

Encore Entrepreneur: An Introduction to Starting Your Own Business

1 Course Introduction

1.1 Course Purpose

Welcome to the Encore Entrepreneur: An Introduction to Starting Your Own Business course.

Produced by the SBA’s Office of Entrepreneurship Education, the Encore Entrepreneur: An Introduction to Starting Your Own Business course expands on topics relevant to those individuals who are planning to start a business after earlier career endeavors by providing an introduction to starting a business.

1.2 Course Logistics

The Encore Entrepreneur: An Introduction to Starting Your Own Business is a self-paced 45-minute training course that offers practical training with real life examples and helpful tips for starting a business.

You will find the course easy to follow and the subject matter indexed for quick reference and easy access. Accessibility enhancements such as keyboard shortcuts, image tags, and transcripts are available for the content as well as the course. The course also includes audio narration so adjust your speakers accordingly.

When you complete the course, you will have the option of printing a certificate of completion from the SBA.

The resources provided throughout the course as well as the Worksheet/Checklist offered at the conclusion of the course provide reference materials to apply what you have learned to your personal business situation and engage you in the process of starting your own business. Note that additional time will be needed to review these materials.

1.3 Course Objective

By the end of this course, you should be able to identify the key aspects of starting and operating a business.

To accomplish this objective, you will one, describe the benefits of encore entrepreneurship; two, appraise self-readiness before starting a business; three, recognize personal and professional factors when choosing a business idea; four, describe the elements of various business plans; five, recognize the benefits of social media and the differences between platforms; six, list the legal and regulatory steps for starting a business; seven, identify economic considerations when financing your business; and eight, describe Human Resource functions as related to the administration of employees.

1.4 Course Structure

The Encore Entrepreneur: An Introduction to Starting Your Own Business course is comprised of eight topics. Each topic covers a different aspect of starting a business after you’ve had a career.

The course begins and sets the tone by defining encore entrepreneurship.

The course continues by outlining self-observed perceptions to consider before starting a business.

Topic 3 explores various business ideas based on your interests, expectations, and the amount of capital you have.

Next, the course describes aligning the right business plan with your business idea.

Topic 5 discusses leveraging social media to promote your business.

The course continues by discussing regulatory guidelines, business models, and associated risks that will familiarize you with your legal rights and responsibilities.

Topic 7 discusses funding your business by giving guidelines for calculating expenses and assets.

Finally, the last topic gives you a brief introduction to the administrative functions of Human Resources.

We recommend completing Topic 1: What is an Encore Entrepreneur? , before proceeding to other topics.

2 Topic 1: What is an Encore Entrepreneur?

2.1 Topic 1 Objective

By the end of this topic, you should be able to describe the benefits of encore entrepreneurship. To meet the objective, this topic will cover:

- Rising interest in encore entrepreneurs.
- Advantages and challenges of starting a business after a career.

2.2 You're Not Alone: An Increase in Encore Entrepreneurs

You have plenty of company; many mature persons are in search of a “second act” when it comes to working. There is a growing trend of experienced professionals who have retired from previous careers and want to start and own a business. Encore entrepreneurs over the age of 50 are one of the fastest growing groups of business owners. In fact, fifteen percent of workers ages 50 to 64 are self-employed.

And, businesses started by those ages 55 to 64 account for nearly one-quarter of all new businesses started, according to the Ewing Marion Kauffman Foundation. Finally, according to AARP, by the year 2024, 25% of Americans between the ages 44 and 70 will be interested in starting their own business or nonprofit venture.

Advanced technology is leveling the playing field for small businesses, and many individuals approaching retirement are now able to realize their personal ambition to be the boss and reap the rewards during their second act!

2.3 Advantages of Starting a Business after a Career

As a workforce veteran, you bring a great deal to the table: maturity, strong finances, experience, and a wide network of professional contacts and associates.

Advantages: There are as many advantages for starting a small business as there are Americans reaching retirement age. Supplement your retirement income, increase your nest egg, pursue your passion, control your destiny, desire to be your own boss, and yearn for a more flexible lifestyle can all play a role in wanting to start a business after retirement.

Challenges: As with anything else, there are challenges as well. Probably the biggest challenge to starting a business later in life is the fear of failure. However, finding a need/product/service to fill in your community, researching the market, executing your business plan, determining a low-risk business model, marketing and advertising your business, hiring a skill-diverse team, and managing your finances can all play a part in ensuring your business is successful.

Most of all, having confidence in yourself as well as your business will prove beneficial. Owning your own small business can be an exciting change of pace, as well as a terrific way to stay engaged and productive.

2.4 Business Profile

Take a few moments to read or listen to the personal story of a successful entrepreneur from Oregon, thrust into leading a company after a family tragedy.

2.5 Scenario: Encore Entrepreneur Alex Rodriguez

Meet Alex Rodriguez, a 55-year-old man who for the past 25 years has worked as a high school math teacher. Alex loves teaching; he enjoys giving daily instruction and seeing the ‘aha’ moment in his students’ eyes.

For the past few years, Alex has started to realize that while he loves teaching he no longer cares for the administrative duties associated with a teacher’s job and has considered opening a tutoring business near his Chicago, Illinois home.

The surrounding area in which he plans to open his small business does not currently have a tutoring business. Alex believes, based on his experience as a math teacher, that opening a math-tutoring lab would satisfy a real need in his community.

As you progress through this course, Alex will need your assistance with making decisions that will help him get his business up and running.

2.6 Think About It

Let’s see how you apply what you’ve learned in this topic.

Although Alex brings experience and a wide network of professional contacts and associates to his business idea, he is somewhat anxious about venturing off onto his own. However, the fact that Alex has determined _____ helps to ensure his new small business idea will succeed.

- a. He is ready to pursue his passion.
- b. An idea that will supplement his income.
- c. Being his own boss provides the flexibility he needs.
- d. A gap to fill in the community with a real need/service/product.

The correct answer is d. A gap to fill in the community with a real need/service/product.

All other options are incorrect because while they play a role in wanting to start a business after retirement, they do not help to alleviate the fear of failure.

2.7 Topic 1 Summary

In this topic, you were presented with the benefits of encore entrepreneurship to include the rising interest of experienced professionals wanting to start their own business and the advantages (and challenges) of starting a business after a career.

3 Topic 2: Are You Ready to Start a Business?

3.1 Topic 2 Objective

By the end of this topic, you should be able to determine self-readiness before starting a business. To meet the objective, this topic will cover:

- Factors to consider
- Self-assessment

3.2 Factors to Consider

Asking yourself if you're ready may seem like a simple question, but there's more to owning a business than the flexibility and pride of being your own boss. It's important to recognize whether you're suited to owning a business by fully understanding what's involved in running a business. A successful business owner demonstrates effective management skills, has relevant and current industry experience and technical skills, has a sound knowledge of finance, as well as a long-term vision to grow and succeed.

Here are a few reflections to consider before starting a business:

- Be realistic about your motivations for starting a business.
- Be clear about what you want and your business goals.
- Know your level of skills.
- Acknowledge the advantages and challenges of establishing a business
- Realize time requirements and commitments.

Your business has a better chance of succeeding if there is a good match between your idea, and your skills, interests, and motivations.

3.3 Let's See If You're Ready!

Starting a business can be more than a full-time job, especially in its infancy. So it's important to assess what you want from your business and how much time you can dedicate to your venture.

Select the graphic to the right to use SBA's "Start-Up Assessment Tool." Take this short 25-question quiz to determine your readiness to start a business.

3.4 Think About It

Let's see how you apply what you've learned in this topic.

After taking the self-assessment, Alex was surprised to learn that the amount of time he may have to commit to starting his small business is more than he realized. All other assessment questions and answers were reasonable. Based on what you have learned, what do you think Alex should do?

- a. Drop the idea; he was foolish to consider it anyway.
- b. Continue to plan and prepare himself. The more Alex knows about starting his tutoring business, the better equipped he'll be.
- c. Forge ahead; starting a small business won't take as much time as the assessment states.
- d. Hire help right away.

The correct answer is b. Continue to plan and prepare himself. The more Alex knows about starting his tutoring business, the better equipped he'll be.

All other options are incorrect because they are not appropriate actions simply because Alex becomes aware of the time commitment involved in starting a small business.

3.5 Topic 2 Summary

This topic described considerations to think about before starting a business. It also provided a self-assessment to help you determine your personal willingness to becoming a business owner.

4 Topic 3: Exploring Business Ideas

4.1 Topic 3 Objective

By the end of this topic, you should be able to recognize personal and professional factors when choosing a business idea. To meet the objective, this topic will cover:

- Your interests and expectations.
- Ideas to start with minimal capital.
- Importance of market research.

4.2 Take Inventory of Your Interests and Expectations

As you learned from the self- assessment in the last topic, you may or may not be ready to start a business right now. Regardless of the assessment results, knowledge is power. Take this time as an opportunity to plan for and prepare yourself for starting a business.

For many older entrepreneurs, starting a small business can be an opportunity to transform a lifetime hobby - such as fishing, investing, writing, or photography - into a lucrative line of work.

If you still want time to yourself, build some flexibility into your business planning and schedule. This will give you time to dedicate to other interests. Many business ideas give you the option to be flexible – home-based businesses, online businesses, consulting, freelancing, and so on. With this kind of flexibility, you can adjust and scale your commitment as needed.

4.3 Have a Business Idea?

Whether you want to pursue a hobby or capture a market for your particular skills, doing something you are good at and that you enjoy is essential to success. You will also need to ask

yourself what you want – your chosen business path must suit your lifestyle, your family, and your pocketbook.

And, remember, you don't need to come up with the latest hot trend or reinvent the wheel. Most new business ideas succeed because they serve an unfilled niche in their community or industry or do something better or different than the competition. Ask questions such as:

- What are my interests?
- What are my expectations?
- What skills and experience do I have?
- What time commitment do I have?
- What is my level of energy and determination?
- Will my idea fill a gap in the market?
- Do I have money to invest?

4.4 Have a Business Type?

Sole proprietorships, home-based and online businesses are often a natural fit for older small business owners, mainly because they are less expensive to start and allow for more flexibility. Explore the notion of opening a franchise; click the graphic to learn more. A popular option is buying and selling merchandise through online auctions and e-commerce retailers.

If you are interested in franchises, select the franchising graphic to read an AARP Bulletin article about 5 encore entrepreneurs who found franchises to start.

To explore the various types of businesses, select the button above to visit SBA.gov for a listing and description of various opportunities.

Remember, you are not alone. SBA's network of resource partners includes SCORE, Small Business Development Centers (SBDC), and Women's Business Centers (WBC), are available to provide guidance when you need it.

4.5 Does Your Idea Have Income Potential?

This is a tricky question and many entrepreneurs have run the risk of wearing blinders through this part of the business planning process. But having a clear picture of the cost of starting a business coupled with its potential to earn income is critical – particularly if you are already retired and living on a fixed income.

In such situations, focus on keeping your start-up costs low. You might want to consider starting a home-based business and make use of technology. Focusing on doing something you like and are good at (particularly if you have a reputation for it) will go a long way to setting you on the right path.

Talk to a small business expert or financial advisor - they can help you gauge your initial costs and income potential as well as provide guidance on financing options and good cash flow management.

4.6 Minimal Capital? No Problem!

It doesn't necessarily have to cost a lot to start a business. Here are a few ideas that won't spend your entire nest egg to start:

- **Consulting for your former employer** - Just because your former employer downsized doesn't mean all the work you used to do disappeared miraculously. Stories abound about employers rehiring as consultants the very people who used to work for them as employees. Don't underestimate the value of your skills on the open market. Use your industry contacts, online networking and freelance marketplaces to find opportunities.
- **Web-based businesses** - Publishing ad-supported content websites; affiliate marketing; SEO consulting; ecommerce sites; and eBay sales are just some examples of Web-based businesses in which growing numbers of entrepreneurs thrive.
- **Virtual assistant** - With so many people working virtually, and the volume of email and other correspondence growing, the need for virtual assistants will grow.
- **Online social media consulting; online content production** - To say that social media has exploded in the past year is an understatement. But social media, and the content that goes along with it, is time-consuming for many businesses -- they will need help. In fact, according to a Forbes poll, when asked of small business owners which of the social media platforms are the most difficult to maintain - 18% said Facebook and 10% said LinkedIn.
- **Convenience services for consumers** – As everyone else is busy working 40+ hours a week, the last thing they want to do during their free time is take care of the everyday chores. Services such as house sitting, grocery delivery, house cleaning, errand service, handyman/landscaping, etc. are affordable luxuries that consumers will pay for others to do.
- **Pet businesses** -- Americans spend \$10 billion a year on pet supplies and over \$3 billion on pet services -- and those numbers are projected to grow.
- **Kids products or services** – There are many businesses that are kid-centric—daycare, tutoring services, gymnastics and dance studios, karate classes, and sports coaching/training to name a few.
- **Mobile apps development and mobile consulting** - There are four times the number of cellphones in the world versus computers and 20% of all U.S. households are now 'mobile-only'. Businesses are jumping on the mobile marketing bandwagon and will need help to navigate the road and reach their target customers.
- **Specialty foods** - Consumers are more health and wellness conscious today, driving demand for specialty foods (example: gluten-free baked goods). Check into FDA and state inspection/licensing requirements for food businesses.

4.7 Conduct Target Market Research

Target market research is: “the systematic gathering, recording, and analyzing of data about issues surrounding the marketing of goods and services.” The key word is systematic. Regular and methodical research about your target market will make all the difference to your bottom

line. You may have a great business idea but you can't be successful selling in or to a market you don't understand.

A few target market research techniques include: analyzing demographic data such as population changes, gender, income levels, age ranges, education levels, and other information; talking to your competition; and researching the area using the internet.

4.8 Market Research Questions

Market research should answer questions such as:

- Who are your existing customers and potential customers?
- How would you describe or profile your customers?
- Where are they located?
- And, most importantly, are you offering the kinds of products and services customers want—at the best place, at the right price, and in the right amounts?

4.9 Market Research Resources

For more information about conducting target market research, refer to the following resources:

- Read the SBA guide “Understanding Your Market.”
- Use the SizeUp tool to analyze your business.
- Take the Marketing 101: A Guide to Winning Customers course at the SBA Learning Center online.

4.10 Think About It

Let's see how you apply what you've learned in this topic.

Alex originally thought he would rent an office space to start his business. However, due to a decrease to his 401(k) plan, Alex may have to reconsider this plan. Based on what you have learned in this topic about low startup costs, what options does Alex have?

- a. Consider a home-based business.
- b. Advertise immediately.
- c. Take advantage of the latest technology.
- d. Both A and C are correct.

The correct answer is d. Both A and C are correct.

Advertise immediately is incorrect as it is not a consideration for low startup costs.

4.11 Think About It

In the 25 years Alex has lived in the town where he wants to start a tutoring business, he has witnessed considerable urban growth. To ensure there is a market for his idea, Alex plans to use the internet to analyze income levels, age ranges, and education levels. He also will reach out to other tutoring businesses in the metropolitan areas of Chicago. What term describes Alex's actions?

- a. Researching the target market.

- b. Stalking the competition.
- c. Monitoring the surrounding area.
- d. Profiling customers.

The correct answer is a. Researching the target market.

The other options are incorrect because they do not reflect the correct term that defines the actions Alex is taking to learn about his target market.

4.12 Topic 3 Summary

This topic described personal and professional considerations to think about before choosing a business idea to include your realistic interests and expectations, starting with a small amount of capital, and the importance of conducting market research.

5 Topic 4: Aligning Business Plans with Business Ideas

5.1 Topic 4 Objective

By the end of this topic, you should be able to describe the components of both traditional and alternative business plans.

5.2 What is a Business Plan?

A business plan provides a firm outline to the framework of your business and showcases the necessary steps to fulfill the vision you've outlined. As the blueprint for your business, the business plan models your core values and mission. For investors, banks, and loan advisors, business plans are essential.

A well-organized business plan is simple, flexible, and manageable. A well-written business plan declares your business's vision as well as summarizes your business's history and background.

As the roadmap for your business, a good business plan steers your business and addresses your strategic direction.

As your business expands, so will your plan. Business plans are designed to speak to a specific target audience. While traditional business plans cover key established business aspects, alternative business plans offer their target audience innovative approaches that emphasize speed, flexibility, and the ability to change direction and adapt.

5.3 Traditional Business Plan

Depending on a company's needs, a traditional business plan can cover key business concepts such as marketing and finances, and/or be used as a tool to effectively operate the business by organizing company goals and objectives.

A traditional business plan can save your business money because its primary function is to manage current and future financial projections. You are better equipped to manage spending since budgets are set within the plan.

In addition, marketing dollars are allocated more effectively because the plan helps pinpoint the characteristics of the company's target market.

A business plan contains mini-plans to address the different aspects of your business:

Sales and Marketing analysis provides specific information regarding the industry in which the business operates.

Financial information such as accounts payable and receivable, break even projections, and the current financial picture of the business give an accurate depiction of the business's finances.

Ownership and management structure of the business is also a key element of the business plan, detailing the qualifications and duties of the individuals in charge.

5.4 *Alternative Business Plan*

Alternatives to the traditional business plan provide the target audience with an innovative approach when outlining the business framework.

Many pioneering services are free or have a 30-day free trial. Using an internet search engine, research alternative plans to consider novel ideas when wanting to impress your investors:

Give a personal demonstration to put the human touch into your business plan; streamlines question and answer.

Boil down your business essentials to a one-page blueprint.

Focus on the output of the plan, not the description of your business.

Combine the serious nature of business plans with an easy to read format.

5.5 *Business Plan Resources*

For more information about business plans, refer to the following resources:

- Read the SBA guide “Create your Business Plan.”
- Use the Traditional Business plan writing tool.
- Take the How to Write a Business Plan course at the SBA Learning Center online.

5.6 *Think About It*

Let's see how you apply what you've learned in this topic.

As Alex begins the planning process, what vital document, considered the blueprint of the business, does he need to create for himself as well as for the bank?

- a. Marketing Plan
- b. Business Plan
- c. Financial Plan
- d. Staffing Plan

The correct answer is b. Business Plan.

All other options are incorrect because they are components of the business plan; the business plan is the blueprint, the roadmap for the entire business.

5.7 Think About It

As a math teacher, Alex feels like he is fairly adept with technology and software applications. He also believes the particulars of his small tutoring business could be effectively described in a succinctly written couple of pages. Plus, he will start in his home but if his business grows, he will move to an office space. Therefore, the ability to pivot quickly must be communicated in his plan. Based on what you have learned about the differences between traditional and alternative plans and given what you know about Alex’s situation, which type of business plan do you think he should write?

- a. His business is too small for any type of documented plan.
- b. Traditional business plan
- c. Alternative business plan
- d. Bank loan and Investor plan

The correct answer is c. Alternative business plan.

The other options are incorrect because they do not provide the flexibility and innovation that Alex wishes to convey in his business plan.

5.8 Topic 4 Summary

This topic described the components of traditional and alternative business plans.

6 Topic 5: Using Social Media Platforms

6.1 Topic 5 Objective

By the end of this topic, you should be able to recognize the benefits of social media and the differences between platforms when marketing your business.

6.2 What is Social Media?

Merriam-Webster defines social media as forms of electronic communication through which users create online communities to share information, ideas, messages and other content. Social media marketing refers to all content—images, videos, eBooks, infographics, blogs, etc.—specifically formatted for social media platform environments, such as Facebook, Twitter, and LinkedIn.

Social Media environments allow people or businesses to create, share, or exchange information, career interests, ideas, and pictures/videos in virtual communities and networks.

As an Encore Entrepreneur, you may have an advantage with social media because you have a longer working history and larger network with which to leverage connections. Therefore, including your business in the social media world is a vital component to marketing your business.

6.3 Why Use Social Media to Promote Your Business?

Social media is an effective form of marketing for a variety of reasons.

Here are the top ten reasons why using social media to market your product or services simply makes good business sense:

- Reach - Boosts your business reach to both those who know about you and those who don't.
- Connect - Fosters instant and direct communication with your customers and the public, in general.
- Creative - Engages your target market in a variety of ways – text, images, audio, and/or video.
- Display - Provides platform to extend creative promotional offers to boost overall presence.
- Ease - Is fairly simple to set up and manage your business' profile.
- Current - Signals that your business is modern and up to speed with current marketing methods.
- Recruit - Allows you to publicize employment opportunities.
- Loyalty - Cultivates allegiance among target markets.
- Analysis - Enables you to measure the effectiveness of your social media marketing efforts.
- Inexpensive - Can be very inexpensive and sometimes free, depending on the selected social media platform and how you want to use it to market your business.

6.4 Differences in Platforms

There are tens of thousands of social media platforms with hundreds of millions of users. How do you know which to use and which to avoid? Which ones will give you the best visibility to showcase and market your business?

It's difficult to know for certain and much depends on your products and services, as well as your location. The most frequently used social media platforms for business marketing purposes include (listed in order of popularity):

- Facebook
- Twitter
- LinkedIn
- Google+
- YouTube
- Instagram
- Pinterest

6.5 Social Media Marketing Resources

To learn more about Social Media marketing concepts with real-world examples and helpful tips, look for our Social Media Marketing course at the SBA Learning Center online.

6.6 Think About It

Let's see how you apply what you've learned in this topic.

Once the business plan is written, an important marketing concept is the use of social media. The customers of a math tutoring business will be students and their parents, who will be footing the bill. Therefore, Alex believes using social media to advertise is a good idea. Based on the information you learned in this topic, which of the following websites would you recommend to Alex to begin marketing his small business?

- a. Facebook
- b. Amazon
- c. LinkedIn
- d. Pinterest

The correct answer is a. Facebook

All of the other options are incorrect because Facebook is considered the most popular social media website and considering Alex's audience also probably the most viewed compared to LinkedIn and Pinterest.

(Note: Amazon is not a social media platform; it is an online marketplace.)

6.7 Topic 5 Summary

This topic described the benefits of social media and the differences between platforms when marketing your business.

7 Topic 6: Legal and Regulatory Guidance

7.1 Topic 6 Objective

By the end of this topic, you should be able to describe the regulatory guidelines for starting a business. To complete this objective, this topic will cover:

- Legal requirements.
- Business models/structures.

7.2 Adhering to the Law

Following the law when starting a business will help protect you from legal ramifications, additional taxes, and fines later on.

In terms of the legal process involved when starting a business, either invest the time to research and learn what you should (or should not do) or hire a business lawyer to assist you. Your initial investment in either seeking and engaging in legal counsel or learning on your own will likely help in both the short term and long term success of your business

This topic does not provide legal advice but rather attempts to give you, the Encore Entrepreneur, a brief introduction into the legal scenarios that you may encounter when leaving the corporate world.

7.3 Legal and Regulatory Steps

Starting a business involves planning, making key financial decisions, and completing a series of legal activities. Having the determination and cash to start a business is one thing, but there are several steps you also need to take, including:

- Complying with zoning laws
- Deciding on business model such as: sole proprietorship, partnership, Limited Liability Company (LLC), C or S corporation, nonprofit or cooperative
- Registering with the appropriate authorities – for taxation and licensing purposes.
- It's also important to note, that all businesses require some form of permit, even home-based businesses.

This checklist from the SBA -- 10 Steps to Starting Your Business -- guides you through what you need to do and also points to some useful resources.

7.4 Business Models

Choosing the right business model for your situation is an important decision that affects your taxes, rights, and responsibilities:

A sole proprietorship is the most basic type of business to establish. You alone own the company and are responsible for its assets and liabilities. There is no legal distinction between the owner and the business. The owner receives all profits subject to taxation and has limited responsibility for all losses and debts. Sole proprietors are usually freelancers or micro business owners. You will still need to register your business with federal and state authorities. Read the SBA Guide: Self-Employed and Independent Contractors to learn more.

A C corporation is more complex and generally suggested for larger, established companies with multiple employees.

An S corporation is similar to a C corporation but you are taxed only on the personal level.

A Limited Liability Company or LLC is designed to provide the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership. LLCs don't need to be organized for profit. Members can consist of a single individual, two or more individuals, corporations, other LLCs and even other entities.

There are several different types of partnerships, which depend on the nature of the arrangement and partner responsibility for the business. Two or more people share ownership. Each partner contributes to all aspects of the business including money, property and labor of skill. In return each partner shares in the profits and losses of the business.

People form cooperatives to meet a collective need or to provide a service that benefits all member-owners.

7.5 Think About It

Let's see how you apply what you've learned in this topic.

Based on what you've learned in this topic and what you know about Alex's situation, what business model do you think Alex should select?

- a. S Corporation
- b. C Corporation
- c. Partnership

d. Sole Proprietorship or Limited Liability Company (LLC)

The correct answer is d. Sole Proprietorship or LLC

All of the other options are incorrect because due to the nature of Alex’s business, the other business model options would not be appropriate.

7.6 Think About It

Once Alex writes the business plan and selects the business model, he must ensure he follows the proper regulatory guidelines, such as registering his business. And, because his business will start in his home, he must also comply with any zoning laws. What is another legality he must complete for his home-based business?

- a. Hire a business attorney.
- b. Establish a social media website.
- c. Obtain a permit.
- d. Conduct target market research.

The correct answer is c. Obtain a permit

All of the other options are incorrect because, while they are strategies to building a solid business, they are not required by law.

7.7 Topic 6 Summary

This topic described the regulatory guidelines, your legal requirements, and the associated business models.

8 Topic 7: Financing Your Business

8.1 Topic 6 Objective

By the end of this topic, you should be able to identify economic considerations when financing your business. To meet the objective, this topic will cover:

- Financing methods.
- Expenses and assets.
- Cost-cutting considerations.

8.2 Funding Your Business

Not all businesses need a significant amount of financing to get off the ground. Home-based businesses, for example, can be started for around \$1,000 or less and most of the start-up costs can be funded with a business credit card. Home-based franchises can also be started for as little as \$2,000. Here are a few methods in which to finance your small business:

- **SBA-backed small business loans** can access capital that include a range of options and are available for a variety of purposes, including starting and expanding a business, exporting products or services overseas, and supporting green industries.

- **Private investment money** in the form of venture capital, angel investing (affluent individual who provides capital for a business), and even government venture capital programs tend to be reserved for high growth start-ups.
- **Tap into your 401(k) account:**
 - You could take a personal loan from your retirement account. If you have a 401(k) account you can typically borrow up to 50 percent of your funds or \$50,000, whichever is less. The loan must be repaid with interest within five years. Take the loan for the minimum amount you need. You are allowed to take more than one loan out at a time, so it is wise to reduce interest incurred on loans until you need the money.
 - Open Business Owners Retirement Savings Account - If you really must tap into your retirement funds, tax law allows you to do it without penalty if you follow the rules – which can get complicated. Essentially, you will need to structure your business as a C Corporation that will issue all of its stock and transfer it to a new 401(k) profit-sharing plan in exchange for the cash in the plan.
 - Withdraw (also called Distributions) should be your last option. You have the option of a partial withdrawal or a complete withdrawal depending on how much money you need to access. Distributions are added to annual gross income. Distributions before age 59 1/2 have an automatic 20 percent federal withholding and are assessed a 10 percent IRS penalty on top of income taxes.
- And don't forget **friends and family!** They can be a great resource to help you get your foothold.
- **Bootstrapping** is when the entrepreneur attempts to fund and build a company from personal finances or from the operating revenues of the new company.
- **Crowdfunding** is when individuals contribute to a cause or business effort in return for shared ownership or other benefits.

Be sure to consult a tax attorney, your accountant, and your 401(k) administrator to get the right professional advice before embarking on any of these options.

8.3 Get Advice From SCORE

A great place to start weighing your financing options is to talk to an expert business counselor from SCORE, a nationwide nonprofit association dedicated to educating entrepreneurs and helping small businesses start, grow, and succeed.

SCORE pairs aspiring business owners with mentors who have extensive real-world experience.

8.4 Calculating the Cost of Starting Your Small Business

Before you do any estimating it's important to understand how startup costs are categorized. All startup costs (meaning the period before you start generating income) include two kinds of spending: expenses and assets.

- **Expenses** are the costs for operations that occur during the startup phase, although they will continue throughout the life of the business. Startup expenses include deductible

items such as travel, payroll, rent, office supplies, marketing materials, etc. Expenses also include initial organizational costs like legal fees, state incorporation fees, etc. In the year that you start a business, you may write off up to \$5,000 in business startup costs and another \$5,000 in organizational expenses.

Note: This tax deduction is subject to change.

- **Assets**, also known as capital expenses or expenditures, are the one-time costs of buying tangible resources such as inventory, property, vehicles, or equipment as well as making upfront payments for security deposits.

These startup assets don't usually qualify for deduction, however, some can be written off through depreciation at tax time.

Assets depreciate over time therefore don't be frugal when buying assets; consider buying items that will last a long time.

8.5 Cost-cutting Considerations

Here are a few questions to ask yourself to keep your costs down:

- Could you start your business in your home?
- Did you ensure your bank is offering you the best services (no ATM surcharge, bounced check fees, and debit card fees)? Change banks if necessary.
- Have you asked your supplier for quantity discounts?
- Have you considered going paper-free? With today's technology, electronic invoicing and storage of files can reduce costs.
- Instead of buying inventory upfront, could you have manufacturers drop ship? Moving your inventory from the manufacturer directly to your customer can save you money.
- Could you subcontract rather than hire employees?
- Can you lease office equipment and furniture or buy surplus from the government at or below cost?

8.6 Think About It

Let's see how you apply what you've learned in this topic.

Because Alex plans to start his business in his home, his finances will be kept to a minimum. However, there are still items he will need to buy that together will cost a considerable amount, such as desks, chairs, laptops, software application licenses, calculators as well as the registration and permit fees. Alex is thinking about tapping into his 401(k) plan to finance his business. What is your advice to Alex?

- a. Consider a private investor.
- b. Before considering your 401(k), look into an SBA-backed small business loan.
- c. Withdrawing from a 401(k) should be your first option when looking to finance a business.
- d. Taking a loan from a 401(k) is a great idea; go for it; you only live once.

The correct answer is b. Before considering your 401(k), look into an SBA-backed small business loan.

All of the other options are incorrect because considering your 401(k) to finance your business should only be done after other avenues have been exhausted and, due to the size and nature of Alex's business, a private investor is not appropriate.

8.7 *Think About It*

Alex will have two kinds of spending when he starts his small business: expenses and assets. Which two statements should Alex consider about the differences between expenses and assets?

- a. Expenses are business costs that occur during the startup phase, such as travel, payroll, rent, office supplies, etc.
- b. Assets are the one-time business costs of buying tangible resources such as inventory, property, vehicles, or equipment.
- c. Assets can be written off at tax time.
- d. Expenses depreciate.

The correct answers are:

- a. Expenses are business costs that occur during the startup phase, such as travel, payroll, rent, office supplies, etc.
- b. Assets are the one-time business costs of buying tangible resources such as inventory, property, vehicles, or equipment.

The other two options are incorrect because expenses (not assets) may be written off at tax time and assets (not expenses) depreciate.

8.8 *Topic 7 Summary*

This topic identified economic considerations when financing your business to include financing methods, determining expenses and assets as well as questions to ask yourself to help keep costs down.

9 Topic 8: When You Need to Hire Employees

9.1 *Topic 8 Objective*

By the end of this topic, you should be able to describe Human Resource functions as related to the administration of employees. To meet this objective, this topic will cover:

- Writing job descriptions.
- Interviewing.
- Hiring.

9.2 *Job Expectations and Descriptions*

When you are at the point of hiring employees for your small business, you will want to first ensure you are communicating what you expect from your newly hired employee.

Written job descriptions provide documented communications during the interview, hire, and performance evaluation processes. Used as vital benchmarks, job descriptions provide useful criteria by which to review an employee's performance.

A well-developed job description identifies the position's essential tasks. Your chances of successfully attracting and keeping a new employee will be much greater if you have given careful thought to the duties of the job and communicated these expectations to a prospective employee.

Refer to the SBA Guide to writing effective job descriptions.

9.3 Interviewing and Hiring

When it comes to interviewing, smaller businesses need to be quick and beat sometimes slower, bigger companies, according to an article published by the Society for Human Resource Management. Since the economy and job market is recovering, more jobs are available, and the best candidates may be weighing other job offers. Instead of slowing the hiring process, small businesses should interview all candidates for a position on the same day and ask them the same list of questions so they can easily compare and evaluate the applicants. You can then decide who to offer the job to later the same day.

During the interviewing and hiring processes, clearly written job descriptions can help you attract well-qualified applicants and make it easier to eliminate applicants who will not perform well on the job.

9.4 Think About It

Let's see how you apply what you've learned in this topic.

Because he already has 10 committed students and expects several new customers due to the Facebook page advertising as well as word of mouth, Alex plans to hire two people. To communicate clear expectations about the positions, what should Alex do before he starts the interview process?

- a. Tidy up the work area.
- b. Make notes about the job tasks so he doesn't forget to tell the applicants.
- c. Write detailed job descriptions so the expectations are clearly documented.
- d. Nothing; if someone is applying for a math tutoring job they should know what the job entails.

The correct answer is c. Write detailed job descriptions so the expectations are clearly documented.

All of the other options are incorrect because they do not communicate clear job descriptions and expectations.

9.5 Topic 8 Summary

This topic described Human Resource functions as related to the administration of employees to include the importance of job descriptions and tips for interviewing and hiring worthy candidates.

10 Course Summary

10.1 Course Summary

Congratulations! You have completed the Encore Entrepreneur: An Introduction to Starting Your Own Business course!

This course provided basic information for experienced professionals who want to start a small business after being in the workforce. As encore entrepreneurs, you learned about:

- Rising increase of encore entrepreneurs.
- Factors to consider in determining your readiness to start a business.
- Various business ideas.
- Importance of a business plan.
- Integrating social media to market your business.
- Regulatory guidelines and appropriate business models.
- Financing options for your business.
- Hiring the right employees.

11 Resources

11.1 Checklist for Success

It has been said that “Knowledge is power.” In reality, knowledge is only potential power. Without application or action, knowledge is just information.

To download the Encore Entrepreneur: An Introduction to Starting Your Own Business Checklist, click the graphic or select the Resources tab on this page.

11.2 A.C.T. NOW!

The **Article**, **Course**, and **Tool** below are related to the course you just completed. They are provided to help you take action on your path to entrepreneurial success. You can also get in- person assistance for all of your business needs through a local resource center. And, if you liked the course, please help spread the word by sharing it with your friends!

Read an SBA Article.

The article *Where Does Social Media Fit into Your Business Plan?* answers three important questions when leveraging social media into your business.

[Click here to learn more.](#)

Take Another Course.

Although you are a seasoned professional who wants to start your second act as a small business owner, you will gain further insight and reinforce entrepreneurship guidelines from the Young Entrepreneurs course.

[Click here to learn more.](#)

Try a Tool.

SBA's collection of tools can assist you at any stage of your entrepreneurship.

[Click here to learn more.](#)

Find Local Assistance!

SBA has a broad network of skilled counselors and business development specialists.

[Click here to learn more.](#)