Starting a Business

For people interested in creating wealth
Alameda County ...
The Window of Opportunity

• 7th Largest Population in California with over 1.6 million people
• Covers 821 square miles
• Has 14 cities and
• 6 unincorporated communities
• Includes wetlands, major cities, vineyards, as well open spaces with lakes and streams
• One of the most diverse populations in the U.S.A.
Agenda

• Why Start?
• What Kind of Business?
• Importance of the business model or business plan
• Market Research
• Legal Structures
• Federal & State Taxes

• When to Start?
• How-to Start?
• Insurance and Risk Management
• Employees
• Where to Start?
• Questions / Next Steps
Why Start a Business?
If you ...

- Are an inventor
  - You may develop innovative new product ideas that can be exploited
- Have specialized market information
  - You may have insider information you have learned that can facilitate your business success
- Have great passion
  - You will need to develop the skills needed to start and run a business
- Want freedom and independence
Maybe you ...

• Are a visionary
  • You see a customer need or want and desire to satisfy that need

• Are a part of a team
  • You have a dream to work together and prosper

• Want to explore business options
What kind of Business?
How to Choose a Business to Start

• Choose a business idea based on what you love doing
• Pick a business consistent with your lifestyle or the life you wish to live
• Build a business on what you already know and are good at
• Consider your financial status when comparing business opportunities
Business Licenses

- In California
  - If you operate any kind of business you need a general California business license
  - There is no California state business license
  - If you are thinking of going into business in any CA city no matter how small you need a business license
How / When to Start a Business?
First, Take one Step at a Time

Step 1 – Do Your research
Step 2 – Make a plan
Step 3 – Plan your finances
Step 4 – Choose a business structure
Step 5 – Pick and register your business name
Step 6 – Get licenses & permits
Step 7 – Choose your accounting system
Knowing for Sure

- You’re a true believer in your idea
- You have a product or service with a good market
- You know the players and competitors
- You have a plan
- You have a brand idea
- You’re ready to learn
Special Licenses & Permits

• Obtaining a Seller’s Permit
  • Allows you to sell at wholesale or retail
  • Issue resale certificates to suppliers

• International Fuel Tax Agreement

• Use Fuel Tax

• Cigarette & Tobacco Products Licensing

• Covered Electronic Waste Recycling Fee

• Lead Acid Battery Fees

• Lumber Products Assessment

• Underground Storage Tank
Market Research
Knowing what the market wants and why

- Get the scoop on what your target audience really thinks and wants.
- People have two reasons for what they do.
  - The real reason, and
  - The reason that sounds good.
- Understand human nature.
- Go beyond the data.
Where to Start a Business?
Launching your Business

There are more virtual businesses than ever. But, where you choose to base your business can make a big difference. Consider:

• Overhead & living costs
• Access to talent
• Networking opportunities
• Business and investor friendliness
• Taxes
Legal Structures
Business Types

Sole Proprietorship
- Someone who owns an unincorporated business by themselves.

Partnership
- A relationship existing between two or more persons who join to carry on a trade or business.

Corporation
- A legal entity that is separate and distinct from its owners.
Business Types - Continued

S Corporation
• Corporations that elect to pass corporate income, losses, deductions, and credits through to their shareholders for federal tax purposes.

Limited Liability Company
• A corporate structure whereby the members of the company cannot be held personally liable for the company's debts or liabilities.
Federal & State Taxes
What You Must Know

• The U.S. has a multi-tiered income tax system under which taxes are imposed by federal, state, and sometimes local governments.
  - Federal and state income taxes are similar in that they apply a tax rate to taxable incomes,
  - but they can differ considerably with respect to those tax rates and how they're applied, as well as to
  - the types of incomes that are taxable, and the deductions and tax credits that are allowed.
Insurance & Risk Management
Consider Protecting Your Business & Personal Estate

• Certain risks can significantly diminish the value of your business, personal estate, or net worth
  • Estate taxes
  • Identify known and unknown risks to properly insure against unforeseen circumstances
Business Insurance Concerns

These are a few issues to consider:

• Business interruption
• Lawsuits
• Workers’ compensation
• Cyber-liability
• Professional liability, and
• Group benefits for employees
Additional Business Risks

• Property and Casualty
• Flood and Earthquake
• Liability (General, employment, professional, public)
• Excess Liability
• Errors and Omissions
• Reputational Risk
• Directors and Officers
• Product Liability
• Malpractice
• Surety (Construction, commercial, environmental, license, permit bonds)
• Group Benefits (Medical, pharmacy, dental, life)
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Employees
Managers Need to Know

• His / Her team members well enough to trust & understand:
  • Their strengths,
  • Key responsibility areas,
  • Weaknesses,
  • Capabilities
  • Where they need Hs/Her guidance, and
  • Hand-holding
To-do List For New Employers - 1

• Obtain an employer identification number. ...
• Register with your state's labor department. ...
• Get workers' compensation insurance. ...
• Set up a payroll system to withhold taxes. ...
• Have each employee fill out IRS Form W-4, Withholding Allowance Certificate.
To-do List for New Employers - 2

• Fill out Form I-9, Employment Eligibility Verification for each new employee.
• Report each new employee to your state's new hire reporting agency.
• Post required notices.
• File IRS Form 940 each year.
• Adopt workplace safety measures.
• Create an employee handbook.
• Set up personnel files.
• Set up employee benefits.
Business Models & Plans
What is a bModel?
• A design for the successful operation of a business, identifying revenue sources, customer base, products, and details of financing.

What is a bPlan?
• A formal written document containing goals, the methods on how these goals can be attained, and the time frame within which these goals need to be achieved.
The Difference Between Business Plan and Business Model

Business Model

• the mechanism through which the company generates its profit

Business Plan

• a document presenting the company's strategy and expected financial performance for the years to come.
Questions / Next Steps