



Survive & Thrive: Best Financial Practices to Start and Stay in Business

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Overview

At the end of this class, you will be able to:

- Learning objective 1: Understand and navigate the right path to get your small business started.
- Learning objective 2: Avoid the pitfalls and mistakes of unsuccessful businesses.
- Learning objective 3: Save time and energy while running a more effective and efficient operation.
- Learning objective 4: Improve the bottom line for your small business.

About the Speaker

Kathryn Amenta supports individuals, couples and business owners in getting to the root of the money behaviors that have caused their financial problems. She guides them in understanding how their beliefs about money, formed since childhood by life experiences, continue to impact their income, earning power, spending, debting and ability to manifest the life they desire. She teaches practical money management skills to overcome negative behaviors. For many clients, it is the first time they have learned the important life skill of positive money management. As a result, individuals achieve order and control over their financial life. Couples and families avoid money conflicts and experience deeper connection. Business owners operate without stress about money and payroll as they work toward their vision.

More information at KathrynAmenta.com

The E-Myth Revisited

by Michael Gerber

An Excerpt

The E-Myth and American Small Business

Chapter 1: The Entrepreneurial Myth

“Fatal Assumption: An individual who understands the technical work of a business can successfully run a business in that industry. ***Reality:*** The work which used to be love and joy for the technician will turn into forced chores.”

Document A

Questions to Determine the Viability of Your Start-up Idea

"The way to get startup ideas is not to try to think of startup ideas. It's to look for problems, preferably problems you have yourself." Paul Graham

Paul Graham Posits the Following Questions

1. Will you **personally** use your product?
2. Can you find **10+ people** who are willing to pay for it now?
3. What do you **love to do**? How different is it from your idea?
4. How **painful** is the problem you intend to solve?
5. Is your **target market** big enough to create a real business out of it ?
6. What is your **revenue model** and how realistic is it?
7. How well can the founders **execute**?
8. Can the founders **identify** what they need to do, beyond the obvious?
9. How does the **customer** address the problem today?
10. What is the recent **trend(s)** that makes your solution possible?
11. what is the **simplest** version of this idea?
12. How **fast** can you take the idea to market?
13. How **soon** can you build version one?
14. What makes your product **different**?
15. How much **money** is needed to build your first prototype?
16. Customers will only buy a simple product. Can you **explain** your product in one sentence?

17. Do you have any advantage over the competition?
18. Are you **passionate** enough about the idea to dedicate all your time for the next 1-2 years to it?
19. How easily can you get access to 2-3 high profile people who can **advise** you on how to succeed in that target market?
20. Can you **convince** 1-2 great people to work with you right now?
21. How soon can you **scale** it?
22. How will it **make** the world a better place?
22. In what way is it **creative**, innovative and unique?
23. What opportunities and **risks** do you face?
24. What is the picture on **patents**?
25. What long-term **goals** have you set?
26. How is the **industry** developing (market growth)?
27. What are the key **success** factors?
28. Why should someone **give you** money?
29. How will your business **survive and grow** in the next five years?

Document B

Resources for Managing Your Business¹

The U.S. Small Business Administration is a fantastic resource. Visit their site to get useful information on these topics—and more.

Leading Your Company: Are you ready to lead your company to success? Determine if you have key characteristics that will allow you to excel in a leadership role.

Growing Your Business: Are you ready to expand your business? Planning and preparing for new challenges is one step in the process. Find out how you can successfully grow your company.

Exporting: Small businesses looking to increase sales and profit are taking their businesses global. SBA provides counseling, training and financing to support small business export opportunities.

Running a Business: You've established your business, so what's next? This section highlights what you need to know—from sales to human resources—to run your business and succeed.

Business Law & Regulations: You don't have to be a lawyer to open and run a small business. Find out how to handle day-to-day legal issues that could affect your small business.

Getting Out: Are you leaving your business? Maybe you are retiring or handing your business to a relative? Whatever the reason, be smart about how you make your exit.

Business Guides by Industry: Explore information about a variety of industries. Find invaluable information targeted to your specific line of business.

Health Care: The Patient Protection and Affordable Care Act (Affordable Care Act or ACA) enacted comprehensive health insurance reforms designed to ensure Americans have access to quality, affordable health.

Forms: The process of starting and managing a business requires a lot of analysis and paperwork. SBA has just about every resource you'll need.

¹ <http://www.sba.gov/category/navigation-structure/starting-managing-business/managing-business>

Document C

Advice from Small Business Owners²

We asked members of the Young Entrepreneur Council, an invite-only organization comprised of successful young startup founders, what piece of advice they found to be most helpful (even if they didn't know it at the time).

“What is one unexpected piece of advice you received that ended up being extremely helpful when starting your business?”

1. Proliferate Positives, Don't Fix Negatives “When starting to work with other people, I figured we would find out what people did not do well, fix it and make people well-rounded and good at everything. I was wrong. It is important, almost necessary, that you find what people excel at and have them do that day in and day out. If everyone is “good” at everything, you will never be an industry leader and disrupt the status quo.” *Bryan Silverman, Star Toilet Paper*

2. Be Conservative in Financial Modeling “One of our early mentors was my business partner's dad. An entrepreneur himself, he always used to say “growth eats cash” to us. Working in his basement, it felt irrelevant. Now, with 20 employees, I see his warning was about cash flow and the need to be extremely conservative in your financial modeling. Our conservative financial approach has led to 6 years of secure, stable growth.” *Brennan White, Watchtower*

3. Know Your Vices and How to Use Them “Entrepreneurship is hard, and it's not for the faint-hearted. Rudy Karsan, the CEO of Kenexa, recently said entrepreneurship is often about ego because you can't take an idea no one believes in and make it successful. Having an ego is a vice, but if you can accept that you have an ego, you can harness it and make it work for you.” *Benish Shah, Vicaire, NY*

4. Work Smarter, Not Harder “So many entrepreneurs think they'll become successful by working 100 hours per week. Instead, business owners should focus on time management and eliminating what is unnecessary, as well as keeping a keen eye out for burnout. If any signs of burning out start to present themselves, take a break or step away for a half day or so.” *Andrew Schrage, Money Crasher Personal Finance*

5. Don't Try to Please Everyone “Some people, by nature, will never be happy. They complain about everything and demand endless attention. These types of clients are poisonous to your business because they zap time, resources and employee morale. No amount of money is worth dealing with a problem client who makes your life, and the lives of your staff, miserable. Cut these clients loose to preserve your sanity and happiness.” *Brittany Hodak, ZinePak*

² Excerpted from Smallbiztrends.com

6. Exit Your Comfort Zone “I was told that if I only did the things I was comfortable doing, I’d never grow. And while there are still certain situations that ‘scare’ me, I’ve learned that it’s only by doing that I can develop key entrepreneurial skills. Best of all, the more of these situations I confront, the fewer ‘scary’ ones materialize.” *Nicolas Gremion, Free-eBooks.com*

7. Ignore the “Right” Way to Do Things “During business school, one professor harped on the fact that as a startup, you should do ‘risky’ things. He advised us not to incorporate immediately, but rather, use that time to work on the business until we knew the form it should take. He also advised selling from day one while we worried about gaining permission. Figure out if you have a good business and ‘standardize’ it later.” *Aaron Schwartz, Modify Watches*

8. Fail and Adapt Fast “Fail fast. Accept failure—whether it is as small as a product feature or as large as a pricing model. Turn those failures into success by truly responding to what the market wants and not what you think it needs.” *Ryan Frankel, Verbalizelt*

9. Say “No” “I thought it was crazy, but turns out, saying ‘no’ is great advice. When I started my business, I got a ton of offers—partnerships, prizes, ideas, the list goes on. Accepting any of the offers would have been a distraction to my main goal of running a company. It was best to focus on the company and what it needed to accomplish rather than jumping on ideas. Companies can thrive on a simple ‘no’.” *Manpreet Singh, Seva Call*

10. Schedule Your Personal Time “I wish this advice wasn’t necessary, but it most certainly is. As your company grows, your time becomes increasingly precious. If you don’t schedule time to work out and see friends and family, it won’t happen. Along with your meetings and project goals, you need to put personal time in your calendar. Stick to the schedule no matter what. Personal time needs to be sacrosanct!” *Mitch Gordon, Go Overseas*

Document D

Analyze Your Business Money Management Behaviors

1. How do you generate income?
2. What is the lag time between when the product or service is provided and when it is paid for?
3. How do you make capital and routine expenses?
4. How do you make decisions about why/when to incur debt or borrow money?
5. How do you keep records?
6. How do you pay bills?
7. Do you have someone else who manages the finances of your business?
8. How do you do business forecasting/planning?
9. How do you plan savings into your financial model and what is the savings for?

Document E

Is Your Business Financially Fit?³

Resources from U.S. Small Business Administration

Financial Literacy and Education Commission

The Financial Literacy and Education Commission was established under Title V of the Fair and Accurate Credit Transactions (FACT) Act of 2003 to improve the financial literacy and education of persons in the United States. The U.S. Small Business Administration (SBA) wishes to bring financial literacy not only to America as a whole, but specifically to small businesses and future entrepreneurs. The commission was asked to develop a national financial education website (MyMoney.gov) along with a hotline (1-888-My Money) and a national strategy on financial education. It is chaired by the Secretary of the Treasury and comprises the heads of 21 different entities, including SBA.

Money Smart for Small Business

If you want to start a business or learn how to better manage your business money, begin with Money Smart. SBA and FDIC jointly provide a free, instructor-led business training curriculum, *Money Smart for Small Business*. This curriculum provides introductory style training for new and aspiring entrepreneurs. The 10 modules provide the most essential information on running a small business from a financial standpoint. In addition to grounding participants in the basics, the curriculum serves as a foundation for more advanced training and technical assistance.

The 10 Training Modules: Money Smart for Small Business

Money Smart is focused on the 10 modules listed below depending on the interests and knowledge level of the targeted audience. Each module consist of an instructor guide, participant guide, and PowerPoint slides, and it can take approximately one hour to teach each module.

1. Banking Services

After completing this module you will be able to:

- Identify the most common banking services for a small business, including business checking, payroll processing, business loan and others.
- Evaluate your business and what banks have to offer you.
- Identify which banking services are the best for your business.

³ <http://www.sba.gov/moneysmart>

2. Organization Types

After completing this module you will be able to:

- Explain general characteristics, pros and cons of these 5 common organization types: sole proprietor, partnerships, limited liability company (LLC), C-corporation and S-corporation.
- Understand the considerations when you decide your organization type.
- Identify which organization type can benefit your business.

3. Time Management

After completing this module you will be able to:

- Understand why time management is important to small businesses.
- Apply some general time management practices, including: Pareto Analysis, ABC Method, Eisenhower Method and POSEC Method.

4. Financial Management

After completing this module you will be able to:

- Understand the concept of financial management and its importance.
- Explain financial management practices, rules and tools commonly available to small business.
- Identify financing basics for small business, such as: start-up financing, financing fixed asset, working capital.

5. Record Keeping

After completing this module you will be able to:

- Explain recordkeeping basics—practices, rules and tools.
- Understand how and which records can benefit your business.
- Identify software products relevant to business recordkeeping.

6. Credit Reporting

After completing this module you will be able to:

- Understand the purpose for credit reporting and its benefits, risks and responsibilities.
- Explain how these credit reports work and identify differences between business and consumer credit reports.
- Understand how to improve your business' credit.

7. Risk Management

After completing this module you will be able to:

- Identify the common risks relevant to a small business.
- Identify the common warning signs of risk for a small business.
- Implement, monitor and evaluate a risk management plan for your business.

8. Insurance

After completing this module you will be able to:

- Understand why insurance is needed for a small business.
- Identify other types of insurance that a small business should consider.
- Explain how to choose the insurance products that are best for your business.

9. Tax Planning & Reporting

After completing this module you will be able to:

- Understand the federal, state and local tax reporting requirements of a small business.
- Explain how to manage your tax obligations and establish proper accounts.
- Understand how the forms and processes are used to pay business taxes.

10. Selling a Small Business & Succession Planning

After completing this module you will be able to:

- Explain how to sell and close a business
- Understand benefits of creating a retirement plan