

Financial Planning Vital for Business Startup

Starting a business is a dream for many individuals.

“The idea of using one’s own creativity and controlling your own time sounds so attractive,” says Glenn Muske, North Dakota State University Extension Service rural and agribusiness enterprise development specialist. “Yet often the prospective business owner spends little time considering the financial perspectives of business ownership. The owner must understand how much startup capital is needed and where it might come from, but some of the more crucial questions are left unanswered. “

Having a clear understanding of all aspects of business finance is important. It can minimize the chances of unexpected financial surprises and help you outline plans for handling the financial ups and downs that all businesses experience.

“Making plans and understanding the risks is crucial to the success of any business,” says (Insert name) of (Insert title and county). “The first step is for the business owner to evaluate his or her level of risk tolerance. He or she also must take into account his or her family’s level of risk tolerance.”

You also need to remember that the last person paid in a business startup is the owner.

“Planning not only for business needs but family needs is necessary,” (last name) says. “Knowing what funds the family has and which of those funds they are willing to commit helps prepare everyone emotionally for undertaking the idea.”

One of the truths about practically every business startup is that it will take more money than expected. Most entrepreneurs have high expectations and build those into the planning projections.

“While those expectations may indeed be accurate in the long term, reality says it will take more time and more money to get there,” Muske says. “Doubling the costs and tripling the time frame are a standard rule of thumb. You do not want to run out of money or time just as the business is ready to take off. “

Another part of the planning process is learning how the various business legal structures can impact not only the business tax liability but personal tax liability. This is an area where professional help can be of great help.

Business owners also need to determine how much debt credit they are willing to undertake and when they will need to get that money. This varies by one’s risk tolerance but also by other factors. Credit is a tool for any business. Used wisely, it can help a business grow and prosper. However, it is not a tool to maintain a nonsustainable business or a lifestyle.

“These items represent just some of the financial aspects to consider when thinking of starting a business,” said Muske. “There are other financial literacy tasks that should be considered, such

as the relationship between your personal credit history and likelihood of a bank making a loan to your business.”

Getting help in this area is typically a good idea, he adds. The issues are complex. Early in your startup process, find your professional team who can provide advice on these and other issues.

You also can get more information by contacting NDSU’s small-business support website at www.ag.ndsu.edu/smallbusiness. Sign up for the monthly newsletter. You also can contact your local Extension Service office at [insert phone number and email address] or visit www.eXtension.org/entrepreneurship. Federal and state resources such as the Small Business Administration and Small Business Development Centers also are prepared to help.