain a sales tax number for that state unless the sponsor of the show has obtained a sales tax number and is collecting and reporting for all vendors at the show.

Out of state vendors making sale of goods to the final consumer located in Missouri, are required to collect and remit Missouri Vendors Use Tax. They must obtain a Missouri Use Tax License and post a bond.

**Registering as an Employer with the State:**

Every business that employs people will be subject to state withholding taxes for all those individuals. Unemployment Insurance Tax and Workers' Compensation are based on specific state requirements. See the [chart on page 14](#) for requirements based on your legal form of organization.

**Withholding Tax Number:** Contact your regional Missouri Department of Revenue office or the State Office at (573) 751-5752.

**Unemployment Insurance Tax:** This applies to most businesses having one or more workers on the payroll for 20 weeks during the calendar year, and to businesses paying an individual employee \$1,500 in a given quarter.

Contact the Missouri Division of Employment Security at (573) 751-3215 or visit their Web site ([www.dolir.mo.gov/es/ui-tax/main.htm](http://www.dolir.mo.gov/es/ui-tax/main.htm)) for information.

**Workers' Compensation:** All businesses with five or more employees (except agricultural or domestic labor) must provide workers' compensation insurance to protect their

workers in case of job-related injury, illness or death.

Contact the Missouri Division of Workers' Compensation at (573) 751-4231 or visit their Web site ([www.dolir.mo.gov/wc/index.htm](http://www.dolir.mo.gov/wc/index.htm)) for information.

**FEDERAL**

*Federal Employment Taxes:* Business owners have numerous federal tax obligations. The three main ones are income tax, self-employment taxes and employment taxes. To learn about the federal obligations, a new business should:

Obtain Publication 583, "Starting a Business and Keeping Records" (visit: [www.irs.gov/pub/irs-pdf/p583.pdf](http://www.irs.gov/pub/irs-pdf/p583.pdf)), which includes information on business expenses and recordkeeping for taxes. Another helpful booklet is Publication 587, "Business Use of Your Home (Including Use by Day-Care Providers)" (visit: [www.irs.gov/pub/irs-pdf/p587.pdf](http://www.irs.gov/pub/irs-pdf/p587.pdf)).



Call 1-800-829-3676 (TAX FORM) to order forms and publications or visit your local Internal Revenue Service office. Call 1-800-829-1040 for tax questions.

*Federal Employee Identification Number FEIN):* All businesses that pay wages to one or more employees must apply for an EIN number. It is important to note that a Federal ID Number is a different number than a state ID number and a sales/use tax number. Each requires a separate number. To receive an EIN by telephone, the IRS suggests that you complete Form SS-4 (available at [www.irs.gov/pub/irs-pdf/fss4.pdf](http://www.irs.gov/pub/irs-pdf/fss4.pdf)), so that you will have all relevant information available. Then call the Toll-Free EIN number (800) 829-

4933. The person making the call must be authorized to sign the form. A sole proprietorship is defined as the business owner, and does not need to obtain employer identification number if there are no additional employees. The owner's personal social security number is used in place of an EIN on tax returns. (See the following page for a [chart](#) on License and Tax Requirements for Small Business).

You may also use the IRS EIN Assistant at <https://sa2.www4.irs.gov/modiein/individual/index.jsp> to apply for and obtain the EIN online.

*Income Tax:* Every business files an annual income tax return. Which IRS form to use depends on the legal structure of the organization. Business taxes are estimated and paid quarterly.

*Self-Employment Tax:* This tax is the Social Security tax for those individuals who work for themselves, such as sole proprietors and partnerships.

*Employment Taxes:* Any form of business can have employees. If you have employees, the business is required to withhold the federal income tax from employees' wages and withhold and match the Social Security Tax of the employees' wages. The employer submits these dollars to the federal government. No matter what form of business organization, the owner(s) or stockholders of the business are personally liable for payment.

Additionally, employers must pay Federal Unemployment Tax (FUTA) if they pay more than \$1500 in wages or have employees for 20 weeks in a calendar year.

### Missouri License and Tax Requirements for Small Business

License/ Tax	Sole Proprietor	Partnership	Limited Liability Company	Corporations
<b>Register Company name, Fictitious name form</b>	Yes, unless using business owner's full name	Required	Required	Required
<b>Sales and Use Tax #</b> MO Form 2643	Yes, if retail or wholesale business. No, if service business	Yes, if retail or wholesale business. No, if service business	Yes, if retail or wholesale business. No, if service business	Yes, if retail or wholesale business. No, if service business
<b>Federal I.D. # or Employer I.D. #</b> Form SS-4	Yes, if employees or you deal in alcohol, firearms, tobacco. No, if no employees	Required	Required	Required
<b>Withholding Tax #</b> MO Form 2643	Yes, if you employ anyone. No, if proprietor	Yes, if you employ anyone. No, if partner	Same as partnership.	Yes, everyone is considered an employee of the corporation
<b>Social Security Tax</b>	Yes, if you employ anyone	Yes, if you employ anyone	Yes, if you employ anyone	Yes, if you employ anyone
<b>Unemployment Insurance #</b>	Yes, if one or more employees	Yes, if one or more employees	Yes, if one or more employees	Yes, if one or more employees
<b>Immigration Law</b> Form I-9	Yes, employees hired after Nov. 6, 1986	Yes, employees hired after Nov. 6, 1986	Yes, employees hired after Nov. 6, 1986	Yes, employees hired after Nov. 6, 1986
<b>Worker Compensation</b> (thru private insurance company)	Construction is with one employee, others five or more	Construction is with one employee, others five or more	Construction is with one employee, others five or more	Construction is with one employee, others five or more
<b>Business Property Tax</b> (call local Assessor)	Yes, if included in business assets	Yes, if included in business assets	Yes, if included in business assets	Yes, if listed in business assets
<b>Articles of Incorporation</b>	No	No	State Law Requirements for L.L.C. organization	Yes
<b>Local Business License</b>	Yes, from local municipality or unincorporated co.	Yes, from local municipality or unincorporated co.	Yes, from local municipality or unincorporated co.	Yes, from local municipality or unincorporated co.

## Helpful Publications from the IRS

The publications listed below are available from the Internal Revenue Service. To obtain your copy, call (800) 829-3676.

They will mail you one copy of each free. A new publication is usually issued each year. Many publications are available from the IRS Web site at:

[www.irs.gov/formspubs/index.html](http://www.irs.gov/formspubs/index.html)

### Publication

- #334 [Tax Guide for Small Business](#)
- #15 [Employer's Tax Guide \(Circular E\)](#)
- #15-A [Employer's Supplemental Tax Guide](#)
- #463 [Travel, Entertainment, Gift and Car Expenses](#)
- #505 [Tax Withholding and Estimated Tax](#)
- #509 [Tax Calendars for 2010](#)
- #510 [Excise Taxes for 2009](#)
- #531 [Reporting Tip Income](#)
- #534 [Depreciating Property](#)
- #535 [Business Expenses](#)
- #538 [Accounting Periods and Methods](#)
- #541 [Partnerships](#)
- #542 [Corporations](#)
- #544 [Sales and Other Dispositions of Assets](#)
- #551 [Basis of Assets](#)
- #552 [Recordkeeping for Individuals](#)
- #560 [Retirement Plans for Small Business](#)
- #583 [Starting a Business and Keeping Records](#)
- #587 [Business Use of Your Home \(Including Use by Day-Care Providers\)](#)
- #910 [Guide to Free Tax Services](#)
- #946 [How to Depreciate Property](#)

The IRS also provides additional critical tax information to small businesses including forms, instructions, and publications. Find your tax topic on IRS.gov using the [A-Z Index for Business](#) pages or the [Small Business and Self-Employed Tax Center](#).

## Specialized Professional Assistance

Many small business owners find it advantageous to learn about all aspects of starting and operating the business, i.e., start-up details, financing, marketing, bookkeeping, accounting, taxes, personnel and operations. Then, as the business grows and staff needs to be hired, the owner understands the work that needs to be done – from personally having learned “how” in starting the business.

However, there are circumstances where it becomes necessary to call on professionals for assistance. The specialized professionals that are usually required include:

Accountant  
Attorney  
Banker  
Insurance Specialist



### Accountant

A new, small business may consider using a reliable accounting service that will provide timely monthly profit and loss statements. Also, an accountant may provide assistance in setting up the bookkeeping system and providing tax services.

### Attorney

You should consult an attorney **prior** to establishing your business. You will need an attorney if you are planning to incorporate or to buy a business or franchise. Also, an attorney should draw up a partnership agreement.

Your attorney should be experienced in business matters. Ask your banker to recommend a law firm or individual lawyer. Ask other successful business owners whom they use. Be sure to discuss fees in the initial interview, and ask if he/she represents businesses similar to yours. A reputable lawyer will welcome an open discussion on both subjects. Do not feel obligated to hire the first lawyer you talk to. Find one you are comfortable with and can trust.

Another way to find a competent attorney is through the Missouri Lawyer Referral Service, a referral service operated by the Missouri Bar Association. Their attorneys will confer with you for up to 30 minutes at no fee but there is a \$25 administrative charge. The telephone numbers are:

Kansas City	(816) 221-9472
St. Louis	(314) 621-6681
Jefferson City	(573) 636-3635
Springfield	(417) 831-2783

### Banker

It is just good business to let your banker know your plans and keep him/her informed, even if you do not need an immediate or initial loan. You may find a line of credit easier to secure if the banker knows your operation. Before starting up, you must open a business checking account. This is a good time to tell your banker what you have in mind for the future. If you have a long-standing personal history with a bank, that may be your best choice for a business account. However, commercial account fees vary widely from bank to bank. Be sure to compare fees.

## Insurance Agent

An insurance agent who writes a broad selection of types of insurance is an important professional for many businesses. You may need broad, comprehensive coverage. Check with a reliable agent about advantages and costs compared with risks for such common coverage as: fire, business interruption, automobile liability, workers' compensation, crime or theft, glass, rent and disability. An insurance policy covering certain liabilities could be greater protection than the assumed protection from being incorporated. See following article.

## Business Insurance Needs

*My business is in my home. My homeowners insurance covers my business, doesn't it?*

Maybe, maybe not. It depends on your policy. The standard policy gives you "\$2,500 coverage for Personal Property at the insured location used at any time or in any manner for business purposes." What exactly does this mean? Let's look at some definitions:

### 1. Personal Property

Personal property owned by you as an individual. Property that you bought personally and you use in your business would fall under this definition. Items purchased specifically for your business and written off as a business expense on your tax filing might not qualify.

### 2. Insured Location

This is the address shown on your policy. If you take any of this property away from home (i.e. laptop computer, samples, and products for sale) there may not be coverage.

### 3. Business

Business means any full or part-time trade, profession, occupation or enterprise undertaken with the prospect of financial gain.

Often, a standard homeowner's policy gives only a limited amount of coverage for property used for a business in the home. Additionally, under the liability section of your homeowner's policy any bodily injury or property damage arising out of your business pursuits is specifically excluded.

*How can I make sure my business is properly insured?*

### 1. Check your current homeowner's policy.

Many insurance companies have modified homeowner's policies, increasing the limits and broadening the coverage in regards to home-based business.

### 2. Talk to your agent.

Some companies have endorsements that can be added to your homeowner's policy to cover your business contents and business liability.

### 3. Consider a Business Owner's Policy.

This policy is specifically designed to cover the insurance needs of many small businesses, including home-based businesses. Many times the cost is minimal, depending on your type of business. Examples of businesses that qualify for this type of policy are accountants, typesetters, secretarial services, desktop publishers, mailing services, consultants, mail order, retail, etc.

This policy will cover your business personal property on premises, off premises, in transit and temporarily at another location. In addition, it can give you coverage for theft of money on and off premises, coverage for loss of business income and extend liability coverage to expositions and shows.

#### 4. Commercial Package Policy.

Small in-home manufacturers, such as home craft businesses, have additional insurance needs that may not be covered under the Business Owner's Policy. A Commercial Package Policy would give coverage for product liability as well as equipment, inventory, supplies, etc. Again, the cost may be less than you think.

#### 5. Work with an agent who specializes in small business insurance.

Many insurance agents handle primarily home and auto insurance and may not be licensed to sell small business insurance. Your agent should understand commercial insurance and be licensed to sell it. Be wary of any agent who does not take the time to learn about your specific situation and particular business needs.

If you've taken the time and risk to establish your own business, you should expect your insurance agent to take the time to see that you are properly protected.

## Information Resources

### Agencies

*SBA Kansas City*  
1000 Walnut, Suite 500  
Kansas City, MO 64106  
(816) 422-4900

*SBA St. Louis*  
200 N Broadway, Suite 1500  
St. Louis, MO 63102  
(314) 539-6600

SBA offices offer entrepreneur guides for 200 specific businesses and access to SCORE (Service Corps of Retired Executives) counselors.

*Small Business Development Centers (SBDC) and Small Business and Technology Development Centers (SBTDC)*

SBDC offices provide one-to-one counseling at no charge and continuing education classes for both the aspiring business owner and the existing business owner.

#### Contact:

State Office: Missouri Small Business Development Centers  
410 S. Sixth Street  
200 Engineering North  
Columbia, MO 65211  
(573) 884-1555  
(573) 884-4297 FAX

[www.missouribusiness.net/sbt/dc/](http://www.missouribusiness.net/sbt/dc/)

## Books/Publications

*The Business Plan for Home Based Business*  
(MP-15) – 32-page booklet.

*Homemade Money* by Barbara Brabec

*Working From Home*

*Getting Business to Come to You*

*Making it on Your Own*

*Best Home Based Businesses for the 90's*

*Making Money with Your Computer*

*Finding Your Perfect Work*

*Teaming Up*

All by Paul and Sarah Edwards

*Guerrilla Marketing Handbook*

*Guerrilla Marketing for the Home Based Business*

by Jay Conrad Levinson

*Smart Steps to Smart Choices*, by David Bangs, Jr.

*Mastering Your Small Business: Marketing*, by Gloria Green & Jeff Williams

*Mastering Your Small Business: Finance*, by David Bangs, Jr.

Upstart Publishing (312) 836-4400

*Small Time Operator* by Bernard Kamoroff, CPA

Bell Springs Publishing (800) 515-8050

*Kansas City Small Business Monthly -*

*Entrepreneur Guide* (913) 432-6690

Available through many entrepreneur programs. The most comprehensive guide of agencies and organizations that provide support for entrepreneurs in the Kansas City area.

Matrix of services makes it easy to determine which agency can offer the assistance needed.

*Small Business Sourcebook*, Carol Schwartz, Editor

Available at some libraries or through Missouri Small Business Development Centers. Lists sources of information on various businesses. Includes trade associations, trade periodicals,

franchises, trade shows, start-up information and more.

*Writer's Market*, *Writer's Digest Books*

Where and how to sell what you write. Useful for anyone whose product or service lends itself to writing for publications. Lists magazines, trade and professional journals, publishers along with guidelines on how to submit articles.

*Magazines*

Entrepreneur Magazine (800) 421-2300

## Organizations

*First Step Fund*

Business training program and micro loan fund for low-to-moderate income entrepreneurs of the Greater Kansas City area. Contact (816) 235-6116 ext. 247 or visit

[www.firststepfund.org](http://www.firststepfund.org).

*Home Business Connection*

Serves as a networking organization for home based business owners. Visit

[www.homebusinessconnection.com](http://www.homebusinessconnection.com).

*Kansas City Freelance Network*

Offers networking opportunities for small business and home-based business owners.

Visit [www.kc-freelancenetwork.net](http://www.kc-freelancenetwork.net).

*Business Support Services of KC*

Networking and support organization for those who provide office support services. Call (816) 464-3303 or visit [www.bssnkc.com](http://www.bssnkc.com).



## Market Research

When starting a new business, it is vital for the owner to get as much information as possible about every aspect of the business to be started. Remember that your competitors already have vast amounts of information about their business and the industry you are entering. If you have prior experience working in the field, then you also may have a head start on people unfamiliar with the industry. Therefore, it should be a high priority for every new start-up business to gather as much information as possible – not just during the start-up phase but also continually throughout the life of the business. From the moment you start to plan your business, collect this information and keep it in a notebook. This notebook or “fact book” should contain articles collected on businesses similar to yours, competitors ads, marketing ideas you could adapt to your business, the worksheets presented in this section and any other information you can find which will help you plan and implement your business.

The information you need includes, but is not limited to, the following:

**Your Competition:** The new business owner may be going up against well-established organizations. How they operate can provide valuable information. Use the [Competitive Matrix Chart on page 21](#) to chart your competitors. Make copies of the chart to include more than three competitors. Be sure to include your own business on the chart. Then study the chart. How do you compare to the other businesses listed? Are there any “holes” or “niches” which your business could fill?

**Your Market:** The customers you seek may now be doing business with your competition. You need to be able to identify and describe your target markets. Be specific. While anyone might use your product/service – who is the most likely user? Have that person in mind as you complete the chart – Most Likely Users of My Product/Service – in this guide. When planning marketing strategies, these are the people to direct your efforts toward. Be sure to complete the bottom section – Lifestyle/ Benefits Sought. This will be helpful when preparing marketing materials.

Trade Associations can often provide information regarding characteristics of target markets for certain products or industries. The book “*Associations in the United States*” can be found in your local library.

**The Industry and Business Conditions:** Is your business in a new, expanding industry or an old, declining one? Are new businesses being started more than old businesses stopping? Is the economy going to help or hinder your new business – recession, growth, inflation, expansion, etc.?

**Sources of Information:** Every business has different information needs and fortunately, there are a great many sources available for business owners willing to search them out. There are two kinds of information sources:

1. Primary source information is secured directly by the business owner through:

- Personal contact and interviews
- Competitors
- Customers
- Employees
- Your network
- Mail surveys
- “Clipboard” surveys
- Research by “walking around”
- Professionals

2. Secondary sources include published information secured by others:

- Yellow pages and directories
- Business publications
- Trade associations
- Trade/professional journals
- Government agencies
- Small Business Administration
- Libraries
- Chambers of Commerce
- Census Bureau

<b>Competitive Matrix Chart</b>					
	Product/ Service	Company A	Company B	Company C	Company D
Price					
Production/ Quality					
Unique Features					
Distribution System					
Marketing/ Advertising					
Geographic Location					
Strengths/ Weaknesses					
Market Share					

## Consumer Markets: Most Likely Users of My Product/Service

Characteristic	Description	Other Comments
Age		
Gender		
Income		
Education		
Employment Status (Part/full/self, etc.)		
Occupation		
Stage of Family Cycle		
Size of Household		
Geographic Location		
Ethnic Origin		
Lifestyle/Benefits Sought (status, security, save time, etc.)		

## **Business/Industrial Markets: Most Likely Users of My Product/Service**

<b>Characteristic</b>	<b>Description</b>	<b>Other Comments</b>
Sales		
Number of Employees		
Geographic Location		
Service/Sales Area		
Product/Service		
Age of Company		
Structure of Company		
Target Market of Company		
Geographic Location		
Ethnic Origin		
Benefits Sought		

## Marketing Your Business

Depending on the type of business you are starting, your marketing efforts might include advertising, public relations, direct marketing, sales promotions, brochures, trade shows, packaging and/or newsletters. However, before you even begin those efforts, it is vital that you carefully create the image you want to project to potential customers. This image will then be reflected in all your marketing efforts. As you develop the image you want to project, keep in mind the nature of your product/service, the characteristics of the market you are trying to reach and the goal(s) of your marketing effort(s).

### 1. Define Product or Service

What business are you in? It may seem unnecessary to write it down, however, it will be much easier to proceed in business if you have clearly defined your product or service.

- Define your product or service:

### 2. Niche

Determine a “market segment” that you can serve well. For example, don’t market yourself as a computer consultant. Rather, find a specialty such as computer consulting for the legal field. Focusing on a niche makes it easier to target your

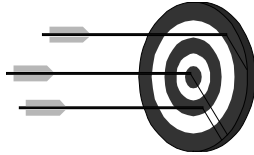
audience, position yourself in an industry and penetrate a market. Completing the competition analysis can help you identify a potential niche not being filled by the competition. Niching involves the selective targeting of customers. Your business might focus on one niche or several. However, be sure not to spread yourself thin and lose focus. Larger companies also use the niche-marketing concept. We can see that with different product lines. For example, Coke, Diet Coke and Caffeine Free Coke are all targeted at different markets.

Refer to the *Niche Marketing* article.

- What is your niche?

### 3. Determine Your Market

What is the general description of your target market? Who is likely to buy your product/services? What are their characteristics? You can determine and locate your target market by gathering information from personal observation; the government; Chambers of Commerce; trade associations; libraries; and the media.



- Describe your target market:

How can you locate/reach this market?

there is a certain image your industry tries to emphasize. For example, a look at the auto industry will reflect the customer's interest in a job well done i.e. Precision Tune, Premier Automotive, etc.

After you have selected a name, ask people who do not know what your business is for their reaction. Be specific by asking what image it projects to them. Is it easy to remember? Based on the name, what product or service do they think you offer?

Refer to *Fictitious Name Registration* section for information on protecting your chosen name.

Examples: Baby Baskets Delivered  
Business Overload Services  
Precision Tune

### 4. Name

Your name should identify what you do as clearly as possible. This is not the time for sentiment or hidden meaning. Often times, your business name is the only information available to perspective clients. It is to your benefit to make your product or service as obvious as possible. Consider the name below – *Baby Baskets Delivered* – do you have any doubt what this business offers?

Also, keep in mind the message you are trying to convey. Certain services include the owner's name to reflect a personal touch. Check your competitors. Does your industry tend to do this? Check the Yellow Pages in distant cities for ideas. Look to see if

- Your name:

## 5. Logo

Every business should develop a logo that separates them from the competition. Your logo should make a mental impression in your client's mind. When your clients (or others) hear or read your company name, a mental image should come to mind. It does not have to be expensive or fancy, but it should be well designed. It might simply be your business name in a typeface that reflects your business image. Logos should be clear, easy to read and set a desired tone or feeling.



Example: First Step Fund  
Missouri Home Based  
Business Association  
Baby Baskets Delivered  
McDonalds!!!!

- Your logo:

## 6. Features and Benefits

Whether you are simply talking about your product or service or preparing brochures and promotional materials, it is easy to emphasize the features. Features are the characteristics or elements about your product or service that remain constant.

For example, a **feature** might be a **color (green)** or a **delivery method (Federal Express)**. If features will deliver a benefit to your customer, they are more likely to purchase your product or service. **Benefits** of the two features mentioned above might be: green is a **flattering** color or Federal Express might provide the needed **convenience**. The more obvious you can make the benefit to the potential customer, the easier it will be to make the sale. As you address your customers either one-on-one or through promotional materials, think about what motivates them to buy.

Examples of features/benefits include:

**Feature**

- Airbags
- Large type
- Soft leather shoes
- Mercedes Benz logo
- Delivery
- Airtight
- Portable
- Ruggedness
- Price
- Reputation/ "25 years in business"
- Energy saving model

**Benefit**

- Lowered risk of serious injury
- Ease of reading
- Comfort
- Increased self-esteem or status
- Time-saving/convenience
- Keeps items fresh longer
- Easily to transport/take with you

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Example:

- Feature - air tight kitchen container
- Benefit - keeps food fresh longer
- crackers stay crisp
- leftovers don't dry out in refrigerator

List the features and benefits for your product/service:

Features

Benefits

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## Proven Motivating Factors

### For Customers

In general, consumers want to:

- Protect health
- Satisfy an appetite
- Reduce fat
- Improve appearance
- Have beautiful possessions
- Be an individual
- Get ahead in business
- Attract the opposite sex
- Make money
- Emulate others
- Take advantage of opportunities
- Save money
- Win money
- Avoid criticism
- Keep possessions
- Win friends
- Cash in on bargains
- Avoid pain
- Influence people
- Gain social advancement
- Avoid trouble
- Gain prestige
- Win praise/complements
- Avoid discomfort
- Be a leader
- Avoid loss or reputation
- Enjoy comfort
- Avoid loss of money
- Have a happy marriage
- Enjoy leisure
- Care for children
- Attain security in old age
- Save time
- Improve education
- Be creative

- Enjoy pleasure
- Avoid worry
- Be clean
- Be in style
- Avoid embarrassment
- Gratify curiosity
- Avoid drudgery
- Be happy
- Be safe
- Have fun
- Be successful
- Protect their family
- Be liked
- Be remembered/significant/important to someone else

### For Business

In general, businesses want to:

- Increase profits
- Avoid money loss
- Reduce expenses
- Avoid time wastage
- Avoid losing good people
- Build good will
- Attract new customers
- Reduce bad debts/losses
- Save time
- Be respected by peers
- Avoid legal problems
- Improve staff morale
- Be respected by superiors
- Take advantage of opportunities
- Be a community leader
- Have attractive facilities
- Avoid losing assets/possessions

## 7. **Motto**

Your motto is a positioning tool. It should point to your niche in the marketplace and indicate how you are different from the competition. Like your logo, it should make an impression on your client's mind. When they hear it, they should instantly know it belongs to your company.

Example: "Your Overall Printer"  
Precision Graphics  
"Fly the Friendly Skies"

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- Your motto:

## 8. **Tag Line**

A tag line is a simple way of explaining your business. It is a short phrase that is catchy, concise and stimulating. It can even be related to your motto. You might use a motto or a tag line or both.

HBC Examples:

Garrett Gardner (Full Voice - Vocal Performance Trainer)

"You can sound like you know what you're saying...so people will take you seriously."

Norm Clark (Property Inspector)

"Let me take the worry out of one of the largest investments of your life."

- Your tag line:

## 9. **Colors**

You should select a color that represents your company and has a positive effect on the way others perceive your company. The color should enhance your professional image.

## 10. Business Cards/Stationery/Marketing Packet

Now that you have selected your name, designed a logo, developed a company motto, selected your colors and written a tag line, you are ready to design a business card, stationery and marketing packet. For assistance, refer to the *Guerrilla Marketing Handbook* and other references cited in the resource section.

Remember to keep in mind:

- Toward what audience is my message directed?
- How can I reach that audience?
- What do I want to communicate (message/image)?
- Does my message do so?
- Is my message clear?
- Is my message appropriate for my audience?
- Is your image consistent throughout all your marketing materials?
- Does my message encourage action?

### Business Cards

- Set the name of your business in a point size that is larger than any other type on the card.
- Put the name of your business in a clearly legible typeface.
- Make the name of your business the most prominent element on the card.
- Add clip art or simple graphics to your card to make the card more interesting and memorable.
- Make use of the optical center of the business card by placing clip art and/or

graphics in the optical center or by having the business name start in that center.

- Add color to the business card when your budget allows.
- Put a title after your name i.e. owner, president, etc. when possible to potential customers will know with whom they are dealing.
- Place your business phone number; fax number and address in a less prominent location on your business card than all the other elements. Although this information is essential on your card, it does not create a memorable impression for your business so it should be placed lower on the card. People expect phone numbers and addresses to be on business cards and they will look for that information.

## Getting the Word Out

### Civic Involvement

Most employers as well as potential clients look at your civic involvement to determine your credibility. Therefore, it is important that you become active in your community through churches, schools and professional organizations. Whenever possible, this involvement should reflect your areas of professional and personal interest. However, commit to this type of work only when you are sure you have the time to follow through and do it well. It will do more harm than good if you cannot follow through on your commitment or the job is done to a standard below what you have set for “paying” jobs. Don’t look at this as volunteer work but as an

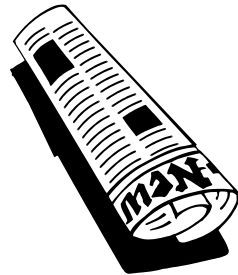
opportunity to market yourself and your business.

- Ideas for getting involved:

### News Releases

News/press releases are written to announce the start of your business and any other noteworthy event.

In her book *Homemade Money*, Barbara Brabec provides an excellent outline for preparing a news release.



In the Kansas City area, a booklet called the *News Media Directory* can be obtained from the Mid-Continent Public Library Distribution Center by calling (816) 836-5200 or on their Web page at [www.mcpl.lib.mo.us](http://www.mcpl.lib.mo.us). This directory lists all of the newspapers, magazines, general and specialized periodicals, radio stations, TV stations, college publication and school public relations association members within the Metropolitan Kansas City Area.

*Chase's Annual Events*, available at most libraries, is a day-by-day directory to special events. This directory lists more than 10,000 entries such as National Nutrition Week and Earth Day. If you can tie your product to a special event, it often makes it easier to get the attention of the press.

### News Articles

Newspaper articles add to the credibility of your business. Remember that reporters are always looking for interesting stories, so don't be bashful about contacting a reporter if they haven't contacted you.

Reporters may be interested in your company for two reasons: 1) unusual circumstances surrounding the start of your business or 2) your expertise could add validity to a feature story. Don't wait for them to call you – contact them first in writing and follow that with a personal contact.

### Ad Specialties

Distributing items with your company name and motto can be an inexpensive way to advertise. Distributing such items as pens, letter openers, notepads, etc. can keep your name in front of potential customers. Keep your customers needs and habits in mind when selecting these items. Make sure the ad specialty item is useful to them – it needs to be a keeper to be worth your investment.

### Radio/TV

Advertising – radio and television commercials can be inexpensive if used properly and if this is an effective way to reach your market. You can contact a broker to buy airtime or you can contact an ad agency to purchase an advertising packet.

Talk shows – Often times the company you purchase air time from will take an interest in you and book you on local talk shows. However, if they do not do this, do it yourself. Be brave and contact the talk show producer, letting him/her know why they should have you

on their show. When they schedule you, be sure to send announcements to everyone you know.

## **Networking**

One of the best ways to get the word out about your business is through networking. Look for opportunities in your community to network both with other professionals who can help you grow your business and with potential customers. Chambers of Commerce are wonderful resources. The Chamber can provide you with a list of networking organizations in their area as well as the opportunity to network with their members.

Choose your networking organizations carefully. Determine your purpose for joining each group. Will members of a group help you grow as a professional, provide contacts to potential customers or alliances or become customers themselves? There are many networking organizations – carefully select the ones that fit your predetermined goals. You will probably join several different organizations to reach different goals. Once you have identified your reason for joining a group, determine how you can let your talents and expertise be known. This might be through committee work or a leadership position – it won't be simply by attending each month and introducing yourself. People do business with those they know and trust. It will take time to develop the relationships needed to gain business through networking groups. Read networking articles and books and put the techniques to work at each event – make networking an active not a passive activity.

### ***Your Personal Commercial Worksheet***

Your commercial is your opportunity to provide information to create interest and

response from prospects. It is not a bunch of boring facts about what you do – rather it is a series of questions and statements designed to communicate how you help others and solve problems. It is the prelude and the gateway to a sale.

- Name
- Company Name
- What you do (creatively/briefly)  
(Include the benefit to the customer)

End of basic 30 second commercial.

- Power question
- (Ask more follow-up questions until you get the information you need.)
- Power statement
- How you help others solve their problems

your name in front of your customers every day? How often do you contact your present customers? What are you doing to ensure that your name is in front of your customers more than your competitors?)

- Why prospect should act now

### **Here Is An Example Of A Personal Commercial**

Let's say I'm the president of a company that sells advertising specialties

- **Name ...** Hi, my name is Jeffrey Gitomer.
- **Company ...** My company is (I'm the president of) Continental Advertising.
- **Creatively say what you do ...** We impact your image, create sales and ensure repeat business by providing innovative advertising specialties that keep your name in front of your customers and prospects.
- **Insert your Power Question(s) ...** How are you currently using ad specialties? (Variations: What are you doing to keep

- **Insert your Power Statement (How you help) ...** May be modified based on answers to Power Questions. I think we can help you. We have creative brainstorming sessions with our clients where we bring together a small team of our people and yours. We place various items on the table that relate to your business and the customers you serve. This process creates dialogue that always leads to innovative products that complement your marketing plan and impact your customer's image of you. Not only is it productive, it's fun.

- **Why the prospect should act now ...** Would you like to schedule a brainstorming session, or have lunch first and preview a few items to get a better feel for what I mean?

Use this example to help you write your own commercial. After you write yours, rehearse it. Then go try it out and adjust it for the real world. Practice it (more than 24 times in real situations) until you own it.

# The Business Plan: How to Write It

The following pages provide a suggested outline of the material that should be included in your business plan. Your final plan may vary according to your needs or because of the individual requirements of your lender.

## What are the benefits?

Every business can benefit from the preparation of a carefully written plan. There are two main purposes for writing that plan:

1. To serve as a guide during the lifetime of the business. It is the blueprint of your business and will provide you with the tools for analysis and change.
2. A business plan is a requirement if you are planning to seek a loan. It will provide potential lenders with detailed information on all aspects of your company's past and current operations and provide future projections.

## Business Plan Outline

### 1. Cover Sheet

Serves as the title page of your business plan. It should contain the following:

- a. Name of the company
- b. Company address
- c. Company phone number (include area code)
- d. Logo (if you have one)
- e. Names, titles, addresses, phone numbers (include area code) of owners
- f. Month and year your plan was issued
- g. Name of preparer

### 2. Statement of purpose

(Same as executive summary.) This is the thesis statement and includes business plan objectives. Use the key words (who, what, where, when, why, how, and how much) to briefly tell about the following:

- a. What your company is (also who, what, where and when).
- b. What your objectives are.
- c. If you need a loan, why you need it.
- d. How much you need.
- e. Why you will be successful.
- f. How and when you plan to repay your loan.

### 3. Table of contents

A page listing the major topics and references.

### 4. The business

Covers the details of your business. Include information about your industry in general, and your business in particular. Address the following:

- a. *Legal structure* – Tell what legal structure you have chosen and state reasons for your choice.
- b. *Description of the business* – Detail your business. Tell about your history, present status and future projections. Outline your product or service in terms of marketability. Project a sense of what you expect to accomplish in the next few years.
- c. *Products or services* – Give a detailed description of your products from raw materials to finished items. Tell about your manufacturing process. If you provide a service, tell what it is, how it is provided and why it is unique. List future products or services you plan to provide.
- d. *Location* – Describe site and why it was chosen. (If location is important to your marketing plan, focus on this in the marketing section below.)
- e. *Management* – Describe who is behind the business. For each owner, tell about

responsibilities and abilities. Support with resumes.

- f. *Personnel* – Who will be doing the work, why are they qualified, what is their wage, what are their responsibilities?
- g. *Methods of record keeping* – What accounting system will you use? Who will do your record keeping? Do you have a plan to help you use your records in analyzing your business?
- h. *Insurance* – What kinds of insurance will you need? What will these cost and whom will you use for a carrier?
- i. *Security* – Address security in terms of inventory control and theft of information.

## 5. Marketing

Covers the details of your marketing plan. Include information about the total market with emphasis on your target market. Identify your customers and tell about the means to make your product or service available to them.

- a. *Target market* – Identify characteristics of your customers. Tell how you arrived at your results. Back up information with demographics, questionnaires and surveys. Project size of your market.
- b. *Competition* – Evaluate indirect and direct competition. Show how you can compete. Evaluate competition in terms of location, market and business history.
- c. *Methods of distribution* – Tell about the manner in which products and services will be made available to the customer. Back up decisions with statistical reports, rate sheets, etc.
- d. *Advertising* – How will your advertising be tailored to your target market? Include rate sheets, promotional material and time lines for your advertising campaign.
- e. *Pricing* – Pricing will be determined as a result of market research and cost of your product or service. Tell how you arrived at your pricing structure and back it up with your research materials.
- f. *Product designs* – Answer key questions regarding product design and packaging.

Include graphics and proprietary rights information.

- g. *Timing of market entry* – Tell when you plan to enter the market and how you arrived at your decision.
- h. *Location* – If your choice of location is related to target market, cover it in this section of your business plan. (See location in the business section of this outline.)
- i. *Industry trends* – Give current trends, project how the market may change and what you plan to do to keep up.

## 6. Financial documents

These are the records used to show past, current and projected finances. The following are the major documents you will want to include in your business plan. The work is easier if these are done in the order presented.

- a. *Summary of financial needs* – This is an outline indicating why you are applying for a loan and how much you need.
- b. *Sources and uses of funds statement* – It will be necessary for you to tell how you intend to disperse the loan funds. Back up your statement with supporting data.
- c. *Cash flow statement (budget)* – This document projects what your business plan means in terms of dollars. It shows cash inflow and outflow over a period of time and is used for internal planning. Cash flow statements show both how much and when cash must flow in and out of your business.
- d. *Three-year income projection* – A pro forma income statement showing your projection for your company for the next three years. Use the pro forma cash flow statement for the first year's figures and project the next according to economic and industry trends.
- e. *Break-even analysis* – The break-even point is when a company's expenses exactly match the sales or service volume. It can be expressed in total dollars or revenue exactly offset by total expenses or total units of production (cost of which exactly equals the income derived by their sales.) This analysis can be done either mathematically or graphically.

**Note:** The following are actual performance statements reflecting the activity of your business in the past. If you are a new business owner, your financial section will end here and you will add a personal financial history. If you are an established business, you will include the actual performance statements that follow.

f. *Balance sheet* – Shows the condition of the business as of a fixed date. It is a picture of your firm's financial condition at a particular moment and will show you whether your financial position is strong or weak. It is usually done at the close of an accounting period, and contains assets, liabilities and net worth.

g. *Income (profit and loss) statement* – Shows your business financial activity over a period of time (monthly, annually). It is a moving picture showing what has happened in your business and is an excellent tool for assessing your business. Your ledger is closed and balanced and the revenue and expense totals transferred to this statement.

h. *Business financial history* – This is a summary of financial information about your company from its start to the present. The business financial history and loan application are usually the same. If you have completed the rest of the financial section, you should be able to transfer all the needed information to this document.

## 7. Supporting documents

These are the records that back up the statements and decisions made in the three main parts of your business plan. Those most commonly included are as follows:

a. *Personal resumes* – Should be limited to one page and include work history, educational background, professional affiliations and honors and special skills.

b. *Personal financial statement* – A statement of personal assets and liabilities. For a new business owner, this will be part of your

financial section.

c. *Credit reports* – Business and personal from suppliers or wholesalers credit bureaus and banks.

d. *Copies of leases* – All agreements currently in force between your company and a leasing agency.

e. *Letters of reference* – Letters recommending you as being a reputable and reliable businessperson worthy of being considered a good risk. (Include both business and personal references.)

f. *Contracts* – Include all business contracts, both completed and currently in force.

g. *Legal documents* – All legal papers pertaining to your legal structure, proprietary rights, insurance, titles, etc.

h. *Miscellaneous documents* – All other documents that have been referred to, but are not included in the main body of the plan (e.g., location plans, demographics, advertising plan, etc.)

## Putting Your Plan Together

When you are finished: Your business plan should look professional, but the lender needs to know that you did it. A business plan will be the best indicator he or she has to judge your potential for success. It should be no more than 30 to 40 pages long. Include only the supporting documents that will be of immediate interest to your potential lender. Keep the others in your own copy where they will be available on short notice. Have copies of your plan bound at your local print shop, or with a blue, black or brown cover purchased from the stationery store. Make copies for yourself and each lender you wish to approach. Do not give out too many copies at once, and keep track of each copy. If your loan is refused, be sure to retrieve your business plan. For a more detailed explanation of each section of the business plan outline, see SBA's publication, *How to Write a Business Plan*, which includes step-by-step directions and sample sections of actual business plans. Also available from the SBA is a VHS videotape and workbook, *The Business Plan: Your Roadmap for Success*.

Above excerpted from: *The Business Plan for Home Based Business*.

## Keys to Recordkeeping Success

- **Open a business checking account.**
- **Pay only from vendor invoice.**
- **Pay all bills by check/stamp invoices “Paid.”**
- **Take petty cash from cash register and complete a “petty cash” slip.**
- **Record check or cash receipts daily on a “summary of cash receipts.”**
- **Endorse all checks immediately.**
- **Prepare deposit slips in duplicate and deposit receipts often.**
- **Label bank deposit slips completely.**
- **Balance bank account monthly.**
- **Inventory all items regularly.**

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