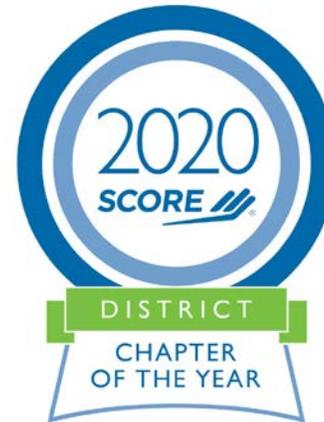


BE PROUD PHOENIX



About SCORE



- ✓ **Free Mentoring**
 - ✓ **One-on-one**
 - ✓ **E-mail**
 - ✓ **Video**
- ✓ **Successful and experienced executives acting as volunteers**
- ✓ **Seminars and workshops**
- ✓ **Resources for small business**

MOTIVATIONS TO START A BUSINESS

WANT MORE FREEDOM (THIS CAN BE A TWO EDGED SWORD)

WILL YOUR HOURS BE LESS?

CAN YOU JUST DO ANYTHING YOU WANT?

CAN YOU USE BUSINESS MONEY TO PAY FOR PERSONAL EXPENSES (WILL MY BARBERSHOP PAY FOR MY BMW COMPANY CAR?)

I JUST CAN'T WORK FOR SOMEONE ELSE

I KEEP GETTING LAID OFF, I NEED SOMETHING STEADY. I CAN'T BE FIRED

I CAN'T GET A JOB

FILLING A NEED

I WANT TO BUILD THIS FOR MY KIDS

MORE QUESTIONS TO ANSWER

ARE YOU A BUSINESSMAN? ARE YOU THE GREATEST HAIRDRESSER OF ALL TIME, A REAL ARTIST BUT TOTALLY INCAPABLE OF RUNNING A BUSINESS?

DO YOU WANT TO STOP DOING WHAT YOU LOVE TO TAKE ON BUSINESS CHORES YOU HATE?

ARE YOU WILLING TO RISK YOUR HOME AND PERSONAL ASSETS ON THE BUSINESS'S SUCCESS?

DO YOU HAVE ENOUGH OPERATING CAPITAL TO RUN A BUSINESS?

WHAT WILL YOU DO ABOUT RETIREMENT SAVINGS AND HEALTH INSURANCE?

IF YOU ARE THE BUSINESS (MY SHOE REPAIRMAN, MY BARBER) ARE YOU WILLING HAVE TO ALWAYS BE AT WORK?

OPENING A BUSINESS IS MORE THAN JUST RENTING A STORE FRONT

- In addition to the necessary professional license you will need:
- A corporate structure
 - 1. EIN 2. Business bank account 3. Operating agreements 4. Articles of incorporation
- Business license
- Tax license
- Possible zoning approval
- A Business plan
- Trademark
- Branding plan
- Website/domain
- **Enough operating capital**

Are You an Entrepreneur?

- **Self-starter**
- **Organized**
- **Decisive**
- **Persistent**
- **Family Support**



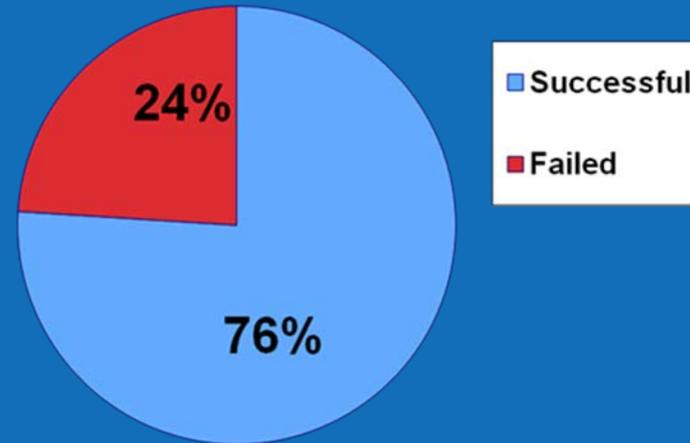
Key Success Factors

- Cash
- Viable plan
- **Time management**
- Willingness to ask
- Experience/Education
- Communication
- Work Ethic



Reality: Business Success

After 2 Years



Percent of
New Businesses (2+
employees)

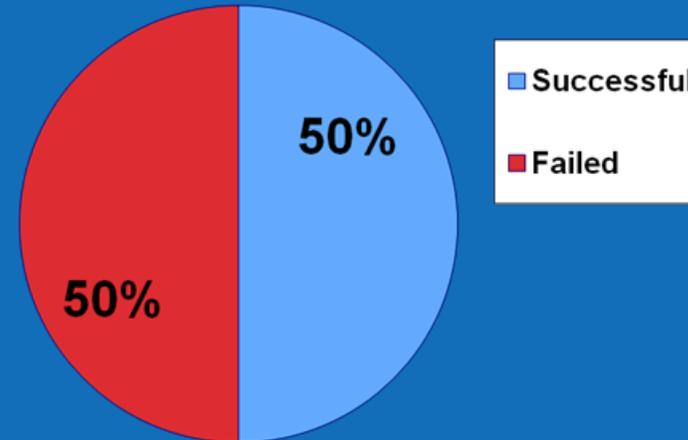
Source: Bureau of Labor Statistics, Business Employment
Dynamics, Entrepreneurship and the U.S. Economy

Source: U.S. Dept. of
the Census, Business



Reality: Business Success

After 5 Years



Percent of
New Businesses (2+
employees)

Source: Bureau of Labor Statistics, Business Employment
Dynamics, Entrepreneurship and the U.S. Economy

Source: U.S. Dept. of
the Census, Busi



Know Your Options



A. Start a Business

B. Buy a Business

C. Buy a Franchise

Start Your Own Business

ADVANTAGES

- Not held back by old
- Choose location, name, logo to have market value
- Explore new markets and directions
- See a dream come true

DISADVANTAGES

- No base
- Greater risk
- No track record financing
- Dream can become a nightmare



Buy a Business

ADVANTAGES

- Established clientele
- Known quantity
- Help in running business
- Available records
- Easier financing

DISADVANTAGES

- Hidden issues:
 - Debts, transfer issues
 - Taxes
 - Reputation
 - Loyalty to owner
 - inventory
- No guarantee of success

Requires Due Diligence

e.g. lawyer CPA



Franchise a Business

ADVANTAGES

- Proven product or service
- Marketing power
- Training, guidance
- Continuing relationship
- Access to others for help
- Easier financing

DISADVANTAGES

- Do it THEIR way
- Franchise = royalty plus other costs
- Operational boundary
- Binding contract
- Franchisor problems are your problems



Franchise Disclosure Document **FDD**
Entrepreneur Magazine
Reviews
Multi Level Marketing MLM

Online Business

ADVANTAGES

- Lower startup costs
- Greater geographic reach
- Convenience & accessibility
- Flexibility

DISADVANTAGES

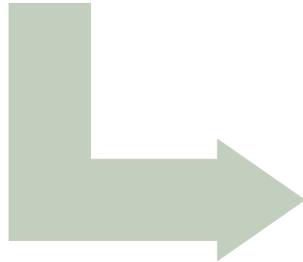
- Lower Startup costs
- More competition
- Low conversion rates
- No personal contact
- Limited information (e.g., taste, texture, odor)



Unknown Impact of SCOTUS Sales Tax Ruling

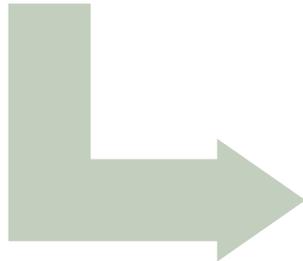
STEPS TO STARTING A BUSINESS AFTER YOU HAVE CREATED A SOLID BUSINESS PLAN

SELECT AND
REGISTER FOR A
DOMAIN NAME



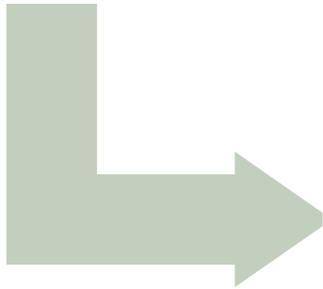
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SELECT AND
REGISTER FOR A
CORPORATE SHIELD



UPLOAD A
OPERATING
AGREEMENT

ESTABLISH A EIN



OPEN A BUSINESS ONLY BANK ACCOUNT

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POSSIBLY REGISTER FOR A TPT

TPT

- TRANSACTION PRIVILEGE TAX
- MAY STILL REQUIRE A CITY BUSINESS LICENSE
- ALSO ACTS AS A WHOLESALE NUMBER
- ALSO IS THE NUMBER USED TO REPORT UI TAXES TO THE STATE
- TAX FROM ALL AZ RESIDENTS ON PRODUCT SALES (NOT SERVICES)
- SCOTUS SD VS WAYFAIR, NATIONAL SALES TAX

AS YOU CAN SEE THERE ARE A TON OF MOVING PIECES.

DO YOU NEED A SALES TAX LICENSE?

BARBER NOT BUT MAYBE.

COSMOTOLOGIST PROBABLY.

HVAC.

RESTAURANT YES.

KNOW THE RULES FOR YOUR BUSINESS.

DO YOU NEED A BUSINESS LICENSE?

DO YOU NEED A PROFESSIONAL LICENSE? DOES YOUR LICENSE NEED A SPONSOR.

BUSINESS STRUCTURES

SOLE PROPRIETORSHIP.

NO LIABILITY PROTECTION.

TAXES SAME AS PERSONAL.

MORE DIFFICULT FOR MULTIPLE OWNERS.

HARDER TO GET FINANCING

LLC, PLLC

LIABILITY PROTECTION FOR PERSONAL PROPERTY.

LLC DOES NOT PAY (OR EVEN FILE) TAXES.

ALL INCOME IS TAXED TO THE OWNER AS PERSONAL INCOME

MEMBERS CAN BE PERSONALLY LIABLE FOR ALL DEBT

PLLC NOT ELIGIBLE FOR PASS THROUGH TAX CREDIT

CAN BE EASILY FORMED BY INDIVIDUALS WITHOUT

PROFESSIONAL HELP

LLC S-CORP

LIABILITY PROTECTION FOR PERSONAL PROPERTY.
LLC DOES NOT PAY TAXES (BUT MUST FILE A RETURN)
ALL INCOME IS TAXED TO OWNER AS PERSONAL INCOME
HAS MEMBERS AND SHAREHOLDERS
SUBJECT TO SEC LAWS
MEMBERS CAN BE PERSONALLY LIABLE FOR ALL DEBT
TYPICALLY REQUIRES PROFESSIONAL HELP TO FORM

C-CORP (99.9% OF YOU FORGET IT.)

IT IS JUST LIKE A PERSON!

PROTECTS OWNERS FROM LIABILITY

ANY DEBT IS COMPANY DEBT

ALLOWS STOCK SALE TO RAISE MONEY

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GETS TAXED TWICE, THE CORP PAYS TAXES AND THE STOCK HOLDERS PAY PERSONAL TAX OF ANY DIVIDENDS

MORE STRICTLY REGULATED.

REQUIRES PROFESSIONAL HELP TO FORM

NON PROFIT???

RUNNING YOUR BUSINESS

ACCOUNTING (Quick books) **Keep track of every red cent**

PAYROLL (don't do payroll yourself, use a service...too many moving parts and regs.) Lean to 1099 when possible and legal.

BUSINESS CREDIT, establish it (cc and accts)

RUN IT WITH HONOR AND PRIDE...what's more important than a customer?????

GET REGULAR FINANCIAL REPORTS AND READ THEM, BALANCE YOUR CHECK BOOK (BANK ACCOUNT)

KNOW YOUR INDUSTRY example restaurant has to have 33% COGs

WATCH YOUR TRADE, SHOWS, MAGAZINES, ETC

PAY YOUR TAXES!!!

Lenders' View of Borrowers

- Capital
- Cash flow
- Character
- Collateral
- Commitment
- Competition
- Conditions
- Credit rating



Sources of Funds

- **Personal savings**
- **Family and friends**
- **Partners' contributions**
- **Credit Cards (not recommended)**
- **Bank or third party loans**
- **Private Placements**
 - **Angel Investors**
 - **Venture Capital Funds VC**



SO YOU WANT TO DO IT, WHERE DO YOU GET HELP

PAY ATTENTION TO EVERYPLACE YOU WORK, WHATS BEING DONE RIGHT AND WRONG

OBSERVE EVERY BUSINESS YOU GO INTO FROM MCDONALDS TO STARBUCKS TO THE DMV

TALK TO BUSINESS OWNERS

TALK TO BANKERS

TALK TO SCORE. WE HAVE LOTS OF TOOLS AND NO “DOG IN THE HUNT”

USE OTHER COMMUNITY RESORUCES

TAKE BUSINESS CLASSES AND SEMINARS

READ, READ, READ

A scenic view of a mountain range with snow-capped peaks and a town in the foreground with autumn-colored trees. The mountains are rugged and covered in patches of snow, set against a clear blue sky. In the foreground, a town is visible with several buildings, including a prominent white tower. The trees are in various stages of autumn, with some showing bright orange and yellow foliage. A road with traffic lights runs through the town.

*THE MOUNTAINS ARE CALLING
AND I MUST GO*

JOHN MUIR

GAZETTE

ESTES PARK TRAIL

-
- STEVE ENGELHARDT
 - STEPHEN.ENGELHARDT@SCOREVOLUNTEER.ORG
 - 602 320 9315

LLC vs Sub Chapter S Corp vs Non Profit

ARIZONA LLC

- COST \$50 OR \$85 EXPEDITED
- FILING SUPER EASY DO IT YOURSELF AT ARIZONA COMMERCE COMMISSION.GOV
- OWNERSHIP UNLIMITED MEMBERS
- MEMBERS GENERALLY RESPONSIBLE FOR DEBT
- PASS THROUGH TAXATION (DOESN'T EVEN FILE A RETURN, UNDER TRUMP TAX LAW MOST LLC INCOME IS 20% TAX FREE
- MUST FILE OPERATING AGREEMENT

ARIZONA S CORP

- “S” corp, “C” corp, and NP “501c3 (there are lots or “C”s) are only federal tax designations
- In addition to members, it can have stockholders (one reason to do a S)
- Avoid payroll taxes for owner (second reason)
- Must file a tax return, but pays no taxes, all tax payment is via pass through

A LLC can choose S Corp taxation by filing a IRS form 2553