

# STEP 1

## Set Up

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Gathering the Lemons



**TRACK 1**

**AUDIO SCRATCHPAD** (IF DIGITAL CLICK THE SPEAKER ICON)

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**TRACK 2**

**AUDIO SCRATCHPAD** (IF DIGITAL CLICK THE SPEAKER ICON)

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**TRACK 3**

**AUDIO SCRATCHPAD** (IF DIGITAL CLICK THE SPEAKER ICON)

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**AUDIO KEY POINTS: GETTING YOUR HEAD READY FOR THE JOURNEY!**

- There is no missing piece to your puzzle except for your own action to go out and make a change. There is no hidden message or kernel of truth you're missing to succeed in starting your own business.
- All entrepreneurs make blunders, mistakes and poor decisions at some point. Don't let mistakes derail you. Expect them, learn the lessons from them, *and move on*.
- If you don't understand a facet of operating a business, this does not mean you can't have a business. You will simply need to hire a person to handle the task *or* learn how to do it yourself.
- If you feel frightened, you're not alone! Being frightened is par for the course—just keep moving forward in spite of the fear.

## Why Is Planning So Important?

**Financing** It does not take much money to start a business that eventually makes its way onto the INC 500 list. Sixty-one percent of INC 500 CEO's started their business with less than \$50,000 in start-up capital.

Where does the money come from? The majority (53%) derives from personal assets. Overall, 80% of start up funds came from personal assets or assets of other firm founders, friends, and family. *Bank loans accounted for only 8%* of start-up capital, while government-backed loans (2%) or formal venture capital (2%) accounted for tiny portions of these early stage funds. Source: <http://www.publicforuminstitute.org>

### TRACK 4      **AUDIO SCRATCHPAD**

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#### **AUDIO KEY POINTS: THE “500 POUND GORILLA”**

- No one really understands formal business plans yet we continue to write them.
- With partners, plan well and make sure you know your roles in the relationship.
- You should be able to complete this business launch kit/plan and have a plan in place by working on it just 5 hours a week for a month or two (35 hours roughly).

## How You Feel Matters More Than Any Logic In Starting Your Business

Our emotions—how we “feel,” tends to dictate nearly everything we do. Because how we feel can cloud good decision making from time to time, it's important that you have a clear vision of what you and if applicable your partner want when starting this business. The questions below will act as a barometer to see if you (and if applicable your partner) are ready to move on and make it as an entrepreneur/s. These questions are designed to make you think about what's ahead.

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**PAUSE THE AUDIO (OR LET THE TRACK END) AND WORK THROUGH THE SECTION TO FOLLOW**

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## Q1: Ready for the Journey?

### Why Are You Starting This Business?

**What is the primary reason you're starting this business?**

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It is important to realize that no matter what your answer is, when money is the only motivator, your chance at succeeding drops to less than five percent. If money was your only answer, rethink your business idea and find a way to both make money *and* enjoy what you're doing.

**Where is it you see your business in three years, five years and 10 years?**

It is very important that you have at least an idea where your business will be in the future. This snapshot should take into consideration financial goals, personal achievement goals (tied to your business success), and philanthropic goals if this is part of your reason for growth.

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**What is it you believe to be most exciting and interesting about owning and operating your own business?**

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Passion and persistence are essential to the success of an entrepreneur. You may want to consider that if your answer didn't include at least a hint of excitement, personal happiness, or self expression, then you'll need to find a business that does provide these things. You'll at least need to find a facet of the business that is exciting and then see if this part of the business is enough to keep you interested on its own. I believe in

a lot of ways businesses and spouses are the same. It may look to be the most beautiful business in the world, but once you buy into it you need to realize that at some point the honeymoon will be over. You need to have stuff you like about the business (other than the money) to keep your love affair running.

In the business world, passion is defined by the entrepreneur's intense enthusiasm and devotion to a cause—his or her business venture and the hope to bring a special concept to the marketplace. Passion is the fuel that feeds the commitment to make a business idea happen. Persistence is the only way to make the passion count. Thomas Edison "failed" 1,000 times before he figured out how to make the light bulb work.

**What is it about working for someone else that you liked?**

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**What is it about working for someone else that you disliked?**

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**TRACK 5**

**AUDIO SCRATCHPAD**

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**AUDIO KEY POINTS**

- Knowing how to do your job isn't the same thing as knowing how to run a business. You need to be the entrepreneur—not the technician.

## Streetwise: This is a Major Pitfall

You need to be prepared for this reality. Your business may very well grow to a point where you'll lose the chance to "do" the very thing you once enjoyed. *Running a business is running a business.* This is a job within your company that will demand more of your time than the actual service or product produced. Running a business, for example, is not baking the pies, or painting the homes, or selling the merchandise. These are things that happen within the business and are the services you provide to your customers. These "duties" are not to be confused with actually operating the business. If you don't understand, stay with me and keep moving forward—you will get it shortly.

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### WHEN AUDIO ENDS WORK THROUGH SECTION Q2

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## Q2

**How far off from opening this business are you? Why are you taking this time to plan between now and the "actual" opening day? If you are already running this business, why are you revisiting the planning phase? Writing down your reasons will help to clear up your intentions.**

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Hopefully you answered that you are taking the time to plan out your process because you know how important planning is. If your taking it off because you're afraid to jump in, then there is no better time than now to break your agreements with fear and doubt. Letting go of your fears and doubts is done by having the courage to recognize they exist and move past them. Only after doing this can you see the possibility of having something different in your life.

**Are you ready to take the jump into being self employed?**  Yes  No

<b>Personal Commitment Signature</b>	<b>Date of Commitment</b>

If you answered "No," then don't worry. I'll get you to "Yes." Your purchase of this program shows how serious you are. Let's keep working through the program together; it really is Lemonade Stand Simple.



**AUDIO KEY POINTS AND A QUESTION**

Do you have the necessary time to plan right now?  Yes  No

- You may want to set up a schedule that gives you the opportunity to begin incubating your business.
- Be sure to work through the Seven-Day Journal to see where you could pick up some spare hours to work on your business.

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**WHEN AUDIO ENDS WORK THROUGH SECTION Q3**

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**Q3**

**Entrepreneurial Qualities**

**The 14 Habits of Successful Entrepreneurs**

The exercise below gives you a chance to examine the qualities successful entrepreneurs tend to have. Entrepreneurs may lack in some areas but make up for it in others. Follow along and determine your strengths as well as areas you can improve on. This exercise is designed to showcase areas you can improve on and areas where you are already strong.

**The 14 Traits Of Successful Entrepreneurs**

**Organization:** the ability to structure your life, keep information in order, and stay on top of tasks. Write down an area of your life where people consider you to be very organized.

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**Integrity:** a commitment to be truthful and sincere in your dealings with other people—you honor your commitments. What is it in your life that you stand for? Where is it your integrity is high?

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**Persuasiveness:** a skill for convincing people to see your point of view and get them interested in your ideas. Can you recall a time when you got others to see things your way despite their initial beliefs. If so, explain the situation on the lines below.

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**Adaptability:** the ability to cope with new situations and find creative solutions to problems. Share a time in your life where your ability to cope with a new situation was important.

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**Competitiveness:** a willingness to compete with and test yourself against others. Share a time in your life when you competed for a prize or recognition. Recall the feeling of competition. It may have made you anxious, excited, happy or even worried. All of these are normal responses to competition and being comfortable with competition is an important part of operating your own business.

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**Confidence:** the belief that you can do what you set out to do. In what areas of life are you confident in your abilities?

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**Creativity:** as it relates to business, creativity is the ability to look at issues within your company and develop solutions fairly quickly. Write down a time when your creativity allowed you to solve a problem that others seemed to be stuck on.

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**Discipline:** the ability to stay focused, meet deadlines, and stick to a schedule. Discipline probably ranks with the most difficult of all entrepreneur traits. This is one reason some businesses are very successful. Write down one area in your life where you are disciplined and reflect on ways you could possibly improve discipline in other areas of your life.

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**Passion:** the desire to work toward the accomplishment of your goals. What is one area in your life you are passionate about. It may be food, exercise, animals, God or sports. What is it that lights you up about this one issue or this thing. Why is it you are passionate about it.

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**Resolve/Perseverance/Persistence:** the refusal to quit; willingness to keep goals in sight and work toward them despite obstacles. Write down one major life accomplishment and in brief, what it took to achieve it. You may include the sacrifices you endured to reach your goal.

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**Risk-taking:** the courage to expose yourself to possible losses. Write down one time you took a risk, survived and were better for it in the end.

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**Understanding/Empathy:** an ability to listen to and empathize with other people. Empathy is one of the most powerful tools an entrepreneur can have. Understanding what your customers want, what their motives and situations are is the goal of all market research. In addition being an empathic listener makes management of people a much simpler task. To be great at it, you need to be humble enough to listen and caring enough to understand. Write down a time in your life where someone thanked you for just being there for them, for lending a hand in a time of need.

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**Vision:** the ability to see the end results of your goals while purposely working to achieve them. Visions and goals are often erroneously treated as the same. Goals are the fabric of a finished vision. Write down a vision you have not only seen but one you have realized.

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**Calm:** the ability to keep a cool head despite life stressors. Have you ever been in a situation where everyone was way too excited to think straight and you offered some calming words or a simple answer that turned things around? If so, write down what happened on the lines below.

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**TRACK 7      AUDIO SCRATCHPAD**

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**AUDIO KEY POINTS AND A QUESTION**

Could your financial decisions use some improvement?     Yes     No

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**WHEN AUDIO ENDS WORK THROUGH SECTION Q4**

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## Q4

**Are you a good communicator? Are you good working with people of all personality types? Explain.**

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## TRACK 8 AUDIO SCRATCHPAD



### AUDIO KEY POINTS AND A QUESTION

- It is important to be an effective communicator to make any relationship successful. Of the many qualities successful entrepreneurs have, communication certainly ranks as very important. In all likelihood there are many sources for the same product or service that you're offering. What often makes the difference is the degree to which our customers are able to express their needs and desires and our ability to understand what they want. Communication skills are important.

**Would you say that the business you are thinking of starting involves a lot of customer contact?**

Yes    No

- It's important to know this answer so you can be comfortable in your business choice based on your personality. Consider that though the business may not require a lot of day to day interaction, sales and marketing will demand it.

### **Streetwise:**

This brings up an interesting point that when starting a business you need to investigate the works of others already doing what you want to do. This will save you a ton of time and effort and certainly money. Here's an ever better idea: go work in the industry first.

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WHEN AUDIO ENDS WORK THROUGH Q5

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Q5

**Are you prepared to change your life routines?** List the things you believe will change in your life with the new business possibility you're creating and include a brief explanation of how they will change (e.g., more of less of etc.).

**Friends: Will you see them as often? Will some of them work for you and will that change your relationship? Will you have to tell them to give you some space because you are busy?**

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**Family: Have you discussed with your immediate family exactly what you are doing and what would be expected of them, including their patience and understanding? Do they know they may need to help out around the home if you are busy with the business?**

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**Schedule of Your Regular Job: Is your current employer going to give you some flexibility in your schedule? Are you going to tell your current employer about your business? Will your current employer be able to help you with your new business by possibly becoming a client?**

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**Sleep Schedule:** Most of us love our sleep. How will your sleep schedule change? Be careful not to get too radical as sleep is something you can only deny so long before it creeps up and bites you.

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**School Schedule:**

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**Social Calendar:**

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**My Saturdays:**

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**My Sundays:**

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**My Mornings:**

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**My Afternoons:**

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**My Evenings:**

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**Are you prepared for these changes? What about those that rely on you... are they prepared?**

If not, no better time than now to have the discussion or to work it out. For some great ideas on how to keep things running smooth with your new business as it relates to family and friends, work thru the sections to come. I have provided pointers to help you with the transition throughout the Lemonade Stand Simple Business Launch Kit.

**TRACK 9**

**AUDIO SCRATCHPAD**

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## AUDIO KEY POINTS AND QUESTIONS

- Many people say “Yes, I am prepared for a change to my life routines.” Often times however they discover they enjoyed the security and comfort of doing the same thing day after day.
- *I’m sick and tired of being sick and tired.* Think about the power that could have to motivate you. That is certainly a quote I call on for the extra inspiration to write, create, or work: “I’m sick and tired of being sick and tired.”

## Choosing A Business That’s Right For You

This section will provide an overview of the decisions entrepreneurs must make and the steps you’ll need to take in order to be a legitimate business

Be sure to use the checklist provided at the end of this section to make sure you have addressed all the important factors to starting your own business.

You will stand a greater chance of succeeding by choosing a business that fits with your personality.

**Every business has a downside—find out if you can deal with it based on your personality type. Will you be able to deal with this downside?  Yes  No**

There are a multitude of businesses out there, waiting to be opened and operated. There *will* be one for you—you just have to find it.

**Are you focused to bring this one idea into existence before you water down your energies and start a second business?  Yes  No**

Not having things work out is often caused by your own self-defeating actions.

Self-sabotaging behavior thrives in all of us because it has a major pay off, it reduces our anxiety by keeping us in our comfort zone. "Growth however demands discomfort!" Be ok with uncomfortable.

**NOTE:** If you don’t really have a business idea yet, you should consider the things that excite you in life and look to these things as a source for business inspiration. For example: I gravitate to things that help people (and me) better understand not just business but stuff in general. The payoff is I get is to learn and earn. One example of a business of mine outside of business coaching, speaking and author stuff is Armed Consumer. Having spent several years buying and selling real estate I learned a lot about working with contractors and decided I could share the information with the public to help them with their home projects.

## What Business Is Right For You?

Think through your personality type and tolerance to the tasks ahead of you. When doing this pay specific attention to your relationship to *risk*. Are you someone that is able to adapt to great changes as a result of your actions? Is your spouse or partner willing to do whatever it takes to launch your business even if it may mean some temporary sacrifice? Your personal strengths and weaknesses, likes and dislikes should be the light in which you make your business decisions. Let me give it to you straight: *do what your best at and like the most. "DO YOU"*

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**WHEN AUDIO ENDS WORK THROUGH SECTION Q6**

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**Q6**

What business is right for you? If you already positively know what type of business you want to start, you can skip this section and go straight to “The Business You Choose” a couple pages down.

Here are some ideas to get your creative juices flowing. Consider them to spark ideas if for some reason you aren't sure what business you want to get involved with.

**Do you have any hobbies that could become a business?**    Yes    No    Maybe

**How do you spend your free time? Golfing, fishing, talking sports, cooking, writing, designing art, helping friends decorate, etc.? Other**

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**Could any of these open a business opportunity for you?**    Yes    No    Maybe

What about a business tied to something you actually like to do? For example, I have known people who became certified travel agents so that they can go on more vacations.

**What are you interested in? Antiques, cars, music, building, dance, business, teaching, snorkeling etc.?**

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**What are you good at and/or experienced in? Party planning, gardening, working with children, writing résumés, sewing, special recipes/dishes you make etc. Think of things that people call you about for advice. This is usually a sign that people consider you to hold a certain degree of expertise.**

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This is just a brainstorm exercise. Feel free to make notes but I've left very little room for answers because this exercise is simply designed to make you think. When you brainstorm you should just let your mind wander. Better yet, involve a few people to help you. Here's the secret: don't suppress any ideas.

**What skills do you have?**

**Can you make money with these skills?**

**What jobs have you excelled at?**

**What is the market for your experiences?**

**Do you own a computer?**

**What about buying into a franchise or freelancing?**

**What childhood dreams and aspirations do you still hang on to that aren't fully expressed?**

**What did you want to be when you "grew up?"**

**Have you seen what you believed to be your "calling?"**

**Have you done anything to move toward that calling?**

**What would you do if money, education, and experience were not an issue?**

**What business would you enter if you knew you could not fail?**

**What were you good at that no one encouraged you to do?**

**Go to the magazine rack and see which topics/magazines arouse your interest. Is there a business in that area for you?**

**Search the Yellow Pages: what occupations have always interested you?**

**What business are others operating that you would like to be a part of?**

**What are others NOT doing? This would likely be an area you've often seen a need for but never done anything about.**

**Would you rather offer a service or a product?**

**What one thing is super popular right now and what runs completely contrary to this "thing"? An idea lies in the gap.**



Is this business something you would enjoy doing every day?  Yes  No

Is it recession proof or darn near?  Yes  No  Darn Near

If your business isn't recession proof, you may want to consider expanding your products or services offered to include some offerings that in good economies and bad, people will still need to have it. This will keep your cash flowing and provide some safety while you wait for an economic rebound.

## TRACK 10 AUDIO SCRATCHPAD

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### AUDIO KEY POINTS

- Some businesses are able to weather difficult times and some are not.

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**WHEN AUDIO ENDS WORK THROUGH SECTION Q7**

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**Q7**

### Overcoming the “Barriers of Entry”

What barriers can you see yourself having to overcome? Check all that apply.

- Education  Money  Lack of Time

How do you intend on overcoming these barriers? Check all that apply.

- Get Educated  Save for or find money sources  Leave current job  Work evenings and weekends, reduce leisure activities



<b>Weekly Business Planner (print)</b>			
	<b>Morning</b>	<b>Afternoon</b>	<b>Evening</b>
<b>Sunday</b>			
	<b>Morning</b>	<b>Afternoon</b>	<b>Evening</b>
<b>Monday</b>			
	<b>Morning</b>	<b>Afternoon</b>	<b>Evening</b>
<b>Tuesday</b>			
	<b>Morning</b>	<b>Afternoon</b>	<b>Evening</b>
<b>Wednesday</b>			
	<b>Morning</b>	<b>Afternoon</b>	<b>Evening</b>
<b>Thursday</b>			
	<b>Morning</b>	<b>Afternoon</b>	<b>Evening</b>
<b>Friday</b>			
	<b>Morning</b>	<b>Afternoon</b>	<b>Evening</b>
<b>Saturday</b>			



**AUDIO KEY POINTS**

- Clarify the primary goals and objectives of your business. For example you may have a primary goal of first earning enough income in your new business to leave your current job.

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**WHEN AUDIO ENDS WORK THROUGH SECTION Q8**

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**Q8**

**My primary goal is to:**

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**My secondary goal is to:**

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I am tired of feeling:

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When I look back at how my fears have kept me from starting my own business I can see that:

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Why are you choosing this business?

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**TRACK 12      AUDIO SCRATCHPAD**

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**AUDIO KEY POINTS AND A QUESTION**

Are you starting this business to create a job for yourself, or to grow a business? Recall in the audio there was a discussion on the difference between the two.

- Create a job
- Grow a Business

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**WHEN AUDIO ENDS WORK THROUGH SECTION Q9**

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**Q9**

What is going to be unique about the product or service you're offering? What is going to make your offering stand out in the crowd? What are you going to do better than everyone else? There are plenty of ways to stand out. Be sure you can see at least a couple things different from what already exists in the market you're choosing. Here are just a few:

- Price
- Size
- Hours
- Ownership
- Qualifications of the owner
- Style
- Some wild feature that provides an emotional payoff to your customer
- Dramatic difference

There are tons of products and services out there, so you have to make your product or service stand out on something other than "best price" or "best service". It is important to find the "thing" or feature that is important to the customer, your target market. Find the niche that needs filling in your industry of choice. Discover the market segment that isn't being served. What is your dramatic difference that would make customers stop buying or using one product or service and buy from you? For example with Lemonade Stand Simple, we not only sell the business launch kit but we also offer coaching (both virtual through the audio and live via the phone/web) because we recognize that a business start up course on its own is worthless for most people. The audio coach component and covering real life business issues is our dramatic difference. Most business planning tools act as if business is a bubble unto itself. We know differently.

**My business/service will stand out amongst the competition because**

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Where will your business be located? (city, state, home based, commercial office, etc.) More importantly, why is this a good location? The answer may very well be that it isn't costing you any money to be there (home based). Will this location turn out to be a frustration to you later? If you think this is possible, make a side note to include rethinking your location as you create your action plan later in this program.

**City of** \_\_\_\_\_ **State of** \_\_\_\_\_



It will be located in:  my home office  a rented office  a storefront

The location is good because? Check all that apply.

- Centrally located  Location is free  High visibility  
 Lifestyle friendly  I am surrounded by people that can help

## TRACK 13 AUDIO SCRATCHPAD

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### AUDIO KEY POINTS AND QUESTIONS

#### Partner-Focused Questions

It's good to review this section even if you don't have a business partner. And while your spouse may not have their name on the business papers, they are certainly affected by your business decisions .

#### Are you taking on a partner/s?

If so, why? What are they bringing to the table (figuratively or literally) that you absolutely can't, don't, or won't provide? (Check all that apply):

- Money  Education, Skill, Knowledge  A Certification or License  Credibility  
 Credit Rating  Connections  Time

#### Is your partner a friend or relative?

If he or she is close to you, keep in mind the *very* high risk of damaging this relationship. You have to know if this risk is worth the potential payoff.

- Friend  Relative  Not Applicable

#### Have you *truly* addressed the stuff that has been on your mind but is hard to talk about?

Not just with a partner (if applicable) but also concerns about yourself. Cover these things now and put plans in place that force a positive outcome. Recognize your shortcomings and be open about them. Know your own personal limits and those of your partners.

If you do have a partner, make sure you're going through this program with them.

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WHEN AUDIO ENDS WORK THROUGH SECTION Q10

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**Q10**

The blanks below will help you get your likes and dislikes out in the open and also address some other family and/or friend issues that may arise from your new endeavor as an entrepreneur. Having your personal life in order is imperative to operating a company that will grow for years to come while at the same time having a personal life that prospers along with it.

**I am personally aware of the fact that I do not like dealing with the \_\_\_\_\_ side of running a business.**

**My \_\_\_\_\_ isn't happy that I want to start my own business.**

**My \_\_\_\_\_ will get less attention from me. I will help her/him deal with this by:**

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**My \_\_\_\_\_ will get less attention from me. I will help her/him deal with this by:**

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**I am going to reduce the strain of the personal issue stuff in my life as it relates to my business by:**

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**AUDIO KEY POINTS****What does your minimal effort look like and in what time frame?**

Spell this out completely and be sure to honor it in the section below.



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**WHEN AUDIO ENDS WORK THROUGH SECTION Q 11**

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**Q11****Total Dollars I will spend on this business start up before I step back and re-evaluate:**

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This is a “stop loss.” It is designed to keep you from throwing money into a project that either isn’t earning money, was poorly planned, or isn’t meeting your plans for growth. If you made mistakes, learn and move on. Entrepreneurs persist in the face of challenge. If you run into losses which is part of the risk, learn your lessons and move on to the next opportunity or find a way to improve your current one.

**Total time I will spend on this business start up before I step back and re-evaluate:**

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Hours, days, weeks, months or years—that’s up to you. This too is designed as a stop loss to make you take notice after a predetermined timeframe if the results you initially planned on fail to materialize.

**Target dollar amount of \_\_\_\_\_ needed in income by \_\_\_\_\_ (date).****Total number of prospects I will meet with to sell my product/service before I step back and re-evaluate: \_\_\_\_\_.**

Please sign below your commitment to these limits or stop loss points.

Personal Commitment Signature	Date of Commitment

What is the date you plan to be fully self-employed and/or what is the date you plan to be operational as a “side” or part time business?

I will open my side business (if applicable) by \_\_\_\_\_ (date)

I will be fully self employed by \_\_\_\_\_ (date)

Personal Commitment Signature	Date of Commitment

## TRACK 15      AUDIO SCRATCHPAD

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### AUDIO KEY POINTS

## Do You Have The Support Of Family And Friends To Keep You Encouraged When Times Get Tough?

HINT: Ask them, don't decide for them! We all need at least one cheerleader. It is best when your encouragers have experience in different fields—but you also need people there just to offer those key words of encouragement.

## Streetwise:

Just because someone doesn't have experience as a business person doesn't mean they don't have great advice. My wife is a full time mom yet I rely on her insight nearly every day. Often her perspective is *considerably* different from mine. I draw on this difference to make what I hope are wiser decisions in my business.

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### WHEN AUDIO ENDS WORK THROUGH SECTION Q12

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## Q12

List support team members here:

_____	Phone: _____
_____	Phone: _____
_____	Phone: _____
_____	Phone: _____
_____	Phone: _____

## TRACK 16

## AUDIO SCRATCHPAD

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### AUDIO KEY POINTS AND A QUESTION

- Are you assuming a family member or dear friend will be willing to help you with your business? If so, be sure to verify whether or not they are willing to "donate" their time.

## Money Focused—General Questions (note, this is not the finance section)

Are you choosing this business just for the money?  Yes  No

If it's just for the money, keep looking for a business that brings the money and the joy!

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WHEN AUDIO ENDS WORK THROUGH SECTION Q13

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### Q13

Where is the money to fund your start up coming from?

- Personal Savings  Family Member  Friend  
 Credit Card  Lease Financing  Bank Loan

Can you sustain your business through the slow times on the capital reserves or cash flow from another source?  Yes  No

If you can't sustain during what could be slow times or seasonal fluctuations, you either need to keep your primary means of income for a while or consider starting a business that requires less capital. This of course could include keeping your job until you reach a point where your business is earning enough to set you free of your current employer. There is more than one way to start up a business. *Many businesses can be started for less than \$10.00.* I have clients who started businesses with only the cost of business cards. One client I helped get started, now has a business that does over a million dollars a year in revenue and has grown in excess of 20% a year.

TRACK 17

AUDIO SCRATCHPAD

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## AUDIO KEY POINTS

### Streetwise:

Making a game out of the business growth makes it fun and keeps it interesting. The object of the game is to find ways to bring money in and keep from sending it out. For example, I invented a game called “No more than \$1,500 would be spent in our start up phase.” That’s a long title for a game, but it worked. Reading this book right now is proof I was able to do exactly that. This game demanded that I come up with a way to pay web development and publishing with \$1,500 or less. It forced me to get creative and not squander precious financial resources. Games I played earlier in my business endeavors didn’t use this strategy. These ideas have come from experience and growth as a businessperson.

It is simply a shift in thinking but one that took me years to develop. By using this workbook to develop your business, you will eliminate many years of strife. You’ll run into some challenges of course, but not nearly as many as you would have without the proper tools to bring it together. Make your game and then follow your rules. Get creative and stop thinking that other people’s opinions and ways of doing things are some sort of absolute truth. At times, we need to believe in what others find absurd.

It’s time now to move onto traditional business planning questions and information.

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### WHEN THE AUDIO ENDS WORK AND READ THROUGH THE FINAL SECTION OF SET-UP—Q14

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## Q14

## Legal Stuff: Details For Opening Day

### Naming Your Business

If you are like most business owners, your company means a great deal to you. Many entrepreneurs call their businesses their “baby.” As the entrepreneur, you are either giving birth to this new business or nurturing an existing business to keep it alive and growing. You should have great hope for its future. It makes sense to name your business with care and planning. Below are several things to consider when choosing a name.

It is important that you don’t spend the time, money, and effort naming your business, ordering signs, forms, business cards, advertising, etc. without making sure that the name does not conflict with another existing business. It must also be a name you will be comfortable with for years to come. If you’re doing business in your city, make sure no one else in your city is using it. If you’re doing business on a state-level, make sure no one else in the state is using it. The same is true for the national or international level. Before finalizing the name for your business, you’ll need to do some basic research. Here are some tips:

- Names that tell something about the product are more successful than those that are vague. E.g., Toys R Us, Continental Transmissions, Chicken Shack etc..
- Your business name should be broad enough to adapt to changes in the organization including growth, products, and strategy.
- Avoid names that leave the reader clueless as to what it is you sell. Think about the key focus of your business. “Joe’s Windows” is more descriptive than “Joe’s Contracting” but consider that Joe’s Contracting allows for growth into other areas as well.

- Make sure the name is easy to pronounce and understand. Your business should be easy to remember and pass along easily by word-of-mouth.
- Names that create a mental image are much better than those where no image or picture is left in the customer’s mind. For example I once saw a truck with the image of a large grizzly bear on the side. The name of the business was Big Bear Lawn Care. I’ll never forget that image and I only saw it once. The fact that it rhymed was also a big help in creating the impression. I’ve also had a business for years called Game Show Guy. That’s what my clients called me anyhow so why not go with it. It was the naturally occurring thought when they were thinking of alternative entertainment.
- Choose a name that will have staying power. Keep away from names that are tied to the latest fad. Fads may come and go, but you want your business to stay.
- A business name should be at least somewhat unique. First and foremost because if it is not, someone else may already have taken the name.
- Be prepared with a list of alternate names in case the one you want has already been taken. Ask 10 people who don’t know you to rate a list of names for your business. See what name they all seem to gravitate toward. I have found that friends and family aren’t as honest with me as the general public. Or because they know me they have a different answer than the general public. We train people how to act around us. It’s inevitable people will lean toward giving you the answer you want. “Try on” the names you like for a few days each before you actually spend money on the purchase of it.
- You should also ask people what the name conveys to them. A fine example might be Wayne County Janitorial Service vs. Worldwide Janitorial Service. Both of these companies would have the same owner and even the same target market—however the names alone convey different messages.
- Unless it aids your marketing and defines your target customer’s demographic, keep away from names that define you as a certain race or ethnicity—and steer clear of slang.
- Names that are too long can be a problem for signage and marketing purposes. In addition names that are too long don’t lend themselves to simple web/domain names.
- Research the meaning of your name finalists in other languages and cultures especially if you plan on becoming an international company.
- Make a list of competitors in your industry and determine how you can differentiate your company from those businesses.
- The name you pick will have a certain “feel” to the customer and public. Consider how you want your business to be viewed by the general public and your customers.
- Check for state regulations on naming a business. Many states require specific wording for corporations and LLC’s. Additionally, many words are limited in use or prohibited in business names. For example you can’t use the word "school" in Michigan unless the state licenses you as a school and that requires a lot of red tape to get done..
- Naming a business seems like it would be simple , but it needs to be taken seriously. Pick a name that provides a good image and communicates your business purpose clearly. Make sure you like it—after all you will be spending a lot of time with your creation. By selecting the name wisely, your business name will become a valuable company asset and a phrase you will say with pride for many years to come.
- If you need a name protected nationally you really should consider trademarking it as well.

**The name of your business is** \_\_\_\_\_

**The “form or entity” I am choosing is** \_\_\_\_\_

Come back later to fill these two lines in unless you already know the answer!



I happen to use an attorney and/or a tax expert for advice on various legal matters. For less than \$100.00 a month. I can talk to one any weekday for as long as i need. In addition to this, the attorney handles personal legal matters as well. It's called pre-paid legal. If you decide you'd like to use this legal service, call my office and we'll help get you signed up - 248-648-1669

## **Choosing a “Form” or Entity for Your Business, Zoning, Taxation, Licensing**

The information presented here is not necessarily a complete and comprehensive overview or analysis of the legal issues regarding permits, regulations, licenses, zoning and legal entities. This information is merely an aid to help inform you. Do not rely solely on this information and remember that any decision should be undertaken only after consultation with your legal and/or tax advisors.

Some of this information is sourced and adapted from The Small Business Administration's Law Website and the Oakland County, MI Government website. Both sites provide access to great information to help deal with a variety of business and legal questions.

In order to assure that your business is not violating any laws, there are a few important factors to consider:

- The legal structure or “entity” of your business.
- The regulations you must comply with on your particular type of business.
- The taxes you must pay (federal, state, county, and city).

All three of these will be discussed in the remainder of Step One. Because of the nature of laws and taxation and local zoning issues, it is impossible for to have constantly updated information to cover everyone and their personal/business situation. Laws and zoning and taxation change daily. So be sure to access a professional for your unique situation. If you want to save a lot of money on legal fees, again I encourage you to call my office regarding pre-paid legal - 248-648-1669.

## **Legal Entities—What Is A Legal Entity And Why Do I Need One?**

When proper forms are filed with the appropriate state, and/or county offices requesting a business name or status, your business becomes a new legal entity. You get both the name and the “form” or “entity”. Much like bringing a child into the world, the government wants to know not only the name (your company name) but what gender it is (the entity choice—i.e. LLC, S Corporation, C Corporation, sole proprietorship, etc.). Your business structure is the “type” of entity you choose. Typically the decision is made based on your own tolerance for risk, the tax implications and the short to mid-term plans you have for the business.

## **Forms Of Organization Or “Entity”**

The five basic forms of organization are:

1. Sole Proprietorship (also known as a proprietorship)
2. Partnership
3. Limited Liability Corp (LLC)
4. C Corporation
5. S Corporation

## Sole Proprietorship

A proprietorship, also called a sole proprietorship, is the simplest type of business organization. It is owned by one individual and all the assets of the business—tools, inventory or vehicles—are owned by that person/s. The owner is responsible for all debts, both personal and business. Special Note: In some states, husbands and wives starting a business who file a joint return are not viewed as a business partnership. One, or both, can file for a “DBA” (doing business as document) with the County Clerk and still form a “sole” proprietorship.

A proprietorship can buy and sell, hire employees, and deduct business expenses—just like any other business. For federal income tax purposes, the profits from a proprietorship are taxed at the same rate as employees, but are subject to self-employment taxes (1040 SE). Whatever money you spend in the “pursuit” of business profit will come off of the total you are taxed on. So if you sell a widget for \$1,000 and it cost you \$300 to make it and market it, then the amount left over, \$700, is what you have to pay taxes on. It is that simple.

In order to form a proprietorship, you must register your business name with your state’s equivalent of the County Clerk’s Office. Doing a simple search online, enter in your county and state name. Your county website should come up. Here in my county (Oakland County Michigan) the website has forms I can fill out and send in to buy my name and form my proprietorship. It currently costs \$10 for five years. You may want to call your county first to see if the name is available at the county level. Then to be safe, contact your state’s business office (usually found through your state’s official website) to see if the name has been taken at the state level (LLC or Corporation). In Michigan we can check online at our state government site (it should be yourstate.gov) to see if someone has taken a LLC or Corporation name (which are state-level names, not county-level like a sole proprietorship). I also file online in Michigan form my LLC's and when I am a good boy... I try to stay in good standing by filing an annual report. Check out lemonadestandsimple for past or upcoming webinars on "starting a business - the lawyers perspective" .

### Advantages to a Sole Proprietorship

- Business losses can be deducted—the losses can actually be “carried over,” and if the owner has regular W-2 type income (from a job), the business income can be basically added to this number as well. If the business had a loss, then this loss will reduce the owners overall tax liability. So, it can cause a decrease in total income shown to the taxing authorities thereby decreasing the total tax owed if any. This is why some people run small businesses out of their homes. They are able to maneuver their success from one year to the next to reduce their overall tax liability. This would include reducing their taxes by going on business trips and conferences, possibly purchasing a company vehicle, taking clients out to dinner, etc. You get the idea.
- Income is taxed only once unlike a corporation which may be taxed twice.

### Disadvantages to a Sole Proprietorship

- The owner is personally and wholly liable for anything that happens in the business whether it is a tax or legal liability. The owner is actually “on the line” if something goes wrong.
- The proprietor may pay higher taxes than if he or she had a regular job. Here is how it works. If you are an individual and have earned income with your “day job,” you will have to pay Social Security taxes. As an employee, half of the Social Security tax is paid by you and half by the employer. If you own your own sole proprietorship however, you are both the employer and employee and therefore must pay both halves of the Social Security tax. If you are thinking of leaving your current job and you believe you will make exactly the same money working for yourself (and not any more) then this is something to consider—as well as the other “perks” the company now covers on top of your pay.

## **When Operating as a Sole Proprietorship**

- All business earnings must be included in the gross receipts (also known as gross earnings or pre-tax revenue or total receipts).
- You must save all your receipts to prove that all your expenses on the Schedule C are verifiable.
- Keep great records and a separate business account. Indeed this is the biggest trouble spot for the sole proprietor as he or she will often get sloppy with the book keeping and fail to keep records straight. Having a separate business checking account is a simple step on the way to good record keeping.

## **Sole Proprietorship Tax Information**

Sole Proprietorship's use Schedule C Taxation. You collect all the proof of income (called gross earnings or gross receipts), which are earnings from the business. From this total income you take out all your expenses (you will need receipts to prove all business expenses) incurred by running the business and this will show you the "net profit." A net profit from the Schedule C is then added to the owner's income taxes.

## **Partnership**

If two people form a business together they can operate as a partnership entity. Obviously it isn't a "sole" proprietorship. It is now a partnership or a "proprietorship." There is of course a greater chance for personal liability exposure in a partnership because simply put there are twice as many owners and twice as many possibilities to screw up and get sued. In addition, each partner can legally bind the other partner/s. The taxation and the way money flows through a partnership is treated the same as a sole proprietorship, with the exception that the percentage of ownership will generally determine the profits received and the tax responsibility. If Bill owns 30% of a partnership and Lucy owns 70%, then unless they have it worked out differently, Bill will get 30% of the profits and Lucy 70%. Bill will have to pay 30% of the taxes and Lucy 70%. Other than that it is treated like a sole proprietorship. Unlike Sole Proprietorships, partnerships are required to have a Federal Employer Identification Number (EIN).

## **Partnership Tax Information**

It is the same as Sole Proprietorship except that each partner in the partnership is taxed according to his/her ownership percentage. See Sole Proprietorship Tax Information section above for more detail.

## **LLC (Limited Liability Company) The New "Popular Form" Of Legal Entity**

A Limited Liability Company has quickly become the entity of choice for new business startups. The main reason is that like the sole proprietorship, the money and tax side is very simple without the many requirements or restrictions that are placed on corporations. In fact, income "flows through" right to your personal income tax return as it does with the sole proprietorship. Limited Liability Company's are a pass-through tax entity—this means that the income or loss generated by the business is reflected on the personal income tax return of the owner/s (like a sole proprietorship). The big difference between it and a sole proprietorship is that if an owner takes necessary precautions (insurance, business bank account, use of LLC for credit purposes etc.), the owner is not typically held personally responsible for the debts and liabilities of the business if they were to be sued. This was and is a major win for small business that didn't have the money, time or understanding to run the more protective corporate entity/s. That is exactly why I as the author chose this form of business entity. NOTE: one requirement often neglected is that LLC's, to

maintain some degree of liability protection & keep in compliance with the law are supposed to hold a regular annual meeting (yes even one member LLC's) and vote and record notes called meeting minutes. Furthermore you are supposed to file these with the state to stay in good standing and maintain a better level of "protection" from law suits. Google it... or again, check with your local attorney or pre-paid legal.

### **Multi-Owner LLCs (Limited Liability Company)**

The IRS treats co-owned LLCs as partnerships (see partnerships above) for tax purposes. Co-owned LLCs themselves do not pay taxes on business income; instead, the LLC owners each pay taxes on their lawful share of the profits on their personal income tax returns (with Schedule E attached). Each LLC member's share of profits (if there is more than one owner or member) and losses, called a distributive share, is set out/defined in the LLC operating agreement.

Many LLC owners like those of sole proprietorships and even many small to midsize corporations have difficulty getting credit under the business name without personally guaranteeing the loan also. This reality opens the debt responsibility back up on the owner/s. An example might be that an owner of a plumbing service must personally sign along with his company signing for a shipment of supplies. If he can't afford to pay for the product when he has signed for it then he may be sued for the product cost and possibly consequential damages. Compare this to a giant corporation. If someone with the company signs for a large order of supplies and fails to come through with the money necessary to pay for it, then the company is sued. As you will soon learn, the corporation is an entity of its own. The employees merely work for this corporation. Because the company is the target of the lawsuit, the person signing for the supplies, unless gross negligence could be proved, is not likely to be at great risk of losing personal assets and future wages.

If you are forming an LLC, then you will need to get in contact with your state authority. In Michigan it is called the Bureau of Licenses and Corporations (Michigan.gov). I filed for this LLC electronically by filling out the form, paying the money and then faxing it in. The charge in Michigan is actually quite low at under \$100 for an LLC. I have seen states higher than \$500.00 to form an LLC.

### **A Limited Liability Company (LLC) is:**

- Formed on individual state law as are all the corporations.
- Normally treated as a partnership or sole proprietorship for federal tax purposes.
- Taxed at shareholder level (shareholder means your percentage of ownership).
- Often granted the same powers as a corporation.
- Limits personal liability.

### **Multi-Owner LLC Tax Information**

The information is the same as LLC except that each partner in the partnership is taxed according to his/her percentage of the profits.

## **Corporation**

A corporation is the most formal way of conducting business. A corporation is a *legal entity separate from its owners*. It is as if a new person, distinct from the shareholders is brought to life. Both the assets and debts of the business are owned by the corporation (often called a fictitious character) and are entirely separate from the personal assets of the owners. Unless the owners specifically guarantee a corporate debt, they are generally not responsible. When the original owners of a business are contributing varying amounts of

money, a corporate form may be used. The owners are issued stock shares in proportion to their investment and officers' (usually the entrepreneurs themselves) salaries should be spelled out in the "by-laws." Future earnings are distributed as dividends based on shares. If you are in a business where you are likely to be sued (which may be most businesses these days!), the corporate form of ownership may serve to protect your personal assets. For an easier to run entity that still protects your personal assets don't forget the Limited Liability Company discussed above.

The two most common forms of corporations are "C" and "S." The major difference between the two is in how they are taxed. The C Corporation pays a corporate income tax and the owners also pay their personal taxes on salaries and dividends. This "double taxation" is the most common deterrent to forming a "C" Corporation. An S Corporation does not pay corporate income tax; instead, all profits are allocated to the stockholders and are taxed at each stockholder's personal tax rate whether or not cash is paid out as salary.

Many business owners consider creating a corporation to protect personal assets such as home, cars, etc. from the courts in the event of a bankruptcy or if a jury were to award a settlement more than the limits of the business insurance.

C Corporations are generally best for very large businesses or sophisticated business people that have a strong handle on sheltering income and playing the business game at a different level. Because of the way C Corporations are taxed, it is very unlikely you would want to pursue this form just yet. However consult with an attorney to be sure. There will be very little discussion on corporate entities throughout the remainder of this program.

In order to form either an S or C corporation, you should consult with an accountant or an attorney.

To access more information on your state's filing requirements and business laws, you can typically just visit [yourstatenamehere.gov](http://yourstatenamehere.gov) . For example in Michigan it is [michigan.gov](http://michigan.gov). I used to provide live links in this program but the states changed the links so often it was an editorial nightmare.

## **Federal Protection Of Your Business, Product Or "Trade Name"**

### **Trademarks**

If you plan to sell products over the internet or do business on a national level, you may want to have your business name protected nationally. If you plan on expanding your business beyond your state, or wish to avoid a conflict with someone else's trademark, you can apply for your own trademark, service mark, or trade name. There are legal professionals nationwide who specialize in helping people and companies properly acquire trademarks. Though it is not rocket science to do it, you may want the advice of a professional until you understand the process better. I personally use a professional when I want a trademark. Read the streetwise piece below to find out why. The trademark though does not give you a legal status in a given state. As in... it won't keep you from having to form an LLC or S or C Corp in each state you do business.

## Streetwise:

By using a professional to do certain things for your business, you are paying for their expertise. This professional is “charged” to lead you properly. If at a later date, there were problems concerning the validity of your trademark and possibly the loss of it, you could go back after the attorney and sue for damages. This is why the attorney pays for malpractice insurance. Note: always ask your attorney and make them prove to you that they carry malpractice insurance. Prices without an attorney for a trademark run about \$450 on the government’s website. With an attorney you will pay from \$650-\$2,500. I pay about \$1,500 for my trademarks. I can get one for less money but I am comfortable with his services and that makes the extra expense worth it for me.

According to the United States Patent and Trademark Office Website:

- A *trademark* is a word, phrase, symbol or design, or a combination of words, phrases, symbols or designs, that identifies and distinguishes the source of the goods of one party from those of others.
- A *service mark* is the same as a trademark, except that it identifies and distinguishes the source of a service rather than a product.

Do trademarks, copyrights and patents protect the same things? In a word, “No.”

Trademarks, copyrights and patents all differ. A copyright protects an original artistic or literary work; a patent protects an invention.

**For copyright information, go to <http://www.copyright.gov>**

**For patent information, go to <http://www.uspto.gov>**

The terms “trademark” and “mark” are commonly used to refer to both trademarks and service marks. Trademark rights may be used to prevent others from using a confusingly similar mark, but not to prevent others from making the same goods or from selling the same goods or services under a clearly different mark. Trademarks which are used in interstate or foreign commerce may be registered with the Patent and Trademark Office.

Trademark rights arise from either

- Actual use of the mark, or
- The filing of a proper application to register a mark in the Patent and Trademark Office (PTO).

Federal registration is not required to establish rights in a mark, nor is it required to begin use of a mark. Registration at the federal level, however, can secure benefits beyond the rights acquired by merely using a mark. Having the “mark”, or federal registration, presumes the holder to be the owner of the mark for the goods and services specified in the registration, and to be entitled to use the mark nationwide freely.

Unlike copyrights or patents, trademark rights can last indefinitely if the owner continues using the mark to identify its goods or services. The federal trademark registration term is 10 years, with 10-year renewal terms. However, between the fifth and sixth year after the date of initial registration, the registrant must file an affidavit setting forth certain information to keep the registration alive. If no affidavit is filed, the registration is canceled. The cancelled record can often be viewed as “dead” or “abandoned” on the uspto.gov website.

### Contact Info to Inquire on or Acquire a Trademark

U.S. Patent and Trademark Office— <http://www.uspto.gov>

A superb source of information on trademarks, patents, copyrights and trade secrets is available on the SBA's Website."

**Caution:** Federally-registered trademarks can conflict with and supersede-state registered business and product names. Businesses are encouraged to check for conflicts with federal trademarks. Keep in mind that because someone else has a name you want that it does not mean you can't get it for a different industry. For example Atom Ant's Lawn Care versus Atom Ant's Potato Chips. They are clearly 2 different industries and often would not present a conflict in trademark reservation. Also, just because your attorney says you are safe doesn't make it so. I had someone write and publish a book called Lemonade Stand Simple. I had owned the trademark for several years already but her attorney assured her it was ok. I had to tell her differently.

## Patents

If you are a Lemonade Stand Simple "Member" you will have access to interviews and information from people that know this patent world really well. This is information that can save you thousands of dollars (or much more) and save you tons of time by teaching you how to do it right AND what not to do. If you have a new and useful invention that no one else has properly and completely submitted to the patent office before, then it can be protected by a U.S. Patent. This is one area where it certainly pays to have a professional patent attorney work with you. Patent procedures are extremely detailed and demanding technically. In fact most patent attorneys hold engineering degrees in addition to their law degree. At first a search is performed to see if the product or process or something similar to it has already been filed. If not, an application is filed with the patent office.

Note: Only attorneys and agents registered with the U.S. Patent Office may represent inventors in related matters. The office has geographical and alphabetical listings of the more than 11,000 registered agents. Only these agents may perform patent searches in the patent office. Inventors or their attorneys can make arrangements with one of those agents. U.S. patents are issued by the Assistant Commissioner of Patents, Washington, D.C.

Additional information is provided through the U.S. Patent and Trademark Office. I do understand that having the money to pay an attorney can keep many great inventors from ever realizing their dreams. 2 things to consider greatly - inventor forums online & provisional patents.

Also, inventors should be leery of any company that wants to "help" you with your patent idea and advertises in the biz opp magazines or late night tv. Also, no matter how good the friend or family member feels to you, don't sign over your patent to someone else unless they have cash in hand to pay you for it. I've heard way too many horror stories from clients that got to me too late.

## Copyrights

Irony -- This section was copied from the U.S. Copyright Office Website, [copyright.gov](http://copyright.gov)

Copyright is a form of protection provided by the laws of the United States (title 17, U.S. Code) to the authors of "original works of authorship," including literary, dramatic, musical, artistic, and certain other intellectual works. This protection is available to both published and unpublished works. Section 106 of the 1976 Copyright Act generally gives the owner of copyright the exclusive right to do and to authorize others to do the following:

- To *reproduce* the work in copies or phonorecords;
- To prepare *derivative works* based upon the work;

- *To distribute copies or phonorecords* of the work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- *To perform the work publicly*, in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works;
- *To display the copyrighted work publicly*, in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work; and
- In the case of *sound recordings*, *to perform the work publicly* by means of a *digital audio transmission*.

### **For Further Copyright Information**

**Information via the Internet:** Circulars, announcements, regulations, other related materials, and all copyright application forms are available from the Copyright Office Website at [www.copyright.gov](http://www.copyright.gov).

**Information by fax:** Circulars and other information (but not application forms) are available from Fax-on-Demand at (202) 707-2600.

**Information by telephone:** For general information about copyright, call the Copyright Public Information Office at (202) 707-3000. The TTY number is (202) 707-6737. Information specialists are on duty from 8:30 a. m. to 5:00 p. m. Monday through Friday, eastern time, except federal holidays. Recorded information is available 24 hours a day. Or, if you know which application forms and circulars you want, request them from the Forms and Publications Hotline at (202) 707-9100 24 hours a day. Leave a recorded message. NOTE: Good luck getting through. They are the least accessible group on planet earth because it's government run (inefficient) and they have the only solution.

### **Business Insurance**

If you are considering a business where you stand a high risk of being sued, which nowadays is about any business, you should protect your personal assets and your business assets. Your first line of defense is always business insurance coverage. Why stop there? Legal fees can run a fortune and having an attorney, even being able to say you have one, will often cause other parties to back down immediately. More info below under legal insurance.

Almost every small business owner should carry at the very least a general liability policy to protect against liabilities. From time to time, accidents will occur and/or someone will try to sue you for something. In order to protect the small business owner against claims, a liability policy is imperative. To purchase a general liability policy you will need to go through an insurance agent. These agents can be found in the growing pro-resource section of the Lemonade Stand Simple website. Many businesses can be legally run without insurance. Some, like restaurants for example, may have laws requiring insurance. It is not advisable to go without insurance—although certainly many do and in all transparency I have as well most of the time.

When shopping for various insurances never take the word of one agent as the absolute truth. Many agents represent multiple products from multiple providers and there is NO WAY at all they understand everything 360 degrees. Ask several agents about the same product and you're more likely to get the full picture. As they extoll the benefits of a policy/product ask them the cons too. Ask them if they've ever had a client cash in on a claim. Do a "sucks" query on google to see what others say about it. A sucks query works like this - "Mutual 123 Insurance Corporation Sucks" with or without quotes.



## Streetwise:

HEALTH INSURANCE: You can save money by joining a local or national business organization and getting a group discount. In addition, nearly every industry has an association of some kind that you can join. This association will almost always have an insurance company that they work with offering insurance at a substantial discount. Just an FYI - I have never heard anything good about the NASE brand of health insurance.

Here are some of the things you may want to know about business insurance.

- The insurance agency will inquire as to the type of business you own to determine the type of insurance protection you will need. Once this is determined, your business premium is calculated.
- Once the policy type has been established, the agency will sell the policy to the small business owner. The policy is a contract, so be sure you understand the terms and conditions of the policy. Have the agent walk through the policy with you so the terms and conditions are fully understood.
- The most common small business policy is Commercial General Liability (CGL). This policy type protects the owner against accidents that occur at the owner's property or leased premise and offsite as well if your business needs this protection. Be sure to ask however to make sure you are covered for all areas of your unique business. Ask the agent about "riders" which may further extend your coverage for a nominal cost.
- Business insurance should also protect a small-business owner against liabilities as a result of a product the business sells, which could result in bodily injury or property damage.
- The business insurance policy should protect the business owner against accidents sustained by someone or a group of people. If a small business owner chooses not to purchase a liability policy (business insurance), he or she could be held personally liable to the injured party even if the business owner has an LLC or a Corporation. You can not hide behind your "entity type" if you neglect maintaining business insurance. Many entrepreneurs have the erroneous idea that if their "form" of business is designed to protect their personal assets and they don't need insurance. The first thing a plaintiff's attorney will look for is whether you kept your entity in good standing then, whether or not you have insurance. If you don't, they have all they need to nail you or at least try to nail you for your negligence. Even if you win in court it will cost you money to defend and time wasted in the lawsuit. In addition, there are other things they will look for to "pierce the corporate veil" unique to both S & C Corporations and Limited Liability Companies.
- If someone gets injured as a result of your negligence, this can cause either severe and costly disruption or total failure of a business. The business owner would be forced to compensate the injured party or parties for any injuries sustained or property damage. The amount paid to the claimant would of course depend on the severity of the injury or the amount of property damage.

Like homeowners insurance, business insurance protects the contents of your business against fire, theft and other losses. Contact an insurance agent or broker by looking in the professional resources section at [LemonadeStandSimple.com](http://LemonadeStandSimple.com). The types of insurance listed below are among the most commonly used and are only a starting point for evaluating the needs of your business. It is highly recommended that business owners purchase general liability policies to protect their business and personal assets before an accident occurs.

### *Liability Insurance*

Businesses incur liability in many forms while conducting their normal activities. Certainly the most common type is product liability, which may be incurred when a customer suffers harm from using a product

made by your business. There are many other types of liability which are germane to your specific industry. You should ask several insurance agents what they might suggest for your special business needs. Liability law is constantly changing. An analysis of your liability insurance needs by a competent professional is vital in determining an adequate and appropriate level of protection for your business.

### ***Property***

There are many different types of property insurance and levels of coverage available. It is important to determine the property you need to insure for the continuation of your business and the level of insurance you need to replace or rebuild. You must also understand the terms of the insurance, including any limitations or waivers of coverage.

### ***“Key Man”***

If you (and/or any other individual) are critical to the operation of your business and the business cannot continue without you (illness or death), you may want to consider “key man” insurance. Government loan programs and banks will often require this type of policy. Key Man insurance can be used to provide stability in operations during a period of ownership transition caused by the demise or incapacitation of an owner or other “key” employee.

### ***Business Interruption***

Property insurance may cover the replacement or repair of your business equipment and building, but it won't cover the loss of business incurred to an owner while these things are being fixed or replaced, nor will it cover the expenses incurred by the owner during such times. Business Interruption (aka “Business Income”) insurance can help to pay your fixed expenses during a time when your business is not operational.

### ***Automobile***

A vehicle owned by your business should be insured for both liability and replacement purposes. What isn't as obvious is that you may need special insurance (called “non-owned automobile coverage”) if you use your personal vehicle to do company business. Not all agents are looking out for your best interest and you will need to inquire about this. Many mainstream automotive insurers don't offer this so you may have to ask around. This policy type covers your business' liability for damage which may result during such vehicle usage.

### ***Officers and Directors***

Under certain circumstances, officers and directors of corporations may become personally liable for their actions on behalf of the company. This type of policy/insurance won't protect you if it's proven that you (an officer or director) broke the law, but it will protect you if you made a mistake or were incompetent.

### ***Home Office***

If you are setting up an office in your home, it would be wise to contact your homeowners' insurance company to update your policy to include coverage for office equipment, and if necessary, extend your insurance to cover customers in your home. This coverage is not automatically included in a standard homeowner's policy.

## Streetwise:

Never take your insurance agents word as the absolute truth. I don't trust them to get it right despite what they tell me any more than my wife would let a decorator pick the perfect shade of blue. There are so many options it is rare you'd get the same exact response from 3 different agents. So, call 3 agents and tell them your situation. Separate what makes sense from what doesn't based on the info presented to you. Beware of deductible amounts, coverage items and limits (what they pay or don't pay if something bad happens) primarily. Second be careful that the insurance you're being sold is recommended by all 3 agents and drill them to find out why one guy included one thing and the other didn't. This is a huge issue. Get it right the first time. Final note on insurance: When on a shoestring fewer than 10% of start ups have insurance of any kind. Though insurance may or may not be required in your industry, I don't beleive there are any insurance cops that will come and get you. With that being said we all make choices on risks versus rewards every day - so choose wisely.

### ***Legal Insurance***

It's true that going into business for yourself increases your exposure to litigious actions taken against you. It also means that if you do like the big boys and girls do, you will need the counsel of attorneys on various matters in the course of doing business. Lots of people don't know about it, but for under \$100 a month you can access attorneys in your state 5 days a week for their professional opinion on your personal and business matters. Most home based businesses can cover themselves for many business and personal legal matters for less than \$75 a month. For info on prepaid legal insurance, visit the [LemonadeStandSimple.com](http://LemonadeStandSimple.com) website under pro-resources.

## **Federal Requirements To Own And Operate A Business**

### **Taxes**

Business owners are required by law to withhold from the wages paid to employees the following: federal income taxes and FICA (Social Security) Insurance.

Income taxes will also be levied by the federal and state governments on earnings of any business. Therefore, each business must file an income tax return with both agencies. Businesses may be required to file estimated tax returns and pay estimated taxes on a quarterly basis.

For more detailed federal tax information, contact the IRS and your state's Treasury Department:

### **Employer Identification Number (EIN)**

The EIN is also loosely called a "38 number". It used to be that all business entities/forms would need an EIN except for a sole proprietorship. However in my state (MI) single member LLC's do not need them. You can get one after forming your business at a local or state level by visiting the IRS website and filling out the request form online - [irs.gov](http://irs.gov). An EIN is like a Social Security number, but in this case it is a number for your business. I encourage all of you to get one because it keeps your personal social security number out of the hands of others. I'd rather compromise my EIN than my personal SS#. Getting an EIN number for a single member LLC doesn't seem possible. The IRS is calling single member llc's "disregarded entities". I've not pushed too hard to see if I can get another one or not.

## **Federal Self-Employment Tax**

Everyone must pay Self-Employment Tax—even if your business loses money. The self-employed Social Security contribution is made through the self-employment tax. The amount you owe is based on a percentage of your earnings and changes fairly often as our American dollar devalues more and more each year. To get the most up to date info simply talk with your tax advisor and/or visit the [SS Website](#) and search "self employment tax".

Also, contact the IRS at (800) 829-1040, visit your local IRS office, or go to the Official IRS Web site for more information. The IRS may seem like a complicated maze, but there are publications, counselors, and workshops available to help you sort it out. Not to mention hiring a reputable accountant will solve nearly all of these issues for you. AND despite what others may say, "zippitydoo-dah tax software" ends up costing you more in lost, overlooked, play it safe deductions, than what a good accountant costs. The right accountant will save you money NOT cost you money.

## **State Requirements To Own And Operate A Business**

### ***My Opinion On Large Brand Tax Services***

***For me personally I have paid a professional CPA (Certified Public Accountant) from day one. Though I did try out a large tax preparation chain and found they were inferior. I have no doubt at all a professional accountant saves me money each and every year.***

### **Taxes**

If applicable, state income taxes must be paid. The tax varies from state to state. Michigan's income tax rate in 2013 was 4.25%. What this means is if you are doing business as a Michigan Company you must pay the State of Michigan 4.25% of your net profits (money left after expenses) four times a year (quarterly).

### **Sales Tax Number**

In your state there is a percent sales and use tax which applies to the retail purchase, retail site, rental, storage, use or consumption of tangible personal property and certain services. In other words, sales tax (or use in the case of rentals) must be collected on just about every tangible item sold (except food in most cases) or rented. Check with your professional tax advisor to be sure on all tax issues. In Michigan this amount is 6%. For every dollar worth of equipment or clothing etc. that I buy, I must pay six cents to the retailer (the person selling it to me) and then the retailer must mail that 6% to the state four times a year.

The Sales tax number can also save you money if you are reselling something. What it does is show the company you are buying from that you will ultimately be responsible (assuming you are selling to the final, end user—generally the public) for paying the sales tax and therefore they do not need to collect the tax from you.

A sales tax number is required for each business, that is re-selling something, before opening. Service businesses generally are excluded. The percentage, plus instructions for collection, reporting and remitting the money to the state on a monthly basis, can be obtained from your state government.

When you complete this section, your prep work should have led you to complete or at least have you to a point where you know how to complete the following checklist items:

- Select a name for your business after careful consideration. Doing this now may be premature if you haven't really ironed out all the details. You may want to come back to this and name the business after you've done more investigation and planning.

- Choose a form of organization/select your entity (proprietorship, partnership, corporation, LLC etc.) and then file for it with the right agency/department.
- Get a federal employer identification number (EIN) (if applicable).
- Select a banking institution and set up a business checking account.
- Order business cards—visit [lemonadestandssimple.com](http://lemonadestandssimple.com) for discounts from our favorite online suppliers. If you need graphics assistance, we have graphic pros listed to help you generate your company image.
- Select an insurance agent and obtain business insurance.
- Select a lawyer.
- Select a tax professional/accountant.
- Send for federal and state tax forms and/or have your accountant do it.

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*Proceed To Step Two—“The Operating Plan—Money Doesn't Just Grow On Trees!”*