



Trustco Bank

Over 100 Years of Financial Advisement
Investment Mngmt., Trust & Estate Admin.
6 Metro Park Rd.
Albany, NY 12205
518-381-3644
www.trustcobank.com



Women: What You Should Know When Starting a Business



According to one recent study, there were nearly 13 million women-owned businesses in the United States as of 2019 — representing 42% of all businesses — employing approximately 9.4 million people and generating \$1.9 trillion in sales.¹ Many of these businesses started small, begun by women seeking the exciting and potentially rewarding experience of "being their own boss" while doing something they enjoy. If you're thinking about starting your own business, you'll need a sound plan, a little creativity, personal dedication, and probably some form of financial investment.

Before you make the commitment to starting your own business, here are a few important factors to consider.

Personal investment

Why do you want to start a business? For the most part, you should believe you have a great idea that you are passionate about. Giving your business a chance to be successful will require a personal commitment and probably some sacrifices. Are you prepared to invest the time, money, and personal resources to get your business started?

As you might imagine, there's a lot that goes into starting a business. You'll have to do some market research to determine the potential size of your market, identify the competition, and set the price of the goods or services you'll offer. You should develop a written business plan, research the best legal entity to use for your business, and understand what licenses and/or permits you'll need. You'll have to figure out how much capital you'll need to start your business, and where that capital will come from.

Type of business

What kind of business do you want? Do you have a unique idea, or do you want to get involved in a type of business that already exists, like a franchise? What products or services will your business provide? Have you identified your target market? Who is your competition, and what will separate your business

from your competition? Depending on the type of business, how long will it take before your products or services are available to your target market? How big and how quickly do you want your business to grow?

The type of business you choose should not only match your talents, abilities, and interests, but it also should have a viable place in the market, based on your competition and the potential demand for the products or services your business will offer. Getting this information will take some time and effort, but many businesses fail simply because they're in the wrong market or the competition is too strong.

The business plan

It's one thing to have a great idea for a business, but it becomes much more real when you put it down on paper. A business plan is essentially the story of your business: the name of your business, what your business does, how you came up with the idea for your business, what markets you serve, what differentiates your business from the competition, where your business is now, and where you see it in the future. Not only should your business plan serve as a road map to a successful business venture, but if you're going to seek financing for your business, you'll almost certainly be asked for a business plan. There's generally no set form for use in developing a business plan, but most plans cover these essential elements:

- An executive summary, which briefly describes your business as a whole and touches on your business's profile and goals
- An in-depth explanation of the history and development of your business
- A summary of your products and/or services
- A customer description, market analysis, and competitor analysis
- A description of your business's legal entity (e.g., corporation, partnership, sole proprietorship) and management organization
- An explanation of your marketing plan and sales strategy

Additional questions to consider

- *How will you manage your business?*
- *How many employees will you need to start up?*
- *What types of suppliers will you need to contact?*
- *How will you price your product or services relative to your competitors?*
- *What kind of insurance do you need?*



The Small Business Administration has a website devoted to women-owned businesses at www.sba.gov



- A capitalization plan including projected revenues, cash flow projections, pro forma financials, and an explanation of how you'll use funds

Selecting a business entity

One of the first decisions you'll need to make is what form of legal entity your business will take. If you're starting a business from scratch (as opposed to buying an established business), your options are many. The type of entity you select is important because it can determine the types of permits you'll need, where and how your business should be registered, the extent of protection from personal liability you'll receive, and the amount and form of taxes that may have to be paid. While it's a good idea to consult a financial or legal professional before selecting the type of entity for your business, here's a brief description of the more common forms of business structures.

Sole proprietorship: A sole proprietorship is the most straightforward way to structure your business entity. As a sole proprietor, your business is simply an extension of you. Sole proprietors are liable for all business debts and other obligations the business might incur. This means your personal assets can be subject to the claims of your business's creditors.

Partnership: A partnership is a business entity where two or more people enter into a business relationship for mutual profit. Partnerships are organized in accordance with state law. In a general partnership, all partners can act on behalf of one another in furtherance of partnership business, which means each partner is personally liable for the acts of the other partners, and all partners are personally liable for the debts and liabilities of the partnership. Limited partnerships and limited liability partnerships may provide some liability protection for partners according to the state law where the partnership is formed.

Corporations: There are several different types of corporations. Generally, two advantages of corporations are that they provide a shield from individual liability and are the easiest type of entity to use to raise capital. Some common types of corporations are S corporations and limited liability corporations or companies. S corporations and most limited liability corporations pass income, gains, deductions, and losses of the business through to the shareholders. By comparison, a C corporation is taxed as a separate entity.

Financing your business

Your business plan is in place. Now you have to figure out where you'll get the funds to set your dream in motion--and sustain it. The first step in determining your financing needs is to develop a line-item budget, projected over a period of months and/or years.

Next, you'll need to figure out how to finance your business. The two general categories of financing available for businesses are debt and equity. Debt requires repayment of a loan. Equity involves raising capital by selling parts of the business to investors.

One place to look for capital might be your own assets. You may be able to raise money for the business from your savings or borrow against a retirement plan, life insurance policy, credit card, or the equity in your home.

Another common source of funds for new businesses is what's called "friends and family." However, such funding is most likely to be successful if it's structured in a businesslike way, with clear terms of repayment or ownership participation.

You can apply to banks or credit unions for loans. The Small Business Administration has a website devoted to women-owned businesses at

www.sba.gov/content/women-owned-businesses.

There you can find resources to help you start and finance your business. Also, your local chamber of commerce may be able to refer you to state and local agencies that provide financial assistance to new businesses located within your geographic area.

Anything else?

There are plenty of other things to consider, such as taxes, licenses, fees, and permits. You'll need to think about where to locate your business and how you'll market it. Will you have employees? Will you add a retirement plan? If so, you'll have regulatory requirements and tax responsibilities, as well as possible workers' compensation to consider. But you don't have to go it alone. There are experts available to serve as mentors or counselors. Check the Women's Business Resources section of the Small Business Administration website at www.sba.gov for information on locating a mentor.

¹ *The 2019 State of Women Owned Businesses Report, American Express*

Trustco Financial Services

New York Office:

6 Metro Park Drive
Albany, NY 12205
(518) 381-3644
(800) 846-1657

Trustco Financial Services

Florida Office :

1030 North Ronald Reagan Blvd.
Longwood, FL 32750
(407) 659-5709
Not FDIC Insured-No bank guarantee-May lose value