

Owner's Checklist for Starting a New Business

Background work

- ☐ assess your strengths and weaknesses
- ☐ establish business and personal goals
- ☐ assess your financial resources
- ☐ identify the financial risks
- ☐ determine the start-up costs
- ☐ decide on your business location
- ☐ do market research
- ☐ identify your customers
- ☐ identify your competitors
- ☐ develop a marketing plan

Business transactions

- ☐ select a lawyer
- ☐ choose an entity (proprietorship, partnership, or corporation, for example)
- ☐ create your business (register your name, incorporate the business, etc.)
- ☐ select an accountant
- ☐ prepare a business plan
- ☐ select a banker
- ☐ get financing
- ☐ establish a line of credit
- ☐ select an insurance agent
- ☐ obtain business insurance

First steps

- ☐ get business cards
- ☐ obtain a lease
- ☐ get furniture and equipment
- ☐ review local building codes
- ☐ obtain a license or permit (if applicable)
- ☐ send off for federal and state tax forms
- ☐ get an employee identification number (if applicable)
- ☐ join a professional organization
- ☐ line up suppliers (if applicable)
- ☐ set a starting date

[Name of Financial Planning Company]

YOUR LOGO
HERE

New Company Setup Checklist

COMPANY INFORMATION

Company name:

Address:

Telephone number:

Fax number:

Date business started:

Number of owners:

CHECKLIST

<input type="checkbox"/> Choose type of business entity. Business entity type: Sole proprietorship	
<input type="checkbox"/> Select end of fiscal year. Fiscal year-end: December 31	
<input type="checkbox"/> Apply for IRS Employer Identification Number (EIN), if applicable.	To obtain Form SS-4 to apply for an EIN, call (800) 829-3676.
<input type="checkbox"/> Register with state as a business.	[Type licensing contact information here.]
<input type="checkbox"/> Obtain county and city business licenses.	[Type licensing contact information here.]
<input type="checkbox"/> If corporation, file letters of incorporation. <input type="checkbox"/> If partnership, create and sign partnership agreement.	[Type attorney referral information here.]
<input type="checkbox"/> Purchase insurance plan(s).	[Type insurance agency referral information here.]
<input type="checkbox"/> Create company Web site. Web site address:	
<input type="checkbox"/> Choose an accounting method: Accrual	
<input type="checkbox"/> Select and purchase accounting software.	[Type software recommendations here.]
<input type="checkbox"/> Install and set up accounting software.	
<input type="checkbox"/> Open a business banking account.	
<input type="checkbox"/> Obtain a business credit card.	
<input type="checkbox"/> Consider contracting with payroll processing firm and/or record-keeping firm.	[Type payroll/record-keeping firm referral here.]
<input type="checkbox"/> Establish a salary agreement for each owner.	
<input type="checkbox"/> Establish a retirement plan.	

Start-Up Capital Estimate

[Company Name]

[Date]

Monthly Costs	Monthly Expenses	Cash Needed to Start	% of Total	Source of Estimate
Salary of owner-manager				
All other salaries and wages				
Rent				
Advertising				
Delivery expense				
Supplies				
Telephone				
Other utilities				
Insurance				
Taxes, including social security				
Interest				
Maintenance				
Legal and other professional fees				
Miscellaneous				
Subtotal				
One-Time Costs		Cash Needed to Start	% of Total	Source of Estimate
Fixtures and equipment				
Decorating and remodeling				
Installation charges				
Starting inventory				
Deposits with public utilities				
Legal and other professional fees				
Licenses and permits				
Advertising and promotion for opening				
Cash				
Other				
Subtotal				
Total Estimated Start-Up Capital				

Startup Expenses

Enter your company name here

SOURCES OF CAPITAL

Owners' Investment (name and percent ownership)

Your name and percent ownership	\$	-
Other investor		-
Other investor		-
Other investor		-
Total Investment	\$	-

Bank Loans

Bank 1	\$	-
Bank 2		-
Bank 3		-
Bank 4		-
Total Bank Loans	\$	-

Other Loans

Source 1	\$	-
Source 2		-
Total Other Loans	\$	-

STARTUP EXPENSES

Buildings/Real Estate

Purchase	\$	-
Construction		-
Remodeling		-
Other		-
Total Buildings/Real Estate	\$	-

Leasehold Improvements

Item 1	\$	-
Item 2		-
Item 3		-
Item 4		-
Total Leasehold Improvements	\$	-

Capital Equipment List

Furniture	\$	-
Equipment		-
Fixtures		-
Machinery		-
Other		-
Total Capital Equipment	\$	-

Notes on Preparation

You may want to print this information to use as reference later. To delete these instructions, click the border of this text box and then press the DELETE key.

Nearly everyone who has ever started a business has underestimated the costs, and then faced the danger of running with inadequate capital reserves. The key to avoiding this pitfall is to adopt a rigorous approach to your research and planning. Our Startup Expenses worksheet will lead you through the process.

EXPENSES - Begin by estimating expenses. What will it cost you to get your business up and running? The key to accuracy here is attention to detail. For each category of expense, draw up a list of everything you will need to purchase. This will include both tangible assets (for example, equipment, inventory) and services (for example, remodeling, insurance). Then determine where you might purchase these goods or services. Research more than one vendor; i.e.: comparison shop. Do not look at price alone; terms of payment, delivery, reliability, and service are also important.

CONTINGENCIES - Add a reserve for contingencies. Be sure to explain in your narrative how you decided on the amount you are putting into this reserve.

WORKING CAPITAL - You cannot open with an empty bank account. You need a cash cushion to meet expenses while the business gets going. Eventually you should do a 12-month cash flow projection. This is where you will work out your estimate of working capital needs. For now, either leave this line blank or put in your best rough guess. After you have done your cash flow, you can come back and enter the carefully researched figure.

SOURCES - Now that you have estimated how much capital will be needed to start, you should turn your attention to the top part of this worksheet. Enter the amounts you will put in yourself, how much will be injected by partners or investors, and how much will be supplied by borrowing.

COLLATERAL - If you will be using this plan to support a bank loan request, use the section near the bottom to show what assets are offered as collateral to secure the loan, and give your estimate of the value of these items. Be prepared to offer some proof of your estimates of collateral values.

Location and Admin Expenses

Rental	\$ -
Utility deposits	-
Legal and accounting fees	-
Prepaid insurance	-
Pre-opening salaries	-
Other	-
Total Location and Admin Expenses	\$ -

Opening Inventory

Category 1	\$ -
Category 2	-
Category 3	-
Category 4	-
Category 5	-
Total Inventory	\$ -

Advertising and Promotional Expenses

Advertising	\$ -
Signage	-
Printing	-
Travel/entertainment	-
Other/additional categories	-
Total Advertising/Promotional Expenses	\$ -

Other Expenses

Other expense 1	\$ -
Other expense 2	-
Total Other Expenses	\$ -

Reserve for Contingencies	\$ -
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Working Capital	\$ -
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SUMMARY STATEMENT

Sources of Capital

Owners' and other investments	\$	-
Bank loans		-
Other loans		-
Total Source of Funds	\$	-

Startup Expenses

Buildings/real estate	\$	-
Leasehold improvements		-
Capital equipment		-
Location/administration expenses		-
Opening inventory		-
Advertising/promotional expenses		-
Other expenses		-
Contingency fund		-
Working capital		-
Total Startup Expenses	\$	-

SECURITY AND COLLATERAL FOR LOAN PROPOSAL

Collateral for Loans		Value
Real estate		\$ 120,000
Other collateral		-
Other collateral		-
Other collateral		-

Description

Residence at Main St., Seattle, WA

Owners

- Your name here
- Other owner
- Other owner

Loan Guarantors (other than owners)

- Loan guarantor 1
- Loan guarantor 2
- Loan guarantor 3

Checklist of Basic Franchise Agreement Terms

Franchise agreements vary from franchise to franchise. It would be impossible to identify every term and issue that should be considered in every situation. However, this checklist should be a valuable tool if you're interested in buying a franchise.

The checklist should be used in conjunction with the franchise agreement—the document that will set out all the terms and conditions that will govern your ownership of the franchise—which will be drafted by the franchisor. You can use this checklist either before you see the franchise agreement, in order to get an idea of what should be in it, or after you have a copy of the agreement, in order to review its terms.

In any event, while you can use the checklist to understand and review a franchise agreement, you shouldn't sign it until you've discussed your options with your attorney.

Issues Pertaining to the Franchise Cost Terms

- ☐ What does the initial franchise fee purchase?
- ☐ Does it include an "opening" inventory of products and supplies?
- ☐ What are the payment terms: amount, time of payment, lump sum or installment, financing arrangements, etc.?
- ☐ Does the franchisor offer any financing, or offer help in finding financing?
- ☐ Are there any deferred balances? If so, who finances and at what interest?
- ☐ Is any part or all of the initial fee refundable?
- ☐ Does the contract clearly distinguish between "total cost" and "initial fee," "initial cash required," or "initial costs," etc.?
- ☐ Are there periodic royalties? If so, how much are they and how are they determined?
- ☐ How and when are sales and royalties reported, and how are royalties paid?
- ☐ If royalty payments are in whole or part payment for services by the franchisor, what services will be provided?
- ☐ Are accounting/bookkeeping services included or available?
- ☐ How are advertising and promotion costs divided?
- ☐ Is a specified amount of working capital required of the franchisee to cover operating costs until profits can be made?
- ☐ Must premises be purchased or rented, and are there further conditions on either of these (from franchisor, selected site, etc.)?
- ☐ How and by whom will the building be financed, if purchased?
- ☐ Does the franchisee have to make a down payment for construction and/or equipment?

Issues Pertaining to the Franchise Location Terms

- ☐ Does the franchise apply to a specific geographical area? If so, are the boundaries clearly defined?
- ☐ Who has the right to select the site?
- ☐ Will other franchisees be permitted to compete in the same area, now or later?

- ☐ Is the territory an exclusive one, and is it permanent or subject to reduction or modification under certain conditions?
- ☐ Does the franchisee have a first refusal option as to any additional franchises in the original territory if it is not exclusive?
- ☐ Does the franchisee have a contractual right to the franchisor's latest products or innovations? If so, at what cost?
- ☐ Will the franchisee have the right to use his own property and/or buildings? If not, will the franchisor sell or lease his property to the franchisee?
- ☐ Who is responsible for obtaining zoning variances, if required?

Issues Pertaining to the Buildings, Equipment and Supplies Terms

- ☐ Are plans and specifications of the building determined by the franchisor? If so, does this control extend to selection of contractor and supervision of construction?
- ☐ Are there any restrictions on remodeling or redecorating?
- ☐ Must equipment or supplies be purchased from the franchisor or approved supplier, or is the franchisee free to make his own purchases?
- ☐ When the franchisee must buy from the franchisor, are sales considered on consignment? Or will they be financed and, if so, under what terms?
- ☐ Does the agreement provide for continuing supply and payment of inventory (by whom, under what terms, etc.)?
- ☐ Does the franchise agreement bind the franchisee to a minimum purchase quota?
- ☐ What controls are spelled out concerning facility appearance, equipment, fixture and furnishings, and maintenance or replacement of the same? Is there any limitation on expenditures involved in any of these?
- ☐ Does the franchisor have a group insurance plan? If not, what coverage will be required, at what limits and costs? Does the franchisor require that it be named as an insured party in the franchisee liability coverage?

Issues Pertaining to the Operating Practices Terms

- ☐ Must the franchisee participate personally in conducting the business? If so, to what extent and under what specific conditions?
- ☐ What degree of control does the franchisor have over franchise operations, particularly in maintaining franchise identity and product quality?
- ☐ What continuing management aid, training and assistance will be provided by the franchisor, and are these covered by the service or royalty fee?
- ☐ Will advertising be local or national and what will be the cost-sharing arrangement, if any, in either case?
- ☐ If local advertising is left to the franchisee, does the franchisor exercise any control over such campaigns or share any costs?
- ☐ Does the franchisor provide various promotional materials point-of-purchase, mail programs, etc. and at what cost?
- ☐ What are bookkeeping, accounting and reporting requirements, and who pays for what?
- ☐ Are sales or service quotas established? If so, what are the penalties for not meeting them?
- ☐ Are operating hours and days set forth in the franchise contract?
- ☐ Are there any limits as to what is or can be sold?

- ☐ Does the franchisor arrange for mass purchasing and is it mandatory for the franchisee to be a participant buyer?
- ☐ Who establishes hiring procedures initially and through the franchise term?

Issues Pertaining to Termination and Renewal Terms

- ☐ Does the franchisor have absolute privilege of terminating the franchise agreement if certain conditions have not been met, either during the term or at the end?
- ☐ Does the franchise agreement spell out the terms under which the franchisor may repurchase the business?
- ☐ Does the franchisor have an option or duty to buy any or all of the franchisee's equipment, furnishings, inventory, or other assets in the event the franchise is terminated for good cause, by either party?
- ☐ If the preceding situation occurs, how are purchase terms determined?
- ☐ Is there provision for independent appraisal? Is any weight given to good will or franchisee equity in the business?
- ☐ Does the original agreement include a clause that the repurchase price paid by the franchisor should not exceed the original franchise fee? If so, this eliminates any compensation for good will or equity.
- ☐ Under what conditions (illness, etc.) can the franchisee terminate the franchise? In such cases, do termination obligations differ?
- ☐ Is the franchisee restricted from engaging in a similar business after termination? If so, for how many years?
- ☐ If there is a lease, does it coincide with the franchise term?
- ☐ Does the contract provide sufficient time for amortization of capital payments?
- ☐ Has the franchisor, as required, provided for return of trademarks, trade names, and other identification symbols and for the removal of all signs bearing the franchisor's name and trademarks?

Other Points To Consider

- ☐ Can the franchisee sell the franchised business and assign the franchise agreement to the buyer?
- ☐ Is the franchise assignable to heirs, or may it be sold by the franchisee's estate on death or disability?
- ☐ Does the lease permit assignment to any permitted assignee of the franchisee?
- ☐ How long has the franchisor conducted business in its industry, and how long has it granted franchises?
- ☐ How many franchises and company-owned outlets are claimed, and can they be verified?
- ☐ If there is a trade name of a well-known person involved in the franchise, is he active, does he have any financial interest, does he receive compensation for work or solely for use of his name, etc.?
- ☐ Are all trademarks, trade names, or other marks fully identifiable and distinct, and are they clear of any possible interference or cancellation owing to any pending litigation?
- ☐ What is the duration of any patent or copyright material to the franchise? If time is limited, does the franchisor intend to renew, and is this spelled out in the franchise agreement?
- ☐ Has the franchisor provided the franchisee with an offering document package meeting FTC rule requirements or the UFOC format?
- ☐ Has the franchisor met all state law requirements (registration, escrow or bonding

Lease Terms you should know:

Lessor	Landlord
Lessee	Tenant
Gross Lease	Tenant pays flat monthly amount; landlord pays all operating costs, including property taxes, insurance and utilities.
Triple Net Lease	Tenant pays base rent, taxes, insurance, repairs and maintenance.
Percentage Lease	Base rent, operating expenses, common area maintenance, plus percentage of tenant's gross income (most common for retailers in shopping malls).
Sublet	Tenant rents all or part of space to another business; tenant is still responsible for paying all costs to landlord.
Assign Lease	Tenant turns lease over to another business, which assumes payments and obligations under the lease.
Anchor Tenant	Major store or supermarket that attracts customers to a shopping center.
CAM	Common area maintenance charges including property taxes, security, parking lot lighting and maintenance; may not apply to anchor tenants in retail leases.
Nondisturbance Clause	Tenant cannot be forced to move or sign a new lease if building or shopping center is sold or undergoes foreclosure.

Please complete the following questions as thoroughly as possible. All information will be kept strictly confidential.

Are you: ☐ Relocating present business? ☐ Expanding present business? ☐ Starting new business?

Account Number: _____

3. Name: _____ Phone Number: _____
Address: _____ Account Number: _____

Credit History

() / /
Home Phone: Business Phone: SSN/Corporate ID Driver's License # Date of Birth

Home Address: Time in Residence: (Years/Months)
Do you: ρ Own ρ Rent

Mortgage/Landlord Name and Address: Monthly Payments: \$

Present Employment Information

Employer/Company: Self-Employed: ρ Yes ρ No

Company Address: Phone Number: ()

Length of Employment: (years/months) Job Title:

Marital Status: (If married, please give the following information on your spouse)

Name: / /

First M.I. Last SSN Date of Birth

Employer/Company: Length of Employment:

Address: Monthly Gross Income: \$

Automobiles Owned: #1 – Make: Year License No.

#2 – Make: Year License No.

Personal Bank Accounts

Bank Name Branch/Address Checking/Savings Account No.

Credit References

Type of Loan Note Holder Address Loan No. Mo. Payment

\$

\$

\$

Active Credit Cards

Name Account No. Name Account No.

I, the undersigned, do hereby authorize Prime Retail, Inc. and its designated representative(s) to make whatever inquiries regarding my financial status, as indicated on the foregoing credit history application, found necessary and appropriate for the purpose of the evaluation of my Application to Lease. Further, I authorize CB Richard Ellis and its designated representative(s) to provide credit information regarding your credit experience to me when applicable.

Applicant's Signature (Date)

Spouse's Signature

FINANCIAL STATEMENT

NAME(S)
ADDRESS
For the purpose of establishing credit responsibility, the following representations are submitted as being a true and accurate statement of the financial condition of the undersigned on the _____ day of _____, 200__

FILL ALL BLANKS, WRITING "NO" OR "NONE" WHERE NECESSARY TO COMPLETE INFORMATION				
ASSETS LIABILITIES				
Cash in Banks			Notes payable:	
Savings & Loan Shares			To Banks	
Earnest Money Deposited			To Relatives	
Investments: Bonds & Stocks - see schedule			To Others	
Investment in own Business			Installment Accounts Payable:	
Accounts and Notes Receivable			Automobile	
Real Estate owned - see schedule			Other	
Year _____ Make _____			Other Accounts Payable	
Automobiles:			Mortgage payable on Real Estate - see schedule	
Personal Property & Furniture			Unpaid Real Estate Taxes	
Life Insurance (\$ _____)			Unpaid Income Tax	
Cash Surrender Value			Chattle Mortgages	
Other assets - itemize			Loans on Life Insurance Policies	
			(Include Premium Advances)	
			Other debts - itemize	
			TOTAL LIABILITIES	
			NET WORTH	
TOTAL ASSETS			TOTAL LIABILITIES & NET WORTH	

SOURCE OF INCOME		PERSONAL INFORMATION			
Base salary	\$	OCCUPATION TYPE BUSINESS			
Overtime wages	\$				
Bonus and commissions	\$	EMPLOYER			
Dividends and interest income	\$				
Real Estate income (Net)	\$	Position held	No. of Years		
Spouse's income	\$	PARTNER OR OFFICER IN ANY OTHER VENTURE OR OTHER EMPLOYMENT			
Other income - itemize	\$				
TOTAL	\$? Married	? Unmarried	? Separated	Children (Ages)
		Age	Age of Spouse	Other Dependents	

CONTINGENT LIABILITIES			GENERAL INFORMATION		
As Endorser or Co-maker of Notes	\$		PERSONAL BANK ACCOUNTS CARRIED AT		
Alimony payments (Annual)	\$				
Are you defendant in any legal action?	? Yes	? No	SAVINGS & LOAN ACCOUNT AT		
Are there any unsatisfied judgements?	? Yes	? No			
HAVE YOU EVER TAKEN BANKRUPTCY? EXPLAIN:			PURPOSE OF LOAN		

SCHEDULE OF BONDS AND STOCKS			
AMOUNT OR NO. SHARES	DESCRIPTION <i>(Insert Valuation in Proper Column)</i>	MARKETABLE ACTUAL MARKET VALUE	NON-MARKETABLE (UNLISTED SECURITIES) ESTIMATED WORTH

SCHEDULE OF REAL ESTATE			
DESCRIPTION AND LOCATION	ACTUAL MARKET VALUE	MORTGAGE	
		AMOUNT	MATURITY DATE

SCHEDULE OF NOTES PAYABLE					
<i>specify any asset pledged as collateral, indicating the liabilities which they secure:</i>					
To whom payable	Date	Amount	Due	Interest	Assets pledged as security

SCHEDULE OF INSTALLMENT ACCOUNTS		
PROPERTY PURCHASED	AMOUNT OWED	MONTHLY PAYMENT

The foregoing statements and details pertaining thereto, both printed and written, have been carefully read and the undersigned hereby solemnly declares and certifies that same is a full and correct exhibit of my/our financial condition.

Date _____, 200__

Signature _____

Signature _____

SHOPPING CENTER: _____
SPACE # _____

Date: _____

To:

Dear _____:

This letter will serve as my authorization for the Landlord listed below to verify the information shown below:

Name:

Address: _____

Very truly yours, _____

(If more than one applicant, both parties need to sign.)

* * * * *

1. The referenced tenant has been our tenant for approximately _____ years.
2. We have found the tenant's rental payment history to be (check appropriate description):

Always on time;Usually on time;Usually late
3. We feel that the tenant has contributed to the overall success of our center:

YesNo

Date: _____ Signed: _____

Save up as much money as possible before starting.

All too often, people go into business without any savings, exclusively using loan money from friends, banks, or the SBA. They expect to be able to start paying the loans back right away with their profits. What these business owners don't realize is that it can take months or years to make a profit. And once a lender discovers a business isn't as profitable as expected, the lender is likely to call in the loan or refuse to renew it for another year. Often new business owners then have to take out home equity loans or use credit cards to pay off their loans (which puts their home and credit rating at risk). For more information, see [Business Financing FAQ](#).

A better plan is to save up as much of the needed investment money as possible, including your living expenses for the first year, or even two. Odds are that your business won't be profitable for one to two years. Even if you get plenty of business coming your way -- and your customers pay you on time, which isn't always a sure thing -- you'll want to be able to invest most of that money back in the business for space, equipment, advertising, and insurance needs.

Start on a shoestring.

Think small. Don't rent premises if you can work somewhere else, and don't hire employees until you can keep them busy. (You can hire independent contractors or temps in the meantime.)

People who start their small business on the cheap, often in a garage, den, or some other scavenged space, and create their first goods or services with more sweat than cash, have the luxury of making their inevitable rookie mistakes on a small scale. A

nd precisely because their early screw-ups don't bury them in debt, they are usually able to learn and recover from them.

Protect your personal assets.

When you go into business for yourself, you are usually personally liable for all judgments and debts that the business incurs. This includes business loans, taxes, money owed to suppliers and landlords, and any judgments against the business as a result of a lawsuit. If you don't protect yourself, a creditor can go after your personal assets, such as your car and your house, to pay for these debts.

While you can protect yourself against lawsuits by buying business liability insurance, this won't help you with business debts. If you will be running up big debts, consider forming a corporation or limited liability company (LLC). Just one person can form either of these types of businesses.

Understand how -- and if -- you will make a profit.

You should be able to state in just a few sentences how your business plans to make a substantial profit. For starters, you need to know your costs: how much you'll spend purchasing inventory, paying the rent, compensating any employees, and covering what is likely to be a surprisingly long list of other costs. Then you can figure out exactly how much you need to sell each month, for how many dollars, to cover those expenses and have an adequate profit besides. These numbers are all you need to create a "break-even analysis."

Make a business plan, no matter how short.

Understanding your profit numbers and creating a break-even analysis is the first step in making a business plan. For most small companies, the key portions of a business plan are the break-even analysis, a profit-and-loss forecast, and a cash flow projection. (Projecting your cash flow is key and will make or break your company: Even if your business is getting plenty of work or selling its products, if you're not getting paid for 90-180 days, you're not going to survive unless you've planned for it.) With a cash flow spreadsheet in place, as well as a profit-and-loss forecast, you can tinker with your business idea and improve it before you start -- and continue to use them after you start.

Creating a business plan also allows you to determine what your projected start-up costs are (how much money you'll need to save) and what your marketing strategies are (how you'll reach customers to make sales). If you can't make the numbers work on paper, you won't be able to make them work in real life.

Get and keep a competitive edge.

Building a competitive edge into the fabric of your business is crucially important to long-term success. Some ways to get this edge are by knowing more than your competitors, making a product that is hard or impossible to imitate, being able to produce or distribute your product more efficiently, having a better location, or offering superior customer service.

One way to hold on to your competitive edge is to protect your trade secrets -- confidential information that gives you a competitive advantage in the marketplace. Examples of trade secrets include customer lists, survey methods, marketing strategies, and manufacturing techniques. To protect your trade secrets under the law, you need to take steps to keep the information confidential. This includes marking documents "Confidential," using passwords to protect computer information, using nondisclosure and/or noncompete agreements, and limiting access to employees with a reasonable need to know the trade secrets. Another way to keep your competitive edge is to react quickly to bad news. Once you see that your business faces some kind of adversity, you need to come up with a plan to deal with it immediately. This may involve moving your offices, introducing a new product or service, or developing a better way to reach customers.

Put all agreements in writing.

The laws of your state require you to put some contracts and agreements in writing:

- Contracts that will last longer than a year.
- Contracts that involve the sale of goods worth \$500 or more.
- Contracts that transfer the ownership of copyrights or real estate.

Even if not legally required, it's wise to put almost everything in writing, because oral agreements can be difficult or impossible to prove. This includes leases or rental agreements, storage agreements, contracts for services (such as consulting or electrical work), purchase orders or contracts for goods worth more than a couple hundred dollars, offer letters of employment, and employment policies. Get in the habit of getting and giving receipts for all goods, services, and deposits, regardless of how much.

Hire and keep good people.

Your goal should be to hire and retain truly excellent employees -- not just reasonably competent ones. A highly competent and truly enthusiastic employee is at least two and sometimes even three times as valuable as a person of average skills.

To create a stable and happy workforce, it's essential not only that your employees (and independent contractors) believe they are being fairly treated, but that your business is worthy of respect. Employees and contractors who like their work will represent you well on and off the job. And customers will more likely be loyal to an upbeat business -- and are more likely to recommend it to their friends.

Pay attention to the legal status of your workers.

When you hire workers as independent contractors, make sure they shouldn't really be taxed as employees. The IRS can impose substantial penalties against you for not withholding taxes and paying taxes for a worker who is really an employee. The IRS and other agencies are likely to think that a worker is an employee rather than an independent contractor under any of these conditions:

- The worker works full-time or nearly full-time for you.
- The worker doesn't work for anyone else.
- The worker provides services that are an integral part of your operations.
- You control how the worker does the job and provide detailed instructions and training for the worker.

One way to help avoid trouble is to have the worker sign a written service contract, or independent contractor agreement.

Most employees you hire will be "at-will" employees -- subject to being fired at any time and for any reason (except for illegal motives such as discrimination). It's important to preserve your at-will rights because they protect you from having to prove that you have a valid business-related reason to terminate an employee. Don't make any promises to prospective or current employees that you are offering a permanent job or that they will lose their job only if they perform poorly, because this will limit your ability to terminate the employee for other reasons, such as personality conflicts or finances.

When hiring an at-will employee, have the employee sign an offer letter that makes it clear that the employment relationship is at will. Except for high-level executives, you shouldn't have employees sign an employment contract -- this can limit your ability to alter the terms of employment as your business needs change and subjects you to higher legal standards.

Pay your bills early and your taxes on time.

In the real world, where a reputation for keeping one's word is a hugely important asset, a good strategy is either to pay your bills up front or pay them early. You gain trust, build a positive credit profile, and have a built-in safety net if things go badly. These benefits outweigh any interest you might earn by holding onto your money until the last possible minute.

Most importantly, pay your payroll taxes on time, especially the portion that you withhold from your employees' paychecks. The IRS and state tax authorities can hold you personally liable for these taxes, plus stiff penalties, if they're not paid. This is true even if you operate your business as a corporation or LLC or if your business goes bankrupt -- you will still be personally and legally on the hook to pay back payroll taxes.

BUSINESS PLAN INCOME AND EXPENSE STATEMENT

[illegible]