

# Town of Stonington's Business Guide



## Stonington, CT

Stonington offers a rich mixture of cultural, recreational, educational and business opportunities, plus a unique glimpse into New England history settled in 1649, Stonington covers 42.7 miles of New London County in Southeastern Connecticut. Stonington has three distinct sections: the Borough, Pawcatuck and Mystic.

The Borough of Stonington, the oldest borough in Connecticut, was incorporated in 1801. Steeped in its history as a whaling port and now home of the last remaining commercial fishing fleet in the State, it includes a number of large, well-maintained homes of former mariners including that of Captain Nathaniel B. Palmer, a discoverer of Antarctica. The house and the cherished Old Lighthouse Museum are owned by the Stonington Historical Society.

Pawcatuck has a proud heritage as the home of industrial leaders such as Davis-Standard LLC, a global leader in the design, development and manufacturing of extrusion systems, feedscrews, barrels and process controls for the flexible web converting, plastics processing and rubber industries.

Mystic boasts four distinct visiting areas: Historic Downtown Mystic, with diverse specialty shops; Mystic Seaport - a living museum, comprised of the many activities that might be found in a New England coastal village of the 1800s; Old Mystic Village, which has over sixty shops set in a New England style village setting; and Mystic Aquarium.

Stonington's numerous world-class restaurants have received nation-wide fame as rated in [www.tripadvisor.com](http://www.tripadvisor.com) from Avanti's Pizza to Zack's Bar and Grille.

## 10 Top Reasons to Start a Business in Stonington

1. Strong Economic Structure
2. Available Commercial and Industrial Land & Space
3. Solid Transportation Network
4. Available Workforce
5. High Quality Education
6. Diverse Markets & Industries
7. Competitive Business Costs
8. Proximity to Key Markets between New York and Boston
9. High Opportunity for Home-Based Businesses
10. High Quality of Life

***Point of Interest*** 📌 Gathering all the information you can before investing in a property is crucial to success. Town staff will be glad to set up a preliminary meeting with the appropriate staff people to introduce you to the Town's regulatory process and development opportunities. We appreciate your interest in investing in Stonington!

# Table of Contents

## GETTING STARTED

Town Data

## INDUSTRY TYPE AND YOU

Current Industry Data

## STARTUPS, PRE-PACKAGED, OR EXPANDING BUSINESSES

Home Based

Franchise

Turnkey

Store Front

Web Based

Non-Profit

## MAKING YOUR IDEA A REALITY

The Business Plan

Location, Location, Location

    Zoning & Permits

Money, Money, Money

    Financials

    Start-Up Expenses & Insurance

    Financial Sources

    Taxes & Fees

Legal Structure of Your Business

    Purchasing/Leasing

Employer Responsibilities/Licensing/Forms

Why Do Businesses Fail?

## Going Green

## MARKETING STRATEGIES

Local Chambers

Local Media

Patch.com

Other Types of Advertising  
Major Events in Town

APPENDIX

Sample Financial Forms  
Website Reference Guide

## GETTING STARTED

Do you have a brilliant idea? Have you been unemployed and ready to start something new? Are you fed up at your current job? These are just a few of the reasons why people decide to go into business for themselves. The Town of Stonington is a place that can meet and exceed expectations of a new or existing entrepreneur!

One of your first steps is to determine that your product and or service will be beneficial for the customers you'll be servicing. See below for the Town's data for you to utilize during your first stages of entering into Stonington as a new or expanding entrepreneur.

Stonington, CT 2015 CERC Town Profile

***Point of Interest*** 📌 Look for incentives for either starting a new business or expanding an existing one:

<http://www.ct.gov/cct/cwp/view.asp?a=3933&q=462726&cctNav=|#taxcredits>

## INDUSTRY TYPES AND YOU

Since you've decided the Town of Stonington is the right place for your business based on the demographics, the next step may be to determine if there is a need for the product or service you are interested in delivering to the town. Find below additional data that will help you decide if your passion is a needed addition to the town:

INDUSTRY TYPE	% OF ESTABLISHED BUSINESSES	# OF ESTABLISHED BUSINESSES
AGRICULTURE	2.1%	
CONSTRUCTION & MINING	11.0%	
MANUFACTURING	6.0%	
TRANSPORTATION & UTILITIES	3.0%	
TRADE	27.1%	
FINANCE, INSURANCE, REAL ESTATE	7.5%	
SERVICES (RETAIL, RESTAURANTS, TOURISM)	38.6%	
GOVERNMENT	4.7%	
TOTALS:		

Once you've determined the industry you will pursue, time to decide what will be your method of starting or expanding your business. The next section elaborates on your options.

## START UPS, PREPACKAGED, OR EXPANDING BUSINESSES

Deciding the type of avenue you will take to deliver your product or service will help you determine what and how you will go forward with the other items covered in this guide (business plan, zoning, permits, legal structure). Below you will find a brief description of business types along with data from the town of those types of businesses.

### HOME BASED

What a better way to test out if your business idea is going to work than working from your home? Saving money on travel time, overhead, employees, and setting your own working hours are just a few of the major benefits of working out of your home.

Examples: Consultants, catalog sales, daycare or internet-based businesses.

Today's home-based businesses are considered incubators for growing a thriving business. They also cater to a high percentage of people trying to juggle a job with family care. Many progressive local governments are realizing the need to review their regulations and to encourage small home businesses to succeed. Many people contravene the regulations and hide their operations from the community. This means there is less chance to market their businesses, so many don't succeed. Don't take any chances; familiarize yourself with and comply with local regulations

Stonington's regulations may differ considerably from those of neighboring communities. Many local governments impose some or all of the following restrictions check with the Town Hall to ensure compliance to the following possible regulations:

- The business should be contained to the residence, and no structural alterations or additions to the residence can be made for business purposes.
- Use of the residential space for business may be limited in size.
- There should be no evidence of the business being operated from the residence, such as exterior storage or exterior operation, and no sign identifying the business. (If you drive past the house, you shouldn't notice that a business is being operated.)
- The home-based business is restricted to office use only. No retail sales can be made from the premises, and clients may not visit the home to purchase goods.
- The business can be conducted by a resident or members of the family only. No one else can be employed by the business.
- Generating noise, electrical interference, reoccurring ground vibrations, and noxious emissions, odors, or vapors is prohibited.
- Commercial vehicle usage and residential deliveries may be restricted.
- The business may not generate special traffic beyond normal traffic volume.
- Some condominium zoning regulations and homeowner's associations forbid the operation of home-based businesses.

## FRANCHISE

Franchising is a way of creating instant awareness of a business. In addition to name recognition, you also get from the franchise: training, procedures, product, advertising, and possible financing. While franchises allow for “built-in” benefits, it does not mean it is a slam dunk. Buying into a franchise is not guarantee for success. You still need to learn the business and run it efficiently. Examples: Dunkin Donuts, McDonald’s, and Subway.

<https://www.franchiseregistry.com/>

## TURNKEY

A business that is in operation, in good standing, and ready to move in! Turnkey businesses are already up and running and simply need to be taken over by a new owner. While similar to a franchise, the benefits are the name recognition, established clientele, and opportunity for fully trained employees. It is important to research these businesses just as you would for a new venture or franchise: reviewing tax returns; interviewing current customers; and making sure you understand the purchase. Will you be buying the “name” along with a building, or taking over a lease, or will you simply be buying the concept and having to find your own location? Examples: see link for current business listings

## STORE FRONT

Starting a new business from scratch or expanding an existing one requires a lot of research. Store front businesses can be very successful based on product, location, staffing, and marketing efforts. Whether you are starting off new or looking to expand your current business, it is important to make sure you’ve done your homework. This is one of the riskier methods and can be one of the most satisfying.

## WEB BASED

Whether starting from scratch or expanding an existing business utilizing the internet can be very successful. Many efforts can be the same from a traditional store front to using the internet, but keep in mind there are additional steps required. Creating the site, registering your site with search engines, and linking your site to others to name a few. Creating credibility is also key which can be difficult when you’ve never actually had any face time with your customer! Examples of store with internet sales: Angel Haven, ABC Photo Lab, and Taste of New England.

## NON-PROFIT



## Types of Businesses That Are Available

Businesses come in all shapes and sizes, with close to 70 percent being in the service sector. Following is an outline of the six main types of businesses that you may be researching:

1. Service
2. Retail
3. Franchising
4. Manufacturing
5. Distribution
6. Multilevel and network marketing

### 1. Service

The majority of new entrepreneurs start a service business because it is the easiest way to generate income utilizing their many years of expertise. What is a service business? Quite simply, one that performs a service in return for a fee, which is usually calculated on an hourly or contract fee basis. Service businesses include consulting, accounting, bookkeeping, Web design, all the trades, teaching, and tourism, to name just a few. Clients pay for your expertise and knowledge.

Being that expert is a key component to a successful service business. Once you advertise and open the doors, you are representing yourself as a professional in your field. Unless you belong to an accredited association—mandatory for doctors, lawyers, and accountants—the consumer has little recourse except to sue if you offer wrong advice or perform inadequately.

A service business should offer just that, Service. Clients expect it, so you'd better be prepared to offer excellent service plus a little bit more at a reasonable price. Guarantee your work, as this gives the message that you stand by and take pride in what you do. Consumers, now more than ever, expect quality service at the best price. Don't hang out your shingle until you are sure you can offer a professional product—you.

Ask yourself:

- Do I feel comfortable calling myself an expert?
- Will others perceive of me as "an expert"?

### 2. Retail

The competition is fierce, with many small retail businesses hardly making an acceptable living. Retail establishments not only compete with each other, they also compete with large chain stores, manufacturers' outlets, Internet, and mail-order sales.

However, if you carefully target your market, your chances of success will increase. People want to hit the bull's eye every time they do something or buy something. They want pleasure, enjoyment, connection with people, an experience that keeps them wanting to come back and shop for more.

Here are some factors to consider that are unique to retail stores:

**a) Location** Prime retail locations are expensive for a good reason. If a store is located in a large shopping mall, rents can be disproportionately high with advertising dollars paid to the mall property managers each month. You have to sell a lot of doughnuts to pay \$2,000 or \$3,000 a month for rent. If your store is located in an out-of-the-way location, you will not experience the volume of walk-in and drive-by traffic necessary to generate enough sales. Before deciding on a location, find out how many other stores in that location moved on or closed up shop.

**b) Employees** Both you and your employees should have thorough product knowledge. Remember—be the expert. Your employees should also have excellent customer service skills. Consumers expect and demand both. Many customers have been lost to the competition because of incompetent sales staff. That being said, finding good employees is the biggest problem experienced by both small and large businesses.

The retail trade requires excellent people skills. You need patience to deal with a variety of temperaments. You will have to serve teenagers, seniors, immigrants, tourists with language difficulties, parents with screaming children and some rather disagreeable customers who seem to enjoy giving sales staff a difficult time.

**c) Inventory control** Well-stocked shelves and attractive displays entice customers to browse. A small retail store can easily carry a minimum of \$60,000 in inventory, equating to large amounts of cash sitting on the shelves. Poor inventory purchasing means that slow-moving products will eventually have to be discounted. Select your lines carefully to facilitate a quick turnaround. Find out how many times a year your inventory should “turn” or sell by your industry's standards. Monitor your inventory turnover and watch for the slow-moving products.

**d) Hours** Retail stores are often open seven days a week with extended trading hours. You can't work seven days and order supplies, restock shelves, and manage all the accounting and administrative work. You need help. First, determine the hours you can manage to work regularly without overextending yourself, decide for which work you are best suited, and then fill the gaps with additional staff. Be prepared for long days.

**e) Marketing** Many retail stores waste money on ineffective marketing methods. Study how similar stores advertise in the area. Note how their advertising appeals to you as a consumer. Visit the stores both before and during an advertised sale, noting whether traffic has increased or not.

**f) Consumer spending cycles** Keep up-to-date with consumer trends as they vary with the economic climate. Tailor inventory to your target market. Unless you specialize in strictly high-end products, maintain an inventory that appeals to the pockets of lower- and middle-income brackets. Retail outlets are totally vulnerable to consumer spending cycles. Your sales can be affected by weather, post-Christmas financial woes, summer vacations, the back-to-school rush, the economic climate, and political changes. Learn the cycles that will both increase and decrease sales so you can better plan your cash flow and marketing strategies.

**g) Overhead and profit margins** A good portion of your profit will be going into other people's pockets, particularly to your staff and landlord. If you employ family members, at least the money stays in the family. Standing overhead costs—that is, overhead costs that do not decrease whether or not you make a sale—must still be met. Advertising, rent, telephones, power, and wages eat up a good percentage of profits. If you are starting a new store, know the break-even point (the amount of sales you must make each month to cover the bills), calculate how much you must sell, and determine how you are going to achieve this figure.

### ***Point of Interest* ☞ Know Your Profit Margins**

You need to use a mix of marketing techniques, including specials, clearance sales, and special events to keep your business in the consumers' eyes. Sales may increase on clearance and sale items, but profit margins will decrease. Calculate how much you can reduce the cost of an item before losing money.

**h) Pricing** Tough competition in the retail sector means that you must know your prices and regularly review them. Not many businesses can boast total product exclusivity—even specialty stores have competition. A smaller store's buying power is weaker than the larger ones, and you can only corner a certain percentage of the market, unless you sell a unique product line.

Keep normal retail prices in line with the competition. At the same time, they must be high enough to support your overhead. It is easy to fall into the trap of offering continuous sales that realize very little profits. Profit pays for the overhead.

## **3. Franchising**

It seems that everyone is franchising everything these days, from coffee shops to tanning salons. Those with a solid reputation who have perfected their business strategies over the years will be asking a fair price for a franchise. Traditionally, established franchise

business failures are significantly rarer than independent business failures because they have designed effective sales, marketing, and administration systems. This is what you pay for, along with the company's good name.

Investing in a relatively new franchise company is as risky as starting your own business, as is buying one that is riding a current popular trend. Your market research will indicate whether the trend is predicted to be short lived or long term. Definitely consult your accountant before making a decision.

Well-established and profitable franchises are expensive, and there are many reasons for this:

- They have spent the time and money on in-depth marketing research and their products and services are usually proven.
- They have perfected their marketing and advertising methods.
- Locations are researched for viability.
- They have built their reputation and are trusted by consumers.
- Profit margins, products, and operating expenses have been established and refined.

If you have a strong and creative entrepreneurial spirit, you may find a franchise too restrictive and regulated, as you must abide by their rules. Uniformity is the secret to their success. They have designed an operational plan and a formula that work. Although you are an independent, you are controlled by the head office. You pay for goodwill on purchase, and a percentage of profits, or sales volume, each year. You must purchase their own brand of supplies and raw materials, paying more than if you shopped around. A good franchise is an expensive proposition, but in most cases, a profitable business is the end result.

#### **4. Manufacturing**

Manufacturing is defined as anything produced from raw materials. As a manufacturer, you are responsible for the end product and its safety in the marketplace, therefore you should be an expert in the industry. During your market research, check local, North American, and overseas markets producing similar products. Often, locally manufactured goods cannot match the prices of internationally produced goods because of our higher salaries and living standards.

**Starting a manufacturing business** It takes years to establish a new name in an industry, so you will need enough working capital to maintain the new business for up to two years or until regular profits roll in. If you need a loan for manufacturing purposes, contact the Small Business Administration office ([www.sba.gov](http://www.sba.gov)). They will walk you through the various lending options and criteria and help you ascertain the viability of your business idea and plan, saving you both valuable time and money.

Allow adequate time and money to talk to the various government agencies and to confer with your accountant or a business consultant. You need a sound business plan that you have prepared—with professional advice—so that you are fully conversant with its contents. Manufacturing can require a lot of money, as you may need to purchase tools, packaging supplies, and equipment or incur legal costs for patents and trademarks. You will need an experienced team working together to cover production, sales, shipping, marketing, and administration.

## **5. Distribution**

Distribution (or wholesaling) usually operates on small profit margins, relying on volume to support a profitable business. A distributor acts as a link between the manufacturer and retail outlets. Be knowledgeable about the products you are distributing; most manufacturers offer support or training to their distributors.

The size and variety of lines you distribute will dictate the type and size of the premises you will need. Larger items may require a warehouse, dock-loading facilities, shelving, forklifts, special equipment for moving materials, and an efficient shipping and receiving system with dependable, honest employees.

## **6. Multilevel and network marketing**

Starting a multilevel or network marketing business—perhaps part time at first—is one way to get your feet wet. The start-up costs can be low and the business operated from home. Most multilevel companies require that you attend training sessions, motivational seminars, and weekly “bring a friend” sales sessions. Their products are often distributed through in-home parties.

Each company has its own set of rules, but usually you will need to buy sample kits or inventory, brochures, videos, magazines, and promotional items. You will need credit card facilities and will be charged shipping and handling costs, approximately 4 percent of the dollar value of the order. Some companies restrict how and where you can sell their products. Some want you to market only through home parties or prohibit displaying at trade shows. Be aware of these restrictions before making a final decision.

Multilevel marketing is like any other self-employed business, with the normal start-up costs and monthly overhead.

# **MAKING YOUR IDEA A REALITY**

As you talk with your friends and family about your business venture and you've determined the type of business, i.e. home business, then the hard work begins. Whether

it is a new idea or adding on to an existing business, there is standard information needed if any financing is required. Below you will find some basic information that is typically required.

## **THE BUSINESS PLAN**

### **1. Business Plan Executive Summary**

The Executive Summary is Part 1 of the Business Plan and is the most important section of your plan. It provides a concise overview of the entire plan, along with a history of your company.

### **2. Market Analysis**

The Market Analysis section is Part 2 of the Business Plan. This section should illustrate your knowledge about the particular industry in which your business operates.

### **3. Company Description**

The Company Description is Part 3 of the Business Plan. Without going into detail, this section should include a high level look at how all the different elements of your business fit together.

### **4. Organization & Management**

Organization and Management is Part 4 of the Business Plan. This section should include your company's organizational structure, details about the ownership of your company, and profiles of your management team.

### **5. Marketing & Sales Management**

Marketing and Sales Strategies is Part 5 of your Business Plan. Marketing is the process of creating customers, the lifeblood of your business.

### **6. Service or Product Line**

Service or Product Line is Part 6 of your Business Plan. What are you selling? In this section, describe your service or product, emphasizing the benefits to potential and current customers.

### **7. Funding Request**

The Funding Request is Part 7 of your Business Plan. In this section, you will request the amount of funding you will need to start or to expand your business.

### **8. Financials**

Financials is Part 8 of your Business Plan. The financials should be developed after you've analyzed the market and set clear objectives. This is when you can allocate resources efficiently.

### **9. Appendix**

The Appendix is Part 9 of your Business Plan. This section should be provided to readers on an as-needed basis. In other words, it should not be included with the main body of your Business Plan.

### ***Why Do You Need a Business Plan?***

A business plan is a necessary tool for all businesses. Just as a home is not built without blueprints or a movie made without a script, you don't start a business without a sound and workable blueprint. You now take the information you have gathered and put those ideas formally onto paper.

#### **No Plan, No Money**

Without a business plan, banks or investors will not entertain the thought of financing your business. It is your only foot in the door, so make sure it shines.

You will learn how much you need to borrow, whether you can afford to borrow, your break-even point, and whether the business can afford to pay you a satisfactory wage. People often prepare a plan and start crunching numbers, only to discover that their idea needs reworking or is not financially viable. It is better to discover this on paper rather than after you've started.

#### **Where Do You Find Help With Business Plans?**

With the Internet, sample plans can be freely downloaded and used as a reference. Most banks and large accounting companies have publications or CD-ROMs to help you.

Enlist a consultant or accountant's help in compiling the business plan's information into the correct format, and have him or her review it after both the first and final drafts. Putting it all together can be challenging. A bank would prefer to see that you have involved a professional—it helps to validate the contents.

Expect to spend anywhere from two weeks to a few months in completing research and putting the plan together. Some people hire a consultant or accountant to prepare their whole plan, which isn't a good idea, because *you* need to have answers to all the questions to operate your business successfully—and to satisfy a lender or investor.

#### **What Is in a Business Plan?**

Follow a plan format that ensures you research all the important areas of your business, and if it is being used for lending or investment purposes, that you have provided all the information that lenders need. Your first task is to decide why you are preparing this plan. Answer these questions:

- Why am I preparing this plan?

- Who else will be reading it?
- Why will they be reading it?
- What do they need to know?

**Know Your Goals and Objectives:** By knowing why you are preparing this plan, you can save time and effort by focusing on the important areas. Business plans often contain filler information that is not pertinent. Look at sample plans online to get an idea. If you need to borrow funds, ask the lending institution exactly what is required.

The size of the final document will be dependent on the size and complexity of your business and whether you are looking for outside funding. The end result should be professionally presented, with typewritten pages and a table of contents, and securely bound. Include the following sections:

### 1. Executive summary

The executive summary should be no longer than two pages. Prepare it after the plan is complete, as it summarizes the whole plan in a nutshell. Make it dynamic and exciting to generate the reader's interest. Loans officers or investors have read copious plans and tend to skip through them if they get bored.

### 2. The company

Introduce the business in more detail, outlining your type of business, giving its history (if you are purchasing an existing business) or an outline of the new business's products or services. With an existing business, highlight any recent special achievements. This section should be broken down into the following subsections:

a) **General business overview:** A description of the business, where it fits into the marketplace, what needs it will fill, and how it will fill those needs. Describe the markets that will use your business and include any business history.

b) **Company structure:** Outline the corporate structure of the business. Include a list of shareholders or partners and incorporation information.

c) **Location:** Describe the location, its benefits, amenities, and accessibility to customer traffic. Include freight routes if it's a manufacturing or wholesale business, traffic statistics if available from the Town Hall, and area demographics and growth rate. Detail parking and zoning information, the cost and terms of the lease, taxes, and utilities. List any foreseeable disadvantages to your location and explain why you chose it. Detail office space, storage, and operational facilities. List any renovations or alterations that need to be completed at the location.



**Point of Interest:** Utilize Google Maps to review a potential location

<https://www.google.com/maps/place/152+Elm+St,+Stonington,+CT+06378/@41.340367,-71.901332,17z/data=!3m1!4b1!4m2!3m1!1s0x89e5e17e2db83705:0x123145a9b26393a6>

d) **Key personnel:** Include a brief profile of all key partners or employees, their duties and experience, and include their résumés in the appendix. Highlight their education, expertise, business qualifications, and history, and supply references if available.

e) **Goals and objectives:** Outline your goals and objectives, both long- and short-term. Many people neglect this area, failing to think past the start-up stage. Your goals and objectives should be explained in more detail in other sections of your plan and be considered when preparing financial figures.

f) **Strengths and weaknesses:** Blow your horn and detail the business's strengths. Stress where and why you excel in these areas, whether it is great customer service, pricing, or a strong distribution base. Discuss your weaknesses and how you plan to overcome them.

g) **Mission and vision statements:** A mission statement describes your company philosophy in a few sentences. A vision statement describes how you see your company in the future. Think carefully about each one. Study other mission statements and design one that is uniquely yours. A mission statement shows your commitment to the business and its customers and gives you a written promise to uphold.

### 3. Products and services

Your business is all about selling services or products, so ensure that what you are offering is marketable and profitable. Use the following headings to detail this information.

a) **Product description:** Describe your products or services, their benefits, and how they fill a need in the marketplace. Show your advantage over the competition and the volume you can output. Describe your business's developmental stage. List potential or current contracts. Refer to any letters of intent from prospective clients and include these in the appendix.

b) **Cost of sales:** The basis of your business is profit margins. Show what products sell for and provide the costs of raw materials, freight, packaging, wages, and so on. Note the expected gross profit margins and whether they will change if you diversify or expand. Clearly explain how the manufacturing or distribution process will operate, remembering that a lender may not be familiar with your type of business.

c) **Future projections:** If you plan future expansion, research, or development, include this information. List any potential threats or opportunities.

d) **Legal concerns:** If your business entails legal considerations such as patents, copyrights, trademarks or special licenses, include relevant information.

#### 4. Marketing strategies

Marketing is a key component to the success of your business, prepare this section in depth. Include the following topics.

a) **Market research:** Break this section down into the following subsections:

- An analysis of today's market and trends
- Past and future industry, global, and consumer trends
- Your target market, its size, and demographics
- Your ideal consumer profile
- Your projected share of the market
- Geographic boundaries and seasonal trends
- Customer service policies
- Strengths and weaknesses
- Market survey results

b) **The competition:** Both you and the lender must understand the strength of your competitors. Research and address the following topics:

- The current competition, their size, and market share
- Future competition
- The strengths and weaknesses of the competition
- How you can overcome their strengths and capitalize on their weaknesses
- Your strengths and weaknesses
- Your edge over the competition and your cost to stay competitive

c) **Marketing and sales strategies:** Part of your business plan will be a marketing plan, which details how you will find potential customers. A sound marketing plan includes a mix of methods, including using various media, promotional methods and one-on-one techniques. Address these topics:

- Promotional and media methods you will use
- Special services or policies
- The target market these methods will reach
- The effectiveness of each method
- The frequency of use
- How you will sell your products/service (agents, representatives, staff)
- Incentive or sales bonus schemes
- The reach of your sales force

#### 5. Operational information

Plan how you will operate your business, from overhead costs to distribution channels. Include the following information:

- a) **Overhead costs:** Explain your estimated overhead costs and demonstrate a break-even point. If future plans involve expansion, reflect these costs. A detailed explanation of these costs will be included in your projections, so don't go into great detail here.
- b) **Suppliers:** List your major suppliers, their terms of credit, and their product availability. Note whether you have to sign any personal guarantees to obtain credit from them.
- c) **Quality control:** Describe your policies on quality control, any relevant hazards or environmental risks, and how you propose to overcome these obstacles. Mention any specific safety procedures relevant to your operation.
- d) **Distribution:** Outline how your products will be distributed or delivered and any competitive advantages to your methods.
- e) **Employees:** List the staff positions along with their job descriptions, areas of responsibility, and expected salaries.
- f) **Assets and equipment:** Note any equipment on hand or to be purchased, its value or cost, and its life expectancy.
- g) **Insurance policies:** List the various insurance policies you will take out, including liability, theft and fire, workers' compensation, and key management and employee insurance.
- h) **Licenses and permits:** List any licenses or permits that your business requires to operate and their cost.

## 6. Financial information

The viability of your new venture will culminate when you prepare projections of income, expenses, and cash flow, and when you review how much money you may require. Even if you are not borrowing money, projections and cash flows facilitate making many future decisions.

If you are attempting to borrow money, the financial section should include the following:

- a) **Projections of income and expenses:** Projections are a month-by-month estimation of sales and expenses, including start-up costs, itemized in the month the revenue was earned and the costs were incurred. Prepare the first year in months, and by quarters or annually for the following two to five years. The bottom line reflects profits or losses.
- b) **Cash flow forecasts:** The projections should be accompanied by cash flow forecasts for the corresponding periods. A cash flow forecast differs from projections, as it estimates

when revenues will be received and when expenses will be paid, and includes income from loans and other sources. Samples can be found later in this chapter.

c) **Financial statements:** Banks require a projected balance sheet and, if you are purchasing a business, past financial statements for the last two to four years.

d) **Capital expenses:** Include a list of capital spending, such as asset purchases or building renovations. When a lender considers a proposal, these values help determine how a loan will be used and secured.

e) **Net worth statement:** Lenders require personal statements of net worth from owners, partners, or shareholders. Loans are often personally secured, and this statement lists your personal assets, liabilities, and net worth. Net worth statements also indicate the stability of the key management players.

## 7. Funding requirements

This section is devoted to the sum you need to borrow, how you expect to repay it, and over what time period. Your projections and cash flow forecasts should have indicated how much the business needs and can afford to repay. The total monthly loan payment shows on the cash flow forecast and loan interest only on the projections. You should explain how you intend to secure the loan and with what assets. If you are looking for an investment partner, note the share of the company available in return for their investment and what else you intend to offer them.

Outline the following:

- When you need the money and how much
- The type of loan you are applying for
- The desired terms of repayment
- A breakdown of how you will use the funds
- Future funding requirements, if any

## 8. Appendix

Include *copies* of any documents that back up and strengthen the information in your business plan, including:

- Up-to-date financial statements from the business you are purchasing
- Personal statements of net worth
- Letters of reference and letters of intent
- Product pictures or relevant newspaper articles
- Résumés of key employees or partners
- Incorporation or business registration papers
- Cash flow and projection forecasts
- Permits, licenses, trademarks, or patents
- Market surveys

- Equipment and asset appraisals
- Partnership or employee agreements
- Insurance policies and leases

For additional guidance on the business plan refer to

<http://www.sba.gov/category/navigation-structure/starting-managing-business/starting-business/writing-business-plan/essential-elements-good-business>

## **LOCATION, LOCATION, LOCATION**

They say that is what it's all about! Since we've already established that Stonington is the place to do your business, what are some other questions or concerns you may have? Based on your business type, will you be purchasing land with the ownership of the business? Will you be leasing, if so, what are the terms to the lease? Will you be required to take a new lease; can you take over the existing one? Are you locating in a zone that is allowable based on your business type?

### **ZONING AND PERMITS**

Stonington is a unique community which contains historic villages, unspoiled open space, and sensitive coastal waters. Over the years, the Town has developed land use plans and regulations which strive to protect its character while allowing for appropriate development sensitive to its surroundings.

### **Licensing and inspections**

Before a license is issued, your premises may have to be inspected by some of the following departments, so know which apply before you start your business:

- Fire department
- Health department
- Local pollution control agency
- Zoning and building inspector
- Waste management
- Motor carrier or dealer licensing (if applicable)
- Trade or professional licensing

### **First Steps**

- Determine your property's location, zoning district, and other information from the town's Geographic Information System (GIS) available on the web at [www.stonington-ct.gov](http://www.stonington-ct.gov). Town staff will also assist you with this information.
- Determine the use and bulk requirements for your property's zoning district.

## **Appropriate Land Use Applications**

### **Subdivisions of Land**

- Subdivisions of land are reviewed by the Planning and Zoning Commission. A Public hearing may be required for subdivision approval. For all subdivisions of land, the Town requires a 15% set-aside of permanently protected open space or a fee in lieu of open space payable as lots are sold. Average time for a subdivision application with a public hearing before the Planning and Zoning Commission is approximately 2 months (not counting Inland Wetlands and Watercourses Commission review, if necessary).
- Property owners also have the option of an “Open Space Development” in which additional flexibility in lot size, frontage, and road standards are possible in exchange for “subdivision” where individual lots are created, or “common interest communities” where land and common facilities are under a single ownership.

### **Site Plan Approvals**

- Zoning Regulations list specific requirements for Site Plans.
- Site Plan Approvals by the Planning and Zoning Commission are required for uses in commercial zoning districts which are permitted “as of right.” These can include some new commercial construction and some changes of use in existing buildings from one use to another.

### **Special Use Permits**

- Zoning Regulations list specific requirements for Special Use Permits.
- Special Use Permits by the Planning and Zoning Commission are required for some uses which require additional oversight by the Commission. Public hearings are required for all Special Use Permit applications for new construction and some changes of use in existing buildings from one use to another.

### **Zoning Variance Applications**

- When the requirements of the Zoning Regulations create a hardship due to unique circumstances, a variance may be requested from the Zoning Board of Appeals. Such a hardship may not be self-imposed or based on financial gain. The Zoning Board of Appeals can only grant dimensional or bulk variances, as Town regulations prohibit the issuance of Use-Variations (permitting a use not allowed in the district).

### **Zoning Map or Regulation Amendments**

- Any property owner in the Town of Stonington has the right to formally apply to amend the Town’s Zoning Map or Zoning Regulations. An A-2 Survey is required for any Zone Change application. When reviewing such an application, the Planning and Zoning Commission will consider whether the request conforms to the Town’s Plan of Conservation and Development, and whether the request is in the best interest of the Town as a whole.

## **Inland Wetland Permits**

- Any activity proposed within 100 feet of inland wetlands or watercourses requires an application to be reviewed by the Inland Wetlands and Watercourses Commission. This Commission reviews applications to ensure that the Town’s inland wetlands are not being harmed by the proposed actions of property owners. This review may be required in addition to review by other land use commissions, such as the Planning and Zoning Commission and Zoning Board of Appeals.

## **Other Commission Applications**

- Other land use applications may also be required depending on property location or proposed uses. Additional applications include:

### ***Coastal Area Management Application***

- Required for certain uses in areas generally within 1000 feet of coastal features. This application may be reviewed concurrently with other land use applications. Review focuses on protection of coastal resources and water-dependent uses.

### ***Groundwater Protection Permit Application***

- Required for certain uses in areas designated as part of the Groundwater Protection Overlay District. Planning and Zoning Commission reviews applications with a goal of protecting the Town’s aquifers from pollution related to development. This application may be reviewed concurrently with other Planning and Zoning Commission applications.

## **Zoning Permits**

- Zoning Permits issued by the Zoning Official are frequently a “next step” between Commission approval and Building Permits.
- Many land use applications in residential zones, including most single-family house construction and renovations, can be permitted solely through the Zoning Permit process without going to any Land Use Commission.
- Lot line revisions that do not create a new lot should first be reviewed by the Zoning Official to assure the lot line revision meets all zoning requirements.
- Most signage applications can be permitted by the Zoning Official through the Zoning Permit process. Commercial buildings with more than one business require Multi-tenant Signage Programs to be approved by the Planning and Zoning Commission before any signage permits are issued.

## **Building Permit Applications**

- Building Permits are required for any new construction and renovation.
- Stonington is a coastal community, and as such, extra attention needs to be given to flood hazard issues. It is important to determine whether a property falls within the floodplain on Federal Emergency Management Maps. Maps are available at Town Hall or at FEMA’s website [www.Fema.gov](http://www.Fema.gov). Additional building requirements may apply for properties in FEMA designated floodplains.

- Review with appropriate Fire Marshall for compliance with State Fire Code. The Town of Stonington is covered by several individual fire districts which are separate from municipal government. Please contact the Building Department to locate the appropriate Fire District for your property.
- Check on Public Health Codes for on-site septic systems and requirements for food service providers.
- A Zoning Permit from the Zoning Official is required prior to the issuance of any Building Permit.
- Contact the Building Official's Office at 152 Elm Street. Stonington, CT 06378. 860-535-5075 0 Fax 860-535-1023 for more information.
- After construction, a Certificate of Zoning Compliance must be issued by the Zoning Official, followed by a Certificate of Occupancy from the Building Official.

Contact the Department of Planning at 860-536-5095 or the Building Department at 860-535-5075 for more information. Regulations are online. Website: [www.stonington-ct.gov/Pages/StoningtonCT\\_Building/index](http://www.stonington-ct.gov/Pages/StoningtonCT_Building/index)

**Note:** This document is intended to serve as a guide to the Town's development process and is not in itself a "regulation." Please see applicable land use and building code regulations for more specific guidance.

## **MONEY, MONEY, MONEY**

### **FINANCIALS**

Whether you are new or looking for additional financing, the following information will typically need to be submitted at time of application:

#### **New Business:**

1. Capital equipment and supply list
2. Balance sheet
3. Breakeven analysis
4. Profit and loss statements
5. Three-year summary
6. Detail by month, first year
7. Detail by quarters, second and third year
8. Assumptions upon which projections were based
9. Pro-forma cash flow

#### **Existing business:**

1. Two years tax returns
2. Balance sheet
3. Income statement



#### 4. Projection of additional income if funds are being used for new initiative

### WHAT IS A FINANCIAL STATEMENT?

The majority of business owners glance at their financial statements when their accountant prepares them annually, and then throw them into the filing cabinet, usually after complaining about both their tax and accounting bills. Yet these documents are the lifeline of a business and the only true tool that monitors the performance of a business to the cent—if the bookkeeping is accurate.

#### **Learn to love financial statements**

Running a business is no different from running your household. Your home and contents are your assets and the mortgage and unpaid bills are liabilities. The difference between the value of your assets less the debts is called “equity.” We all know what equity in our home means. Your paycheck is the income that should accommodate the home expenses such as food, mortgage or rent, clothing, and utilities. The money you have left over (if any) is your profit.

Financial statements are essential business management tools because you will be making many decisions based on this information, including whether to buy an existing business or not. Just as you would not buy a used vehicle without having a mechanic do a thorough check or purchase an expensive jewel without an appraisal, you wouldn't buy a business without first establishing the accuracy of the financial figures. Financial statements paint a vivid picture of your business' progress and will guide you toward making sound decisions. So learn to treat them as your friend, not a necessary evil.

Financial statements show you sales fluctuations, profit margin changes, cost increases, overhead fluctuations, and changes in net profit. They will tell you whether you are further in debt or have too much cash tied up in inventory or receivables. You can plan your personal tax position and strategies for growing your business.

#### *What Information Is in a Financial Statement?*

A financial statement follows a set format, consisting of the following sections:

1. Compilation or review engagement report
2. Balance sheet
3. Statement of retained earnings (if incorporated)
4. Statement of income and expenses
5. Notes to financial statements
6. Statement of changes in financial position

#### **1. Compilation or review engagement report**

A financial statement opens with either a compilation or a review engagement report disclaimer, which must be prepared by a CPA for that title to be legally valid. This is a statement from the accountant to the business owner telling you which method was used to prepare the statements.

A compilation report disclaimer states that the accountant has prepared the information provided from the records of the business, but has not reviewed, audited, or otherwise attempted to verify the accuracy or completeness of such information or determined whether the statements contain departures from generally accepted accounting principles. Some may say that the statements are for internal use of management and for income tax purposes only, so readers are cautioned that the statements may not be appropriate for their purposes.

## **2. Balance sheet**

A balance sheet reflects the value of the business at a given month-end date: its assets, liabilities, and the current equity in the business, as well as how much profit (or loss) the company is making (or losing). It reflects the ending balances at the completion of the fiscal period for which the statement was prepared.

Accounting can be prepared two ways: the cash method, which records only transactions made by the statement date; or the accrual method, which takes into account all transactions for the fiscal period, including uncollected or unpaid accounts.

## **3. Statement of retained earnings**

Applicable only to incorporated businesses, this page is an ongoing record of the business's profits or losses for both the period in question and since inception. It shows the opening balance for the period and adds or subtracts the current profits or losses, reflecting a new closing balance. These figures are a similar calculation to the equity section of an unincorporated business.

## **4. Statement of income and expenses**

This statement reflects all sales and other income the business has generated for the period, less all expenses. The "bottom line" indicates the net profit or loss the company has incurred for the fiscal year to date.

## **5. Notes to financial statements**

At the end of the financial statements, the accountant provides details as to how certain figures were calculated. These include how inventory was costed, when the business was incorporated, the rates of depreciation used, the terms of loans and shareholder loans, and any other information that the IRS or banks may need to see.

## 6. Statement of changes in financial position

A statement of changes in financial position is only prepared for some incorporated businesses. Banks like this type of information. It details where the money came from during the year (profits or loans) and how the money was used (to finance a loss, pay back loans, or purchase assets). It shows the working capital of the business and whether it has increased or decreased during the year.

## START-UP EXPENSES & INSURANCE

One of the largest expenses is the leasing and outfitting of a building. This is why a business plan is extremely important to have and use as a reference all the while updating it to adjust with changes in your environment.

Without serious homework, many people mistakenly consider only price, ignoring other factors vital to the smooth long-term operation of the business, including the following:

### 1. Size and growth

As most of us are not clairvoyants, choosing the right-sized building is difficult. Lease charges are based on square footage, with added costs for taxes and amenities. Costs dramatically increase with the addition of just a few hundred square feet, so don't let size be the deciding factor; consider these other important components listed in this chapter before you race out and sign a lease.

**First Plan on Paper:** Make a scale drawing of your ideal building, allowing room for equipment and machinery or retail shelf space, work and bench space, storage facilities, vehicles, lunchroom, washrooms, and office space. This should indicate the required minimum square footage to comfortably house your operation.

Budget permitting, allow for a 20 percent increase in growth in the first two years. If the budget is tight, you may have to limit this luxury, keeping in mind that if the business is successful, you may have to make other arrangements.

### 2. Industrial locations

Manufacturing and distribution premises require research in the following areas:

- **Utilities:** Research the cost of extra plumbing or electrical work and the monthly utilities charges before the lease is signed. Your utility company can give you monthly readouts from the preceding year. Buildings can use considerable power during colder months because they are not economically heated or insulated. You may want to

consider a more effective heating method. Don't forget to budget for a deposit on utilities.

- **Warehouse or storage space:** Consider the building's accessibility and maneuverability in relationship to its usage and the equipment or products you are housing. You may need racking or shelving to store inventory. Some real bargains can be found at liquidation centers. If you are shipping and receiving large products, you need adequate dock and loading facilities. Maximize your efficiency by having the right equipment to do the job, otherwise you are practicing false economy.
- **Ventilation:** Windows may not supply enough ventilation during summer, making working conditions oppressive, particularly upstairs. This affects employees' productivity, as will extreme cold. You may have to install air conditioning.
- **Security:** Deadbolts are necessary on exterior doors, bars on windows, and a monitored alarm system is essential.

### 3. Business and retail locations

Perhaps the biggest mistake made when leasing a retail location is to look for cheap rent. If a retail location is wrong for your business, you are almost signing a death warrant when you sign the lease. Be prepared to pay higher rent for a prime location. Costs are usually indicative of a location's visibility and viability. Here's how to avoid some common mistakes that will cause you future grief:

- Research should pinpoint the competition in the area, so don't lease a building close to them. You'll waste money on advertising trying to attract customers.
- Customers need easy accessibility. Ensure there is ample parking or they will go elsewhere.
- Don't lease a "cheap" retail building in an industrial area, as people visiting industrial areas are on business and not in the mood for retail shopping.
- Moving a business when it has outgrown its premises is costly, so look for a location that will suit your needs for the first five years. Your first two years will not generate enough profit to finance a move, which usually involves extensive, non-recoverable renovation costs.
- Save time physically hunting for the ideal location by using realtors to locate potential premises in your desired area.
- If you lease space in a shopping mall, be prepared to pay a percentage of gross sales to the mall managers toward their communal advertising costs. This can eat a huge hole in your profit margin.

### 4. Signing a lease

A lease is a legal and binding agreement between the landlord (the lessor) and the renter (the lessee) for the term of the lease. Because a lease is a complex agreement, have your lawyer explain it to you before signing.

During negotiations, estimate how long you will need the building and ask for “first right of refusal,” which gives you the first option to renew the lease. Any terms and conditions agreed on by the landlord should be documented in the lease, as verbal agreements can be forgotten. For example, when a three-year lease is signed, it must stipulate if and when there will be any rent increases. Usually, you will pay the first and last months’ rent in advance, so include this in your projections. The last month’s rent is held in trust—and should be interest-bearing until the lease expires.

Property taxes and shared janitorial, maintenance, and strata fees should be included in the cost of the lease. Ask about these extras and budget for them. You are responsible for the monthly rent for the term of the lease, so include a subletting clause as a backup. Most landlords are cooperative and prefer contented, prompt-paying tenants. Talk to your lawyer before signing the lease.

## **5. Building renovations**

Plan your cash flow by dividing renovation costs into priorities: renovations that must be immediately completed, those that can wait a few months, and those that can be deferred until the profits start rolling in. Give your business a chance to get started before spending working capital on major cosmetic facelifts to someone else’s building. Get three quotes and look for quality work that comes with a guarantee.

## **6. Exterior signs**

Unless your business is home based you need signage, a costly addition to your budget. Both the Town of Stonington and landlord should be consulted as regulations restrict exterior signs, and your landlord may require signs that conform to certain specifications.

## **What Types of Insurance Might You Need?**

### **Business and liability insurance**

Most people don’t think twice about the price of insuring their vehicle, yet many business owners neglect incorporating a comprehensive insurance strategy that includes insuring their most valuable asset—themselves. There is a myriad of policies and coverage available, so let’s demystify the most important ones.

**Property insurance** Businesses in a commercial building need adequate fire, theft, and damage coverage, just as you would insure your home with fire, water, or sewer damage or vandalism, buildings and equipment can be replaced, but not the cost of reconstructing files, documents, and accounting records.

A commercial policy can be designed to suit all of these needs, including broken windows and glass, employee theft, business interruption, contractor’s equipment and fleet insurance. Policy price is dependent on your individual business requirements.

**Liability insurance** Professionals should insure for “errors and omissions” and professional liability. Special policies are available for doctors, accountants and lawyers. We all hear about clients suing businesses for malpractice, faulty products and liability through accidents, so ensure you have adequate coverage. Ask your insurance agent to help you establish a comprehensive policy. Many companies bundle both property and liability insurance into a Business Owner’s Policy (BOP).

Also discuss “care, custody and control inclusion.” Without coverage, even if an employee is working on a client’s problem and it is under your control, you are not covered against potential damages caused by your employee.

**Home-based businesses** Home-based business insurance is a rider added to your existing home policy and is restrictive in its coverage. These policies insure equipment and inventory to a limited value in the home, but usually do not include client liability. Although a cheap option, if a client comes to your house, trips over the dog and breaks a leg, you are not covered if you are sued. The Independent Insurance Agents of America (IIAA) advise against these riders unless minimal risk is involved.

A better suggestion is a home office policy, as it includes some business liability and lost income coverage plus normal homeowner’s inclusions. A step between home and full business insurance, there is limited coverage for loss of business records, property contained off-site and breakdown of equipment.

### **Personal insurance**

Not only are you the most important asset to your business, you are even more important to your family. Ensure that you are well insured and their needs well covered. Here are some policy types and benefits to consider.

**Life insurance** Life insurance has three primary purposes: to provide cash for dependents to settle your debts; to supplement the family income; and for estate and retirement planning. Seek professional advice for the latter, as it usually involves purchasing permanent insurance, such as universal life policies. These policies have considerable benefits. If your policy is convertible, you can convert to a universal life policy without a medical assessment.

Your insurance agent can prepare a financial needs analysis to help determine the amount you need.

**Term insurance** Term insurance is affordable and comes in one- to thirty-year terms. Premiums are guaranteed for that period of time and automatically renew at a higher, set rate for the next term.

Term insurance meets the need for cash as you build your business and provides for your family’s needs. The most cost-effective term insurance is a guaranteed renewable

and convertible ten-year term. Much of the competition is focused on this type, which consequently has the lowest premiums. There are also preferred and regular rates.

**Disability insurance** If you suffer a serious accident, injury, or illness that prevents you from working for an extended period of time, the financial risks to your business and family are significant. Current and future income stops while business and personal expenses continue. Workers' compensation pays a percentage of your income, but only 8 percent of disabilities are usually covered, as accidents often occur off the job or illness is involved, and payments will likely fall short of what you will need.

**Critical illness insurance** A new insurance called "critical illness coverage" pays a lump sum of \$50,000 or more thirty days after you are diagnosed with a life-threatening illness, such as heart attack, stroke, or cancer. Many people recover from these critical illnesses but not until they have experienced considerable emotional and physical health problems, causing significant financial stress. The premiums are lower than for disability insurance and the amount you purchase is not as limited. Many business owners return to work within three months from most injuries or simple illnesses and would not collect much on a disability insurance policy. Critical illnesses keep them off the job much longer and the money is paid out after thirty days.

### ***Point of Interest*** ☞ Plan an exit strategy

As the business increases in value, consider either disability buyout insurance or critical illness insurance on each partner or shareholder. Few businesses can carry an ill partner for an extended period of time—you need an exit strategy. Set out the conditions in a shareholder or partnership agreement and ensure that the decision to trigger the funds rests with the insurance company. If you have insurance owned and paid for by your company, check the tax implications with your accountant. Use a well-recognized, experienced insurance professional.

## **FINANCIAL SOURCES**

### **Who Will Lend You Money?**

If you have a viable business plan, the ability to repay, and security for the loan, you have the right formula. Deciding what type of money to borrow and from whom is the next hurdle. Many businesses do not require large sums to get them started, and often, people can't get a small loan from the bank, so they look elsewhere. Be aware of the pros and cons of nontraditional financing before you make your decision.

### **Traditional financing options**

You have a sound business plan and are ready to approach a lending institution for financing. The following are your traditional options.

## Equity Financing

*Equity* is an ownership interest in a company. In a corporation, it typically takes the form of *common stock* or *preferred stock*. In a limited liability company, equity ownership is called a *membership unit* (or *membership interest*). In a general or limited partnership, it is termed a *partnership interest*.

The difference between raising capital by selling an ownership interest in your company and by the incurring of debt is that the first is a nonrepayable capital contribution and debt is a legally binding promise to repay the amount borrowed with interest. Debt has to be paid back, usually on a prescribed schedule, and negatively impacts the balance sheet (the *debt-to-equity ratio*). Equity, on the other hand, does not have to be paid back. In return, you have given away a portion of the ownership of your company. This is not all bad, however, because it allows your company to grow.

Beginning businesses that need to raise capital should consider the sale of equity for a number of reasons. The terms of equity financing are more flexible than debt financing and they have a positive effect on the company's balance sheet. In addition, investors understand that they are entering into a long-term investment and are less likely to expect immediate returns on their investment. Last, but not least, cash flow can be retained by the company for expansion of the business operations, conducting research and development, and obtaining assets, such as intellectual property, rather than servicing a debt.

Raising money from investors can be a daunting task that will require a substantial commitment of time. It can become a second, full-time job apart from developing the products and services that you hope to sell someday.

Determining what is attractive to investors is an art more than a science, and everyone will have an opinion on what works best at any one time. This chapter informs you of the types of ownership interest that can be used in the various business organizations.

## Debt Financing

An alternative to financing through equity is *debt*.

The advantages of using debt are:

- the time to secure debt financing is usually shorter than equity;
- the cost of the money (principal and interest) is readily measurable;
- documentation costs for the transaction will probably be less than an equity transaction; and,
- the equity of the company is not diluted by new ownership.

The disadvantages to debt are:

- unlike equity, the company has to pay back debt;



- the company must carry debt on its balance sheet as a liability, which may make it less attractive to some investors;
- if the cash flow of the business is tight, debt service can put an undue strain on the finances;
- in many small businesses, commercial lenders require the principals to personally guarantee the debt and possibly pledge personal collateral; and,
- some lenders require rather onerous record keeping by the borrower, such as quarterly and annual financial statements—possibly audited—and impose restrictions on certain business transactions without the lender’s consent.

## **Bank Loans**

One of the most common types of financing is bank loans. In order to obtain a bank loan for a new business, you will need to present a business plan.

The advantage of seeking a bank loan may be that you or your family has a preexisting relationship or history with a bank that makes the process easier. In any event, a bank will focus on several things in reviewing your loan application.

First, they will want to know about your business (the business plan), how much money you need, and how you intend to spend it. Equally important is demonstrating to the bank how your business intends to pay the loan back and over what time period. Financial projections are most helpful at this time.

Banks are in the business of loaning money—that is one of their main profit centers. Your task is to demonstrate to them that you are creditworthy and that the revenues from your company are likely to pay back the loan in a timely manner. You demonstrate your ability to pay back the loan through your financial projections. If you already have a history of running a profitable business, providing a historical financial statement coupled with a financial projection will be an easy task.

Unless you have substantial assets in your company and healthy annual revenues, banks are likely to look to the creditworthiness of the owners of the business. In other words, you and your partners’ credit histories will be checked and you may be required to submit a personal balance sheet.

In the case of a start-up business, many banks will require, as a condition of the loan, that each of the founders (and possibly their spouses) guarantee the loan. The demand for personal guarantees may also surface when you are signing a lease for your company office or plant. If you have to sign a personal guarantee, see if the bank will agree to remove it after some reasonable period. Commercial landlords tend to be more open to the eventual removal of personal guarantees than banks, but it never hurts to ask.

Banks charge interest for loans, which is deductible as a business expense to the borrower. Interest rates vary among banks and can be influenced by the type of loan made and the perceived credit risk of the borrower. You should explore the various types of bank loans available to your business to see what fits:

1. **Small business loans** Banks offer a variety of loans, although start-up loans can be difficult to obtain unless you meet their lending criteria, which is based on the three Cs: cash flow, credit, and collateral. They prefer to lend for purchase of hard assets, but as each loan is different, talk to your bank manager to familiarize yourself with what they offer.

The Small Business Administration offers start-up business loans that are administered either through banks or other approved lending institutions. They include:

1. **Microloan, a 7(m) Loan Program:** These short-term loans of up to \$35,000 can be used for working capital, inventory, asset, or supply purchases. The loan is made to a guaranteed intermediary, who then loans the funds to you.
2. **Basic 7(a) Loan Guaranty Program:** Administered through commercial lending institutions, this popular loan helps small businesses that may not qualify through normal lending channels. It can be used for a variety of business needs, with a loan maturity period of up to ten to twenty-five years.

2. **Bank unsecured lines of credit** For loans under \$25,000, a line of credit is a source of reasonably priced financing. Interest rates fluctuate, based on current rates, and are usually two percent higher than a mortgage. A line of credit is usually repaid at a minimum of three percent of the loan, so on \$25,000 you have to pay at least \$750 a month. This option can work if you are sure the business can meet the monthly payments.

3. **Bank secured lines of credit** This is riskier financing because banks require security, usually in the form of a mortgage on your home. The upside is that while you are getting established, you have the option of paying only the monthly interest. The downside is that you are threatening the security of your family if the business doesn't perform as projected. Unless you are 100 percent sure that the business will be profitable in a short time frame, think carefully before putting your home on the line.

4. **Alternative lending sources** There is a myriad of loan providers offering funding to help small businesses get off the ground. Lending institutions in different states offer varying terms, loans, and conditions for startup, young entrepreneurs, and minorities. Your business may qualify for a government grant or a farm or rural loan.

A loan calculator is a handy tool for when you are preparing projections and funding information. Visit [www.bankrate.com](http://www.bankrate.com). You can quickly calculate your loan repayments based on the amount, term, and interest rate to include in your cash flow and projected expenses.

### **“Risky” financing alternatives**

When traditional financing is not an option, some eager entrepreneurs seek riskier financing. This route may be destined for failure because if traditional financing is denied, there is usually a good reason—this is a warning to revisit the business plan and the whole business idea. Here are some options to consider and the risks involved:

1. **Family or friends** It’s easy to approach parents or family for a loan, but not so easy explaining to them why you can’t repay them. Before you consider this option, clarify how they would feel should the business not be profitable and the loan not paid back as per the agreed terms. The benefit to these loans is that family can be flexible if repayments are late, and loans can be interest-free or low interest. If the loan could jeopardize family relationships, perhaps it isn’t advisable.

The same principle applies to friends. What do you value the most, your business or your friendship? There is no better way to ruin a good friendship than by not repaying debts. Don’t ask friends to guarantee a loan for you either. This also ruins friendships. I once guaranteed a small loan for a friend who didn’t honor some payments. I made the payments but it caused the demise of a long-time relationship.

2. **Second or increased home mortgages** Similar to a secured line of credit, an increased or second mortgage is risky financing for a new business. It’s a long-term battle to regain home equity if the business doesn’t succeed. You will be left with a large mortgage payment, business debts, and the possibility of the bank foreclosing on your home. Many marriages have dissolved for this reason. Business is a gamble, even when you have a good poker hand.

3. **Credit cards** For short-term financing, credit cards come in handy— but at what price? They give you a false sense of security because they allow you to make minimum monthly payments. At the same time, high interest rates compound at an alarming rate.

4. **Redeeming traditional IRAs** It’s difficult enough to save for an IRA, and even more difficult to put the money back once it is withdrawn. There are also tax consequences, so discuss this with your accountant. Redeem them only if you are *sure* that you can replace them within sixty days. An extra tax burden is the last thing you need in your first year of business.

5. **Many businesses use credit cards** to pay for supplies and start-up costs, so if you have to use them, keep strict control over your spending habits. Use them as a thirty-day, interest-free, short-term business loan. Pay off the full balance each month. Collect points but not interest charges. If you have trouble controlling your plastic purchases, cut up your cards or freeze them in a block of ice—it's called freezing your liabilities.

6. **Finance companies and brokers** Finance companies and brokers are often willing to lend money with fewer security requirements than a bank demands, but you may pay exorbitant interest rates. Some people have obtained second mortgages from finance companies, ultimately paying just interest without reducing the principal amount. Proceed with caution and preferably, avoid this type of financing altogether.

7. **Venture capital and loans** Venture capital is money obtained through investors who, in return for their investment, expect a share of your business and usually a say in its management. Expect to spend time looking for this type of financing. Venture capitalists usually only consider investing amounts from \$100,000 and up.

### **Friends, Angels, and Venture Capital Sources**

Investors in your small business can take many forms. Generally, investors want a return on their investment, and seek to help guarantee that return by having some say in how the company is managed. This may be informal with some friendly advice, or a complicated agreement and ownership structure with a venture capitalist. Regardless of the arrangement, these sources can provide the financial backing you need to be a success.

#### ***Friends and Family***

*Friends and family* are the most common source for early seed financing. At the outset of your business, they are making an investment in you as much as in your company. You may need funds prior to actually incorporating your business, in which case the investment may take the form of borrowing from friends or family. In that case, you will need a simple *promissory note* to evidence the borrowing. You may want to include a provision in the note that the principal (and possibly the interest) can be converted into equity in your company at the option of the lender. You will probably not know the terms of investment yet, so you may wish to state that the conversion rate would be some percentage—for example, 80%—of the price the company will offer to new investors once it is organized and ready to legally raise capital.

Friends and family investors can be a mixed blessing. If you think it would be best to take out family and friends as early as possible to eliminate future problems, then you can merely pay back the promissory note when you have raised sufficient capital in your

company. It is far cleaner for tax purposes if you organize the entity you are going to use and then have the new entity be the borrower rather than you personally. A variation on this theme would be to pay the notes back and give the lender a small *equity kicker* (shares of stock or membership units) in appreciation for their early support.

### **Angels**

*Angel investors* are high net worth individuals who invest in emerging companies. Like celestial angels, they can be tricky to find. Typically, they tend to invest in companies in their own geographic area and will conduct varying degrees of due diligence on the company.

There are numerous angel clubs or gatherings around the country. These groups meet monthly, sometimes weekly, to hear presentations of emerging companies. In the meetings, the companies make their pitch in a twenty- to thirty-minute presentation with a few minutes for questions and answers afterwards. If any of the angel investors are interested, they follow up with the companies individually. In the height of the tech boom, some of the angel groups formed investment clubs that would review emerging companies and then invest as a group, usually through an investment partnership. There are different kinds of angel investors. Target those that fit your current needs.

### **Declining Money**

Believe it or not, there are times when you should decline the money. In the case of larger investors, you should perform your own due diligence on the potential funder. What has been the experience of other companies they have funded? How active a role did they play in the management? If the funding was incremental, did it come on time and when promised? Did they add value to the company and its mission? If the funder refuses to give references, run—do not walk—away.

The reverse of the big funder is the couple on a fixed income who love you and want to put their last savings in your company. Do not take that money—it is unethical, ill-advised, and always more trouble than it is worth. Some investors just are not right for your company. Learn to recognize them, be respectful, and let them go.

### **Local Government Approval**

Before you start your business, check with your local town, county, or city government office for operating regulations and zoning laws for information on environmental and other restrictions on home-based businesses. Be sure your business conforms with the many regulations, as you could be denied a business license.

## **TAXES AND FEES**

Personal Property/Real Estate/State & Local

## State and Local Taxes

Most states require that a sales tax be collected on goods purchased or imported for use or consumption. The tax is usually collected by the retail outlet or by the final vendor. Additional taxes are levied against hotel rooms, tobacco, and motor fuels. Local government taxes may also apply. Wholesale sales to other retailers or distributors are normally exempt from sales tax, as are out-of-state sales.

Federal excise taxes apply to the manufacture and sales of certain products and on certain types of businesses. A retail excise tax is imposed on some trucks, trailers tractors, and other vehicles used on public highways. There are environmental, communication, fuel, and air transportation taxes to be considered. For a full explanation, read IRS Publication 510. Taxes are due quarterly and are filed on a Form 720, 2290, or 730.

## LEGAL STRUCTURE OF YOUR BUSINESS

As part of your plan, you'll need to decide how you want to structure your business.

Many people look to attorneys and accountants to help make an educated decision based on personal and tax liability. See below the different options available to you:

### Sole Proprietorships

A sole proprietor is someone who owns an unincorporated business by himself or herself.

### Partnerships

A partnership is the relationship existing between two or more persons who join to carry on a trade or business. Each person contributes money, property, labor or skill, and expects to share in the profits and losses of the business.

### Corporations

In forming a corporation, prospective shareholders exchange money, property, or both, for the corporation's capital stock. A corporation generally takes the same deductions as a sole proprietorship to figure its taxable income. A corporation can also take special deductions. For federal income tax purposes, a C corporation is recognized as a separate taxpaying entity. A corporation conducts business, realizes net income or loss, pays taxes and distributes profits to shareholders.

### S Corporations

S corporations are corporations that elect to pass corporate income, losses, deductions and credit through to their shareholders for federal tax purposes. Shareholders of S corporations report the flow-through of income and losses on their personal tax returns and

are assessed tax at their individual income tax rates. This allows S corporations to avoid double taxation on the corporate income. S corporations are responsible for tax on certain built-in gains and passive income.

### Limited Liability Company (LLC)

A Limited Liability Company (LLC) is a business structure allowed by state statute. LLCs are popular because, similar to a corporation, owners have limited personal liability for the debts and actions of the LLC. Other features of LLCs are more like a partnership, providing management flexibility and the benefit of pass-through taxation. If you are the sole member of a domestic limited liability company (LLC), you are not a sole proprietor if you elect to treat the LLC as a corporation

### Non-Profit -

Organizations that meet the requirements of Internal Revenue Code section 501(a) are exempt from federal income taxation. In addition, charitable contributions made to some section 501(a) organizations by individuals and corporations are deductible under Code section 170.

Once you've determined your legal structure, you will need to research the name of the business to determine if it is available. The following site will assist you in making sure you have complied with name, and other requirements: [http://www.ct-clic.com/business\\_checklist/Checklist.asp?ChecklistType=Start](http://www.ct-clic.com/business_checklist/Checklist.asp?ChecklistType=Start)

With the exception of a sole proprietorship, your company name will be registered with the state. At the following sites, the fees associated with your type of entity is listed: [http://www.sots.ct.gov/sots/lib/sots/commercialrecording/allforms/fee\\_schedule.pdf](http://www.sots.ct.gov/sots/lib/sots/commercialrecording/allforms/fee_schedule.pdf)

## **EMPLOYER RESPONSIBILITIES/LICENSING**

### **Name Registration**

Once you are sure your business conforms with local government regulations, next register your business name. If you are a sole proprietor, name registration is not necessary in all states but is a good idea. If you are incorporated, a limited liability company, a partnership, or limited partnership, name registration is usually automatic when you file the appropriate legal paperwork with your secretary of state.

### **How do you register your business name?**

Most local government or secretary of state offices have online searchable databases where you can perform a search to ensure that the name you want is not chosen. Because each state differs in its requirements, first check with your county clerk. Once a name is

secured, you can complete the necessary paperwork. Most states require that partnerships and sole proprietors file a fictitious owner affidavit with the county office.

### *Incorporation and Licenses*

Until your name is approved, don't order stationery. Incorporation approval can take from ten days to six weeks, depending on where you live. You need these papers for license approval and usually to open bank accounts. Once incorporated, the IRS can issue your Employer Identification Number, usually online or by fax.

### **Business Licenses**

When your company name has been approved and the business is incorporated, you can apply for the appropriate business licenses and permits at your local city or county office, which are usually issued without delay. As other licenses may be required for your type of business, also check with the secretary of state and your Department of Revenue or equivalent agency.

### *Bank Accounts*

Opening your business accounts may take a few days. Allow up to two weeks if you need Visa or MasterCard facilities. Pay for as many expenses as possible by check; it makes for easier bookkeeping because cash receipts can get lost and credit cards make for complex accounting. A check is a written record of each transaction and will suffice in an audit as proof of payment.

Order a two- or three-ring check binder and make sure the check stubs are large enough to record daily deposits, expense details, and computer codes. Use your personal checking account as little as possible—expenses can be forgotten and it appears unprofessional.

### **Employer Identification Number, Forms, and Payroll**

If you are incorporated, a partnership, or a sole proprietor with employees, you need to register for a Federal Employer Identification Number (EIN) to pay a variety of taxes and payroll withholdings. This number identifies all your federal tax accounts, including income tax, estimated tax payments, excise taxes and employment taxes. For more information, contact the IRS or visit their website at [www.irs.gov/businesses](http://www.irs.gov/businesses), register online, and order their Publication 583, "Starting a Business and Keeping Records."

### **What is the self-employment tax?**

Sole proprietors and unincorporated partnerships who earn more than \$400 net of expenses a year must pay self-employment tax, which provides coverage for Medicare,



Social Security, and retirement, and survivor and some disability benefits. This is reported on Schedule 1040 and Schedule SE. The IRS Publication 533, "Self-Employment Tax," explains how to remit these taxes, along with your estimated federal income tax using Form 1040-ES vouchers.

### **What are your responsibilities as an employer?**

Once you hire employees, the paperwork war and form-filling-out nightmare begins. There are many IRS guides available for download or through their service centers. If you are not sure whether to hire a person as a self-employed contractor, download Publication 15-A, "Employer's Supplemental Tax Guide."

There are various forms for you and your employees to complete when you hire them. It is your responsibility to deduct the correct amount of Social Security, Medicare, state workers, disability, and income tax withholdings, and to maintain proper payroll records. These must all be paid on time, as large penalties are imposed on overdue amounts.

### **What forms must be filled out?**

On hiring an employee, you need to complete the following forms. If you hire young people under age eighteen, other restrictions and state paperwork may apply.

- **Form I-9, Employment Eligibility Verification:** Your employees must be able to legally work in the United States, so both employer and employee complete this form, available from the U.S. Citizen and Immigration Services (USCIS). Keep it in your files.
- **Form W-4, Employee's Withholding Allowance Certificate:** The employee completes this form so that the employer knows the correct amount of income tax to deduct from their wages. The IRS may require a copy under certain circumstances, so keep it on file.
- **Form W-5, Earned Income Credit Advance Payment Certificate:** Employees who qualify for an advance on earned income for qualifying children must complete this form. The employer must then advance the EIC payments to the employee.

**Payroll records:** Each employee needs an individual payroll record with full name, address, social security number, starting date, and wages.

The forms don't stop there. There are some information returns used to compare payments you receive or make to certain companies or individuals with the amounts reported on their income tax return (of course, the two should agree). Four forms that fall into these parameters are:

- **Form W-2, Wage and Tax Statement:** This form, prepared annually for employees, is used to report all income, tips, allowances, bonuses, and all withholdings and deductions made to employees during the year.

- **Form 940, Annual Federal Unemployment Tax (FUTA):** This tax is on the first \$7,000 of wages paid to each employee during the year. The percentage varies, either 6.2 or .08 percent, depending on whether the state has a qualifying unemployment program or if all state unemployment taxes were paid on time. It also applies to state unemployment exempted corporate officers/shareholders.
- **Form 1099-MISC, Miscellaneous Income:** Fill in this form if you paid an unincorporated subcontractor, lawyer, or independent businessperson such as your accountant; paid rent to someone other than your realtor; or gave a prize or award of \$600 or more. There are other parameters for reporting miscellaneous income, so thoroughly read the instructions.
- **Form 8300, Report of Cash Payments Over \$10,000 Received in a Trade or Business:** If you receive a business cash payment of more than \$10,000 in total during a twelve-month period from one customer, you complete this form within fifteen days of the payments exceeding \$10,000. Publication 1544, "Reporting Cash Payments of Over \$10,000 (Received in a Trade or Business)," will clarify this.

**Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts:** The IRS needs to know everything about your financial affairs. Much like the Form 8300, there is a fine of up to \$10,000 if you do not report your foreign bank accounts by June 30.

### **Workers' Compensation or State Disability Insurance**

All businesses hiring employees or subcontractors who are not independently covered by workers' compensation must register for workers' compensation insurance. If an injured employee has been found misclassified as an independent contractor, the employer has to pay all medical costs plus a myriad of penalties.

The cost and method of calculation varies from state to state and especially according to occupation. Coverage is based on either a percentage of wages paid or hours worked. In most states, private insurance companies provide coverage under the direction of a State Workers' Compensation statute. Compensation covers hospital, medical, retraining and wage replacement costs, and if an employee dies, can also cover survivor benefits. In many states, sole proprietors, partners, and members of a limited liability company without employees are not required to take out coverage and are not covered by workers' compensation, but you can usually arrange for voluntary coverage. Where possible, insure yourself against work-related accidents or illness, because remember: You are your business. Coverage is mandatory if you employ one or more part- or full-time employees.

### **Other Licensing Agencies**

Depending on your type of business, you may also have to register with one of the following agencies:

- Department of Environmental Quality
- Department of Agriculture
- Department of Education

- Department of Transportation
- Department of Health

Other areas where you may need to contact a licensing agency include dealing with:

- Weights and measures
- Packaging and labeling
- Hazardous products
- Precious metals
- Textiles
- Foods
- Patents, copyright, industrial designs, and trademarks

### **Point of Interest** **What Is a Break-Even Point?**

Your break-even point is the amount of sales net of taxes that you must generate to cover all operating costs, excluding profits. Calculate a break-even point for your business plan projections, and once you are operating, recalculate it again based on actual costs. Revisit it regularly; calculating a simple break-even point every few months can ensure that your costs are not getting out of hand.

#### **How do you calculate a break-even point?**

If your business is product-based, you must know your approximate gross profit margin. For example, if you operate on a 35 percent gross profit margin you need to generate enough profit after purchases to cover all overhead costs. This 35 percent gross profit margin contributes \$35 gross profit for each \$100 in sales, which in turn pays for the overhead expenses. First list your estimated monthly overhead expenses

Direct Overhead Costs	
<i>List all costs directly associated with selling your product:</i>	
Salesperson Salaries	\$ 1,750
Delivery of Goods (to you and the customer)	300
Discounts Given	225
Damaged Goods	220
<b>Total Direct Cost</b>	<b>\$ 2,495</b>

Indirect Overhead Costs	
<i>List all other monthly expenses associated with your business</i>	
Office Salaries	\$ 1,500
Employee benefits (Health, Wcomp, employment, SS, FICA)	525
Rent	850
Interest Expense on Loans	250
Professional Fees (accounting, banking fees, cleaning.....)	225
Vehicle expenses (lease, interest exp., gas, repairs....)	450
Telecom Expense (phones, cells, pagers, internet...)	125
Utilities (oil, gas, electric, water, sewer..)	375
<b>Total Indirect Costs</b>	<b>\$ 4,300</b>
<b>Total Overhead Costs</b>	<b><u>\$ 6,795</u></b>

In order to calculate the amount of Sales necessary to generate a 35% profit margin, take the "Total Overhead Costs" figure and divide it by .35

$$\text{\$ } 6,795 / .35 = \text{\$ } 19,414$$

The sales figure of \$19,414 is necessary to generate a 35% profit margin. This assumes that all products sold are purchased at 65% of their retail price.

## WHY DO BUSINESSES FAIL?

No one likes to think of failure, yet business failure statistics are high. If you know why businesses fail, you can avoid making these mistakes. There are seven main reasons why the majority of businesses fail:

1. No planning and poor management
2. Lack of cash flow and capital

3. Wrong location
4. Inadequate marketing plan
5. Competition not researched
6. Wrong choice of business
7. Business grows too quickly

Any one of these reasons can cause your business to fail, but combine two or more and your business will be in hot water. Let's look at each in turn.

### **1. No planning and poor management**

You need to be multifaceted in your entrepreneurial abilities. Just as an architect must work to blueprints, your business must work to a plan. The key to business success is in the development of a sound and well-researched business plan.

You only have to drive around the community to see "the revolving door syndrome" of businesses closing down after a few months and a new venture starting. The usual reason for these failures is lack of planning. No matter which business you pursue, it needs a great manager at the helm. Good management encompasses everything from customer service to running an efficient office.

### **2. Lack of cash flow and capital**

"Cash flow" describes the flow of money within a business. Businesses are often started by people with very little money to invest in the start-up and not enough to see the business through the first two fragile years. Without enough capital investment, important corners are cut. Shoestring budgets make survival and growth difficult. Without money to purchase the necessary equipment, support monthly overhead, or spend on marketing to launch the business, the enterprise cannot get off to a positive start.

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#### **What Is Good Business Management?**

- Providing the right service or product at the right time, in the right location, at the right price
- Knowing that profit margins can support overhead, pay salaries, and meet personal commitments
- Ensuring that the business provides a steady year-round income and that you have a plan B for quieter months
- Astute inventory management to ensure a regular turnaround
- Keeping accounting records up-to-date and closely monitoring financial figures
- Regularly reviewing marketing strategies for their effectiveness
- Changing with consumer trends, technology, and the changing economy
- Making time daily for follow-up, marketing, and paperwork
- Monitoring accounts receivable and keeping in touch with slow-paying clients

- Understanding all aspects of your business and the industry
- Providing a better service than your competitors
- Becoming known as the expert in your field
- Being an active member in the community
- Diversifying— not putting all your eggs in one basket
- Continual networking and follow-up
- Planning for growth and having an exit strategy

The average business is started with minimum capital, often borrowed from family, banks, credit cards, or high-interest loans. Some people increase home mortgages, an inadvisable step, because if the business fails, the home could be lost and the marriage or other personal relationships would be put to the test. Know where your financing will come from, what the terms of repayment will be, and whether the business can afford the repayments. If you can't afford to borrow— then don't. Rethink your business plan

### **3. Wrong location**

With the competition from big-box stores and large malls, location is key for retail businesses to succeed. Is it practical to have a hairdressing salon in an industrial area? Or a restaurant tucked into a small strip mall frequented mainly by seniors? Despite this self-evident logic, people often locate their businesses in the wrong areas. "But the rent is so cheap!" they cry in delight.

Studies show that the average consumer will travel no more than three blocks out of their way, particularly if the same product can be purchased closer. No amount of advertising will entice customers to an out-of-the-way location if they can buy the product more conveniently elsewhere. Walk-by traffic, visibility, and parking are all vital to a retail location. There is no such animal as "cheap rent."

### **4. Inadequate marketing plan**

A marketing plan is an integral part of a business plan, yet many people don't plan how they will market their new business. "Oh, I'll put some flyers out, put an advertisement in the local paper, and wait for the phone to ring" is not a marketing plan. You need a structured marketing plan—one where you research which marketing techniques best suit your business. With small and home-based businesses, marketing is usually cited as one of the largest hurdles faced by the owners.

### **5. Competition not researched**

Many budding entrepreneurs take their specific talent and dive into starting a business without first assessing their competition. Take the time to thoroughly research this aspect of your business. With the proliferation of home-based service businesses, knowing who

and where your competition is can be time-consuming. Your hidden competitors will be the unlicensed ones. Most county offices and your chamber of commerce can give you a list of licensed businesses in your field.

Only so much business can be generated in one geographic area. Too many stores offering the same service means that all will struggle to make a living, offering profit-draining specials to entice consumers. Study the town or marketing area intimately *before* starting your business to assess how successful your competitors are.

Ask yourself:

- Why are they successful? What are they *not* doing?

Also consider the future. What would happen to your business if a large store selling your product or service for less money opened up a few blocks away? There are no regulations prohibiting businesses offering similar services from opening up near each other.

## **6. Wrong choice of business**

Be an expert in your field and love what you do. Choosing a business because it seems like an easy way to make money is destined for failure. Review consumer, economic, and long-term trends and assess the business community. If you are buying into a “business investment opportunity” or purchasing an existing business, you need an accountant to review the proposal.

Many unprofitable businesses have been positively presented through professional presentation, skilled wording, and a good sales pitch. A professional portfolio often glosses over the real reasons for the business sale — lack of profits. Some people think they can take a business and do better than the last person. If it’s your first business purchase, don’t be so sure that you can create miracles. Beware of advertised promises of a quick return for little outlay and minimal work.

## **7. Business grows too quickly**

Business growth doesn’t sound like a reason for business failure, but it is often the case. If a business is started with minimum cash flow, particularly one involving a large inventory, rapid growth can create all kinds of problems. Sudden growth may mean that your location is no longer suitable, and moving a business is costly. Additional inventory requirements, staffing, machinery, or equipment upgrading must be paid for with profits. There is always a delay between needing extra cash and the eventual cash flow back into the business from sales. Sudden growth puts extra demands on your management abilities as you adjust to the changes.

***Point of Interest*** 📌 Start with a Capital Cushion

The very minimum capital you will need is enough to support the business and personal commitments for the first three months—or longer. This is the barest necessity, based on a business that has a guaranteed and immediate cash flow. The ideal would be a financial reserve that covers all expenses for the first nine months.

## **GOING GREEN IN STONINGTON**

Recycling Requirements

Restaurant Requirements

## **MARKETING**

Local Chambers

Local Media

Patch.com

Major Events in Stonington – sponsorship opportunities

Non-traditional opportunities

## **APPENDIX**

Websites –

- ✓ **Internal Revenue Services**  
[www.irs.gov](http://www.irs.gov)
  
- ✓ **U.S. Small Business Association**  
[www.Sba.gov](http://www.Sba.gov)
  
- ✓ **Score**  
[www.Score.org](http://www.Score.org)
  
- ✓ **CT Business Resource**  
[www.CT-Clic.com](http://www.CT-Clic.com)
  
- ✓ **You Belong in CT**  
<http://www.youbelonginct.com/>
  
- ✓ **Town of Stonington**  
<http://www.stonington-ct.gov>
  
- ✓ **Greater Mystic Chamber of Commerce:**



[www.mysticchamber.org](http://www.mysticchamber.org)

- ✓ **The Westerly-Pawcatuck Chamber of Commerce:**  
[www.westerlychamber.org](http://www.westerlychamber.org)
  
- ✓ **State of Connecticut:**  
<http://www.ct.gov>
  
- ✓ **Connecticut Licensing Center and Smart Start:**  
<http://www.ct-clic.com/>
  
- ✓ **State of CT Secretary of State:**  
<http://www.sots.ct.gov>
  
- ✓ **Connecticut Economic Resource Center:**  
[http://www.cerc.com/Content/Connecticutand 39 s Business Response Center.aspx](http://www.cerc.com/Content/Connecticutand%2039%20s%20Business%20Response%20Center.aspx)
  
- ✓ **Franchise Registry:**  
<https://www.franchiseregistry.com>
  
- ✓ **Fema:**  
<http://www.fema.gov>
  
- ✓ **Department of Economic Development**  
<http://www.ct.gov/ecd/site/default.asp>