

October 2011 Newsletter



Business Improvement Workshops

Business Basics Workshop – Tuesday, October 11, 2011, at the Nittany Bank, near the Nittany Mall in State College, PA, time from 9:30am–Noon. Business Basics is an A to Z topical workshop on either starting a new business or getting a tune-up in your existing business. This fall's workshop agenda will include a more in depth look at Social Media as well as Traditional Media applications as part of the marketing section of your business plan. The six exercises in fine-tuning your goals and objectives, plus the free CD on business resources if you are registered. Non-SCORE clients workshop fee is \$20.00, if you pre-register, cost \$10.00. [Register today](#) and save some money before deadline. Walk-ins welcome.

[This Workshop is FREE to active SCORE clients.](#) Comments from participants from the September workshop post evaluations:

"Getting face-to-face time with an experienced instructor/all-in-one workshop." "I liked the fact that the facilitators bring years of business experience to the workshop." "All the personal advice that the speaker provided, his experience will help me to make final business decision." "It was a lot of information, but I learned a lot—the questions you asked us to consider were very realistic." "The facilitators were very knowledgeable and able to share real life stories about businesses in the local area."

[For Business Basics register here](#)

Beyond the Basics Workshop Advertising and Marketing—the basis of a successful communication strategy



Tuesday, October 18, 2011, at the Nittany Bank, near the Nittany Mall in State College, PA, time from 9:30am–Noon. *The workshop will take a pragmatic look at what marketing and advertising/PR can really do and how it works.*

Presenter: Jan Hedquist is a counselor and Vice-Chairman with SCORE Central PA and also an active member of SCORE San Francisco. He was a Vice President with BBDO New York, General Manager of BBDO Latin America, President of Ketchum Advertising Worldwide and Vice Chairman of Young & Rubicam Europe.

[A Fee Based workshop, please pre-register, save money—FREE for SCORE Clients--CLICK here.](#)

5 Overlooked Legal Mistakes Entrepreneurs Make

Author: Lisa Girard

Starting a business can be fraught with potential legal issues that are often overlooked by first-time entrepreneurs. Many details that don't seem pressing at the start can mean the difference between success and failure later on. But many common pitfalls can be avoided with the right planning and execution. Here are five mistakes small-business owners make -- and how to avoid them.

Mistake No. 1: Making handshake deals with clients and vendors.

Always put your business dealings in writing. Don't naively assume that everything will go according to plan. "This is often not the case, and when things go wrong, the entrepreneur and the client or vendor may have different ideas about what is supposed to happen," says Rachel Rodgers, principal attorney with [Rachel Rodgers Law Office](#) in Phoenix, Ariz.

How to avoid it: Keep a written for every relationship your business enters into to protect yourself from loss of time, money, and potential lawsuits.

Related: [Helpful Legal Forms and Templates](#)

Mistake No. 2: Choosing the wrong business structure.

Whether you choose sole proprietorship, S-Corp, or limited liability company (LLC), making a hasty choice can put your business at risk, and lead to painful tax bills at the end of the year. With a sole proprietorship you are not required to register your business with the state and it's often chosen by startups operating on a shoestring, but beware there's no wall between your business and personal assets. S-Corps and LLCs may cost more to set up and maintain but your business is kept legally separate from personal assets -- so it's less risky if your company goes under or is the target of a lawsuit.

How to avoid it: Rodgers recommends incorporation in most cases. Since it's a more complex structure, it shows customers, banks and investors that you're serious about being in business over the long haul. If you opt for the simpler route of sole proprietor, she suggests looking at business insurance to protect your personal assets in case your company is sued and loses. Of course, you'll want to consult with a lawyer or accountant to determine the best structure for your particular size and needs.

Mistake No. 3: Bringing on partners without a detailed

agreement. Many entrepreneurs put this paperwork on the back burner in favor of "focusing on the business," but several problems can arise in the meantime. "One of the biggest boons to my startup practice has been the

movie *The Social Network*, which revolves around the litigation surrounding the ownership of the ideas, code, et cetera, at the onset of Facebook," says Gregory Kratofil, an attorney and shareholder with the law firm Polsinelli Shughart in Kansas City, Missouri. No matter how much you like and trust your business partners, you need a legally binding agreement -- not just detailing operations and responsibilities, but also what happens if you have opposite views of where to take the company.

How to avoid it: Have the hard conversations now, when everybody's still in love, says lawyer William M. Moore, founder of the [Moore Firm](#) in San Diego, a law firm that serves entrepreneurs. That's when to put in writing important issues like who owns what shares, who has what power, as in the case of deciding a potential buyout.

Mistake No. 4: Establishing a 50-50 partnership. In theory, this sounds great, but ultimately when issues arise -- like whether to bring on new investors -- somebody has to be able to make an executive decision. If you deadlock on a major decision and nobody budges, the company is frozen in limbo unless one of you buys out the other. "It's very difficult for human beings to decide how to divide things up after there is something to divide up," Moore adds.

How to avoid it: Consider at least a 51-49 split instead, where one partner is at the helm with the power to make critical decisions in the event of a stalemate. "Remember, a business is not a democracy," Moore says.

Mistake No. 5: Filing a trademark without doing enough homework. If you think a quick Internet search or cursory look at the [U.S. Patent and Trademark Office](#) database is all you need before filing for a trademark, think again. You don't want to invest in a brand only to learn someone else came up with it first, says lawyer Frank A. Natoli, founder of New York-based law firm [Natoli-Lapin LLC](#). For example, Natoli had a client who lost most of his \$100,000 investment in branded inventory after another company with the same name shut him down.

How to avoid it: Do your research not only with the Patent and Trademark Office, but on the state level (each state has its own registry), in business directories like [YellowPages.com](#), domain-name companies, and even the [Canadian Intellectual Property Office](#).

Source: linkedin.com/news/viewArticle

Lisa Girard is a freelance writer who covers topics as diverse as golf fashion, health and beauty, the hardware industry and small business interests. She also has been Senior Apparel Editor for PGA Magazine for more than a decade. Lisa lives in New Jersey with her four children and two dogs.

6 Tips Avoiding the Common Financial Pitfalls for a Young Entrepreneur

by Caron Beesley

Few things in life are as exhilarating as starting a business, particularly if you are a young entrepreneur with an exciting business concept and the world at your feet! Many factors go into making a business a success, but one of the most challenging areas, particularly for young entrepreneurs is financial management.

Whether it's securing capital, separating personal finances from business finances, or managing cash-flow, there are a number of pitfalls that lay in the way of even the most prepared entrepreneur.

Here are some tips for avoiding the most common financial mistakes that young entrepreneurs make.

1. Build a Cash Reserve

A critical decision before embarking on any business venture is having personal cash in reserves. The costs of going into business aren't always high, but there's a good chance that you won't start to make a profit immediately, and you will always need to put cash aside for tax, regardless of your margins.

The following tips from [SCORE](#) offer good advice for building a six month cash reserve:

- Add up all your monthly expenses, so you know what your true personal expenses are.
- Still in a day job? Set aside five percent of your net pay each paycheck and build savings.
- Sound like too much? Start with a goal of setting aside \$100 week=\$5,200 a year, which is a nice cushion.
- As an entrepreneur, you want to be sure that whenever you take a cash draw from the company, you set aside money for tax. Don't be surprised later with a nasty tax bill.
- Start now. The most important thing is to create a habit of saving each week.

You can also read more from SBA on how to determine when your business will be able to cover all its expenses and begin to make a profit in this guide: [Breakeven Analysis: Know When you can Expect a Profit](#).

2. Consider your Debt-Income Ratio

This is a tricky one for young entrepreneurs, especially if you are paying off student loans or credit card debt. Your chances of getting a business loan are seriously diminished by debt, even if you have the projected income to repay them. If you can, focus your efforts on repaying all your personal debt before you go into business or as early in the business process as you can. Even if you don't need financing now, you may need capital injection down the line and getting this burden off your back and your personal credit score in check.

3. Don't Overinvest in your Business

If you are relying on your cash reserves, credit cards, or savings to start a business, try to avoid some of the overinvestment traps that young

entrepreneurs fall into – whether it's a swish office, computer systems, or inventory overload. Focus instead on building a good product and customer experience. Starting a business from home or online are cost-effective ways to avoid some of these pitfalls – these two guides from SBA can help you get started:

- [How to Start an Online Business](#)
- [Starting a Home-Based Business](#)

One little known option for kitting out your new business is to [purchase government surplus products](#). Just about anything you can think of that your business might need is sold by the government at or below cost, or fair market value.

4. Separate Personal Finances from Business Finances

Keeping your personal and business finances separate, not only provides your business with credibility, it reduces your personal liability (a must if you are incorporating your business as a distinct and separate legal entity under its own name), and helps you manage your taxes, bills and other payments.

While you don't need a separate business bank account, if you plan on making quarterly estimated tax payments, it's always useful to have a set-aside business bank account where you deposit a percentage of your income to ensure you can cover your tax obligations. Here are some tips for [Selecting the Right Bank for Your Small Business](#).

5. Talk to a Finance Expert

It's very easy to cut corners when you are new to business, but getting expert help from an accountant or tax advisor can go a long way to making sure you are in compliance with tax regulations and avoid a common tax mistake – that of paying too much tax!

A consultation with an expert needn't cost you much. In fact, many tax franchises will offer you an initial consultation and advice for free. This is often all you need to get started, as long as you come prepared with the right questions.

6. Don't Forget to Pay Yourself a Salary

In the early days it can be very tempting to pour all your profits back into your business without a thought for your own financial needs. But by being sensible and paying yourself a salary based on what you need to keep your own personal finances in shape and separate from your business is essential.

For tips on calculating your own salary read: [Paying the Boss – 4 Tips for Setting Your Own Salary](#).

Related Resources

- SBA's [Starting and Managing a Business Guide](#)
- [SBA Young Entrepreneur Resources](#)

Caron Beesley has over 15 years of experience working in marketing, with a particular focus on the government sector. Caron is also a small business owner and works with the SBA.gov team to promote essential government resources for entrepreneurs and small businesses.

Source: <http://community.sba.gov/community/blogs/community-blogs/small-business-cents/6-tips-avoiding-common-financial-pitfalls-being-young-entrepreneur>