

PLANNING FOR A SUCCESSFUL BUSINESS

By Darcy Houghton, Esq.

You have a great idea to make lots of money. You also have the resources to purchase equipment and supplies and make the deposit on rental space for a new business. You should be ready to launch, right? Not necessarily.

As a business law attorney, I often see bright people with great ideas fail. Why? Because they “knew they could do it.” Unfortunately, for many entrepreneurs, when their business ideas take form, they believe in them unconditionally, especially if they include escaping current work conditions and taking exciting new paths.

The best advice for business owners: Make sure you have a plan before you sign on the bottom line.

At a minimum, your business plan should include your mission, a description of your target customers, a thorough understanding of your product or service, and pro-forma financial statements, including marketing and production costs. It should include how you will reach your customers and develop a business identity, and when you will employ workers. Your plan should also include your choice of business structure, whether it's a C-corp, S-corp or LLC.

Does this sound too complicated? It shouldn't; plans, goals, financials — this is business.

Once your business plan is developed, it should be second guessed to determine if your bank roll (including financing and investors) is sufficient to cover the worst case scenario. New business owners almost always overvalue their business and underestimate the time needed to generate a stable income. Most established business owners will tell you that the first five years in business are more than challenging. Can your capital subsidize your start-up for five years? If not, would it be best to launch the business as a hobby, on nights and weekends. If that won't work, are there other resources, such as other investors or even a part-time job? Are there pieces of the business that you can tie down before you are 100 percent committed?

Our country is supported by small businesses, and if you start your business with a plan and proper capitalization, you will be ahead of the game. Even the most mildly successful business owners love being their own boss. If owning your business is your dream, take it one step at a time and you will be on your way.

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