

MATURE ENTREPRENEUR PLANNING GUIDE



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INTRODUCTION: OPPORTUNITY HAS AN UNLIMITED SHELF-LIFE

“Age is the acceptance of a term of years. But maturity is the glory of years.”

- Martha Graham.

This guide has been created for those in the mature stages of their life who are considering starting or purchasing a small business. There will always be opportunities for enterprise, no matter what your age, lifestyle or financial situation may be.

In this great country, opportunity has an unlimited shelf life. As long as you can sell a product/service for more than what it costs you to produce and deliver that product/service, you will have a profitable business venture.

While the model for success may be simple, owning and operating a small business is no easy task. Depending on your particular venture, there can be many factors that come into play in regard to developing, operating, marketing and managing your business.

This guide will help you evaluate the feasibility of your idea and develop a plan to help you visualize what will be involved in pursuing a business venture. While all business ventures have an inherent risk factor, taking the time to develop a plan will bring you closer to recognizing worst and best case scenarios for your venture. It is this risk/reward analysis that will help you make a better informed decision whether this is the right opportunity for you at this time in your life.

Why You? Why Now?

Why choose to pursue entrepreneurship at this stage of your life? According to AARP Public Policy Institute 16.4% of the 5.6 million baby boomers over 50, in 2008, were self-employed. Furthermore, one out of three made the transition to self-employment after age 50.

So why you, why now?

- You may be an ex-government or military worker who is eligible to receive retirement benefits and pensions after 20 or 30 years of service. You may have a decade or two before you wish to pursue retirement and are eligible for social security.
- You have always dreamed of pursuing your own business, but haven't had the time to do so until now.
- You may want to generate extra income outside of retirement benefits.
- You are searching for a better work/life balance as you try to juggle the demands of caring for your parents and at the same time raising children.
- You want the independence and flexibility of working for yourself.

Some of you will be pursuing business ownership out of necessity. Corporate layoffs and downsizing have left many people jobless. While there are labor protections against age discrimination, the reality is that many mature job seekers have attained a level of experience that would require a higher wage, thereby giving them a competitive disadvantage against younger workers in the applicant pool with lower wage expectations.

Whatever your rationale may be, self employment can provide a rewarding career path for those who are prepared to bring leadership skills, marketing skills, operational skills and financial management skills to the table. Yet while considering whether this is the right time for you, you should also consider the risk involved in starting your own business.

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Traditionally, small businesses have a limited success rate, with less than 20% of small businesses surviving five years of operations. There are many reasons why businesses fail, but usually the common denominator is inadequate planning.

While we can't make any guarantees, the fact that you are even reading this document is a sign of your commitment to avoid the common mistakes that many others make when approaching their ventures. Perhaps it is your maturity and experience that will lead you to develop a plan, assess risk, and follow the path to successful small business ownership.

Second-career entrepreneurs face the same concerns as their younger counterparts, but some issues become more significant when you start a business at this stage in your life. Before embarking on your self-employment journey, consider the following questions:

- Do you feel physically up to the challenge of working long hours?
- Are you a member of the “Sandwich Generation,” who bear the dual responsibilities of caring for children as well as caring for elderly parents?
- Do you have enough money saved and adequate financial resources to support yourself while you are building your business?
- Do you plan to tap into your retirement nest egg to fund your business?
- What will be the financial impact on you and your lifestyle if the business fails?
- Do you and your spouse agree on your plans? Will you be working together? Do you both have the same level of commitment to the business start-up?
- What skills do you need that you do not have? What new skills can you learn?

- What's the succession plan for this business?

Only you can decide whether this is the right time in your life to pursue self employment. An equally important decision you will have to make is what level of risk you feel comfortable in undertaking and how much time, energy, and resources you can invest in the business. If you feel you have found the right opportunity, we encourage you to utilize this guide and follow up with some free and confidential business counseling at the New York State Small Business Development Center (NYS SBDC) nearest you. The SBDC can help you in your decision making process.

Whether you have grand plans for a second career or if you are just looking for a part time venture to generate supplemental income, if you are thinking of starting a venture, your partners at the NYS SBDC will be there to help you go from concept to reality.

This guide has been developed for a very large and diverse audience. Because of that, our ability to tailor this to your specific needs does have some limitations. We remind you that you always have the opportunity to reach out to our counselors for free and confidential business counseling that can address your specific concerns that may not be addressed on the following pages.

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START YOUR OWN/PURCHASE EXISTING BUSINESS/BUY A FRANCHISE

There are three common routes for starting a business:

- Start your own business from scratch
- Purchase an existing business
- Buy a franchise

There are advantages and disadvantages to each route and every opportunity is unique. A self-assessment of your strengths and weaknesses can help determine which route may be best for you.

When starting your own business from ground zero, you have no sales history, no brand recognition, and no operational standards. While every business opportunity has unique risks, starting from scratch provides a factor of unknowns in regard to sales history and market acceptance that the other options don't have. On the benefit side of starting from scratch, there is more opportunity to do something new and unique, without running the risk of alienating an existing customer base. Furthermore, when starting from scratch, there tend to be lower comparative start-up costs, since you are not paying for "goodwill" or "blue sky" costs that are usually associated with purchasing an existing business or franchise. You also have more flexibility in designing things in a manner of your own choice, which is often appealing to entrepreneurs.

If you choose to purchase an existing business, you have the benefit of finding a business that is already operating and has some sales history and brand recognition. Usually, but not always, there is some stability in the customer base and there probably are some operating standards in place. The major pitfall with purchasing an existing business is that there tends to be increased costs for the "goodwill" of the existing business. There is also the issue that you may be paying for equipment, leasehold improvements, accounts receivable, and inventory that have book value on the balance sheet, but may not have actualized

value when you take over the business. For example, there may be inventory that has been on the shelves for years that may not even sell at cost.

With a franchise opportunity, you are usually purchasing a business with some clear brand recognition and built-in operating systems and standards. In many cases you also have the franchisor to provide a level of ongoing operational support. Yet franchises usually have higher start up fees, as you need to pay the franchise fees, purchase from franchisor suppliers, and you have to pay an ongoing royalty to the franchisor.

No matter which route you choose, be sure to perform a careful due diligence of what it will cost you to start the business. In assessing feasibility, create a "profit & loss" forecast and see how the net profit measures up against the net cost of investment. Everyone has his or her own expectations, but put careful consideration into whether there is enough reward to justify the higher risks associated with self employment versus other investment opportunities.

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ANALYZING THE FEASIBILITY OF YOUR BUSINESS IDEA

Most businesses start with an idea from someone who believes they have a new product or service that may be successful. Others develop unique ways to change the business environment of existing ideas or business by making their products, faster, less expensive, or in some way better than the current competitor's products or services.

The business feasibility needs to be tested, as well as the individual's ability to develop the idea into a thriving and successful business. Some questions to be considered in the analysis of your business idea:

- What is the product or service?
- How is it different from other products or services?
- Who will buy it?
- Why will they buy it?
- How will it be promoted and sold?
- Who will manage operations?
- What is the financial breakeven point for this business?

Remember that feasibility is not just an assessment of your opportunity to start a successful business, but also an assessment of whether it is a worthwhile personal pursuit. Each individual may have a different view of success, because only that individual can establish his or her own goals for success.

So instead of just looking at the business feasibility, also consider a personal feasibility. To help you in the process of defining success, we suggest you ask yourself the following questions:

- How many hours/week do you need to invest in this business?
- How much will it cost to start this business?

- What is your expected profitability?
- What are your expected earnings per hour worked?
- Does this appear to be a high risk or low risk venture?

While each individual may have different expectations for return on investment (often referred to as ROI), think about the things you can invest your money or time in to and receive a return on investment with little risk.

As you go through the feasibility process, try to be neutral. You may have a "nothing ventured, nothing lost" attitude or you may have a "nothing ventured, nothing gained" perspective. Try to be honest with yourself and make as unbiased a review as possible. A common tool is a SWOT analysis. Consider your:

- **Strengths**
- **Weaknesses**
- **Opportunities**
- **Threats**

Strengths and weaknesses are things you possess and that are internal to your business. Opportunities and threats are outside influences that are external to your business. In any case, if you come up with more positives or more negatives than you would like, consider sharing your analysis with an outside party to see if you are being either overly optimistic or overly pessimistic.

As a mature entrepreneur, you may have strengths that young entrepreneurs don't have. Chances are that as a more mature person, you bring valuable life experiences to the table. Past experiences with budgeting or managing personnel can be put to good use as a small business owner. You may also have more financial resources at

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your disposal than the typical first time business owner.

Probably the most important asset that later stage entrepreneurs bring to the table is their overall maturity. Most people in their advanced ages have learned to accept greater responsibility for their actions. They also tend to be less impetuous and more likely to assess the possible consequences of their decisions before taking action. Vernon Law once said, “Experience is a hard teacher because she gives the test first, the lesson afterwards.” Many mature entrepreneurs have already taken some of the hardest tests and are the wiser from those life experiences. Hopefully you will use your experience to carefully weigh your options before making a commitment of your time and resources to a venture that has inherent risks.



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WRITING AN EFFECTIVE BUSINESS PLAN

A business plan is a document that defines and describes your plan to develop goals and your plan for achieving those goals. Preparing a business plan helps you to organize and consolidate your ideas so you get a clearer, focused view of where your business is going and how it will succeed. If you need outside capital, the business plan is one of the first things the lender or investor wants to see.

It is important that you write the business plan yourself, as you are ultimately responsible for your vision for your own business. A well written plan is a snapshot of who you are and what you envision for your business venture. As you grow your business, a plan will help you assess performance and make sure the business is progressing as you had intended. Your local SBDC can provide you with the tools and support to develop a clear and concise plan for your venture.

At this stage of your life you probably have had quite a few life experiences that will help you in writing the business plan. Even if you choose an industry for your business model that is outside your previous areas of occupation, chances are that you have some applicable experiences that can help you in creating an effective plan.

There are many different outlines for writing business plans and we will share our suggestion on the following pages. Whether you choose to utilize our outline or another resource, the bottom line is that your plan should be:

- **Clear** - Written in plain English; the reader should not have to struggle to understand what you are saying.
- **Concise** - Get to the point, say what needs to be said without wordiness.
- **Well-Organized** - Organize the plan so it flows and is easy to follow. Use caps, indents, bold type, and underlines to highlight the plan's key parts.

- **Honest** - Be honest and forthright in your presentation and analysis. Deluding yourself or others is totally inappropriate with so much at stake.
- **Convincing** - Your knowledge of the business, the market, and your management skills should impress the reader.

Business Plan Outline

Cover Sheet

Table of Contents

Executive Summary - Overview summarizing key points in business plan.

Business Description - State the type of business, organizational structure, current status (start-up, expansion or buyout) and mission statement. Also provide the address, physical features of building and site, status (own, lease), renovations needed and cost, zoning as it relates to your business, why this site was chosen, and why it will help you succeed.

Product or Service Description - Describe primary products and/or services. This should include pricing strategy for your products/services and associated costs (core business model).

Market Analysis - Describe the general market for your product or service (size, growth potential, price, method of delivery, quality, etc.) and what opportunities exist in the market. A good market analysis will "segment" potential customer bases.

Competition - Look at how other businesses are vying for your customers' dollars. Identify how your product or service will be positioned (what separates your business from the competition).

Marketing Strategy - Set realistic marketing objectives; determine an action plan for attracting and keeping your target market; determine how

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you will expand your market. Your marketing strategy should not only address the specific advertising media you plan to utilize, but also your budget and expected results from each method.

Operational Details - Try to envision a snapshot of your operations and what it will cost you to run your business on a day to day basis. Identify management responsibilities and overhead costs. Identify occupancy costs (rent/utilities), insurance, staffing, supplies and other expenses.

Management/Personnel - Outline the key leadership and management positions that will be responsible for the success of the business. Provide job descriptions, qualifications, and, if determined, key personnel that will hold these positions.

Financial Assumptions - This section details and justifies all sales and expense entries that require additional explanation. Included are details of cost of goods sold, the expected terms of a proposed loan, etc.

Source & Use of Funds - Determine funds needed for startup (including equipment list with costs) and working capital. Specify all sources of funding, amounts, and how these funds will be utilized.

Exit Strategy - Your exit strategy should identify the succession plan you have for this business. You should also consider creating a worst case scenario that identifies how you plan to pay back any obligations should the business not work as expected. This section is extremely important if you plan to get outside financing. It shows potential investors the level of risk they can expect in this venture.

Financial Statements - Balance sheets, cash flow, income statements and breakeven analysis.

*** See Appendix A on Page 24 for a sample Business Plan**

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TYPES OF BUSINESS ORGANIZATIONS

1) Sole Proprietorship

A sole proprietorship is a business that is owned by one person. As such, you own and control the business. Setting up a sole proprietorship is the simplest, quickest and least expensive way to go into business. Legally, all that is required for set up is to obtain a license as required by the federal, state or local government. If the business has a name other than your own, you must also register your name with your local country clerk. You do this through a Certificate of Doing Business under an Assumed Name for sole proprietor, commonly referred to as a “DBA” (doing business as) form.

The sole proprietor is held personally liable for any business related obligation. What this means is that if your business fails to pay a vendor, defaults on a debt or loses a lawsuit, you are personally liable for the debt. In the eyes of the law, the sole proprietorship is not legally separate from the person who owns it. The sole proprietor simply reports all business income or losses on his/her individual tax return – IRS form 1040 Schedule C.

Advantages:

- Easiest, quickest and least expensive type to organize
- Easy to discontinue if desired
- Minimum of legal restrictions
- Owner receives all profits
- Owner has complete control

Disadvantages:

- Owner has unlimited liability. Owner is legally responsible for business debts. Personal assets are at risk.
- Business dissolves upon death of owner
- More restrictions on deductibility of employee benefits

2) Partnership

This is a business owned by two or more persons who get together to run the operation. Partners can contribute capital, specialized knowledge, marketing or management skills, and other valuable tools. They also share the risk. Partners share in the right and responsibility of managing the business, and by law each partner is responsible for all debt and obligations of the firm. This means you are personally liable for the full amount of the partnership’s debts, even if they exceed your investment and you did not personally consent to the debt. A formal written agreement should be prepared to properly define each partner’s role in the business. In the absence of a partnership agreement, the New York State Partnership Law (New York State Consolidate Laws, Chapter 39) sets forth rights and duties of partners.

Partnerships must file a certificate of Conducting Business as Partners with the county clerk of each county where the business is conducted, referred to as a “DBA” (doing business as) form. A partnership’s profits and losses are included on each partner’s personal tax return. The partnership files an information return with the IRS.

Advantages:

- Easy, quick and inexpensive to organize. However, time should be spent on a legal agreement: decisions, time spent, capital invested, profits, disputes, buyout agreement or new partner coming in, and steps to dissolve.
- Easy to discontinue if desired
- More than one source of funds
- Share skills
- Profits or loss flow to personal tax return

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Disadvantages:

- Partners are jointly and individually liable for the actions of the other partners
- Personal financial hardships of one partner can affect the business assets
- Profits must be shared
- Disagreements can occur
- More restrictions on deductibility of employee benefits
- The partnership may have a limited life; it may end upon the withdrawal or death of a partner

3) “S” Corporations and “C” Corporations

A corporation in New York State is an entity mutually exclusive of the individual(s) who own and manage the business. A corporation is authorized to sell, buy and inherit property in its own name, and has legal rights, powers and duties. Corporations are operated for profit and may raise capital by selling shares of interest in the corporation. A corporation's debts and obligations are distinctly its own. To create a corporation you must meet specific statutory requirements, which include filing a Certificate of Incorporation with the NYS Department of State, creating corporate bylaws, and issuing stock certificates.

Income and expenses of the “S” corporation flow through to investors in proportion to their share holdings, and profits or losses are taxed to shareholders at their individual tax rates. Not all corporations qualify for this status. Certain restrictions apply: no more than 75 shareholders, no non-resident alien shareholders, and the corporation may not own stock in other corporations.

“C” Corporations are separate, taxable entities that report income and expenses on a corporation income tax return and are taxed at corporate tax rates. Profits are taxed before dividends are paid.

Shareholders pay taxes on dividends by reporting them as income. It may result in a double taxation.

Advantages:

- Shareholders have limited liability for corporate debts. Officers can be held personally liable if fraud or negligence exist.
- Lenders normally require officers to personally guarantee debt.
- Corporations can raise funds through the sale of stock.
- A corporation may deduct the cost of benefits it provides officers and employees.
- Can elect “S” corporation status if certain requirements are met. Profits and losses pass through to owner's personal returns. Eliminates double taxation of corporate profits. IRS monitors for “reasonable compensation.”

Disadvantages:

- The process of incorporation requires time and money (filing fees and legal fees).
- Corporations are monitored by federal, state and some local agencies, and as a legal entity there is more paperwork to comply with regulations.

4) Limited Liability Company (LLC) and Limited Liability Partnership (LLP)

LLC combines attributes from corporations and partnerships (or sole proprietorships), protections from personal liability from business debts, and the simpler tax structure of a partnership. For tax purposes, one owner LLCs are treated the same as sole proprietorships. Profits are reported on Schedule C as part of his or her individual 1040 tax return. Multiple owner LLCs are treated as a partnership. The LLC files IRS Form 1065, Partnership Information Return. Profits are reported to each owner on a Schedule K-1. Each owner then pays taxes on this income on his or her annual 1040 income tax return.

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LLP is a form of partnership with financial liability limited to the amount of each partner's investment. There must be at least one general partner who controls the firm and is responsible for its debt and obligations. The limited partner gives up the right to participate in the day-to-day management of the business. While the partnership does not pay taxes, it must file Form 1065 with the IRS. This form defines each partner's share of the partnership profits.

Advantages:

- Owners have limited personal liability
- Can elect to file as a corporation (certain requirements must be met)
- Business structure designed to provide the limited liability features of a corporation and the tax efficiencies of a partnership

Disadvantages:

- Relatively new business structure-limited case study
- Certain businesses cannot be LLC (banks, insurance companies, non-profit organizations)
- Requires filing fees and possible legal fees



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THE REALITIES OF GRANTS

There are many ads about how to get “free” money for business grants. They state that the government will give you “free” money for just about anything you want to do- from starting your own business to expanding your home business. There are many scams that entice TV viewers with the promise of “free money” for a small fee.

Here’s how they work:

- The company guarantees you will get a grant or you’ll get your money back.
- For a fee (\$40-50) you get a packet of information on how to write a grant proposal and a list of organizations that can provide the grant you want.
- The organizations on the list do have legitimate grants, but they don’t typically give grants to individuals to start their own business - they are normally reserved for business education programs.
- You try to get your money back and find that the guarantee is no real guarantee at all.

While certain organizations, either federal or private, do provide grant money, they generally direct their assistance toward charities, lending institutions, non-profit organizations, educational institutions, etc. Very little money goes to for-profit business ventures.

Currently the **U.S. Small Business Administration** does not provide home business grants or grant money for starting a small business.

The following quote is from the SBA web site - www.sba.gov:

“While SBA does offer a limited number of grant programs, these are generally designed to expand and enhance small business technical assistance. SBA does not offer grants to start or expand small businesses... SBA’s grant programs generally support non-profit organizations,

intermediary lending institutions, and state and local governments in an effort to expand and enhance small business technical and financial assistance.”

Even for the organizations that do receive grants (non-profits, charities, educational institutions, etc.) their “free” money is not totally free. They do not have to repay the funds but they also cannot spend them as they please. There are strict rules and regulations about how the money can be spent and for what purposes.

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SOURCES OF FINANCING

There are basically two types of financing:

Debt Financing – Debt financing is a promise or obligation to pay back the financing over a period time with an associated interest charge. Most small business bank loans and personal loans are debt financing arrangements.

Equity Financing – Equity financing is the selling of ownership shares in a company, whether through the transfer of partnership rights (partnership, limited partnership), shares of stock (corporation), or shares of membership (limited liability company) in return for capital. There is no obligation or promise to pay back funds in an equity arrangement, which makes this type of investment an “at risk” investment.

Some alternate sources of financing include:

Personal Savings - Primary source of capital for most new businesses comes from savings and other forms of personal resources. Many mature entrepreneurs may consider funding their business with IRA or 401 retirement plan funds. Use of these funds to start a business may be subject to a withdrawal penalty. Please consult with an attorney, accountant or financial planning expert before using these funds.

Relatives and Friends - Family and friends may contribute financing for small business ventures. Mature entrepreneurs usually have resources in this arena as well, as they tend to have developed a larger network of contacts over the years.

Banks and Credit Unions - Banks and credit unions will provide a loan if you can show your business proposal is sound.

Angel Investors/Venture Capitalists - Angel investors are private investors who invest into small businesses. Each angel investor will have different expectations on how he or she wants to structure a deal, so it is advisable to consult with legal and accounting professionals for advice

before making a commitment to a deal. Venture Capitalists are more organized investors or investment groups that tend to be looking for a very large return on investment and usually seek a large equity portion and some form of management oversight.

Lenders often refer to the five “C’s” when evaluating a financing deal:

Capital – Is the ownership team investing any of its own funds into this venture?

Collateral – What is the business using to secure the financing (equipment, inventory, accounts receivable)?

Conditions – Is this the right environment for this business? Industry trends, economic vitality of a community and amount of competition often figure into this analysis.

Capacity – Does the ownership team have other sources of repayment should the business venture not work? For example, if the business were to fail, could the business ownership team gain other employment to continue servicing the debt?

Character – Has the business and ownership team shown the ability to manage finances? This is often most evident in their credit history.

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THE ACCOUNTANT, ATTORNEY, BANKER & INSURANCE AGENT

Almost every small business owner will at some point need the assistance of an accountant, attorney, banker and insurance agent; whether for their expertise or because the small business owner doesn't have the time to manage every aspect of running a small business.

To select members for your team you might check your local yellow page directory, ask for referrals from other professionals in the business community, or ask staff at agencies that handle your personal accounts.

Accountant - Helps choose form of business, sets up your books, prepares taxes, provides tax advice and financial planning.

Contact: American Institute of Certified Public Accountants

Phone: (888) 777-7077

Website: <http://www.aicpa.org>

Attorney - Helps choose form of business, files proper papers, drafts contracts and leases, defends or represents you in legal action cases, provides legal advice and planning. (Some lawyers now routinely require a retainer up front.)

Contact: NYS Bar Association

Phone: (518) 463-3200

Website: <http://www.nysba.org>

Banker - Helps you obtain financing, helps establish credit card accounts and provides business operation advice.

Insurance Agent - Helps choose form of business, evaluates insurance needs, provides assistance and advice about risk management.



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HOW TO REGISTER A BUSINESS NAME (DBA)

If an assumed name is to be used (“Doing Business As” or DBA), or if the business is to be a partnership, Section 130 of the New York General Business Law requires the filing of a business certificate with the County Clerk in the county where the business will be conducted. Filing a DBA protects the business name from use by others in the county where it’s filed.

Completing a Business Certificate

Purchase a Business Certificate (sole proprietorship) or Business Certificate for Partners (for partnerships) at your local office, stationery supply store, or County Clerk’s office. A business owner may also consult with an attorney to have the appropriate forms drawn up, particularly if he or she is filing a partnership.

File the Certificate with the County Clerk at where the business will be located. To find the County Clerk’s office in your area, visit:
<http://www.dos.state.ny.us/lists/coclerks.html>

You typically will need three copies of the Certificates:

- File one Certificate with the County Clerk (considered the original).
- The bank requires a certified Certificate in order to open a business account.
- You may decide to obtain an extra certified copy for display at your place of business.

The filing fee for a Business Certificate varies from county to county, but is in the range of \$25-35. Some counties may charge a fee for the form as well.

If you require more than one certified copy, take duplicate copies of the original to the County Clerk’s office. The Certificate isn’t a license to do business in the county or NYS. To determine whether a special license is required for your business, contact the NYS Department of State, or the City or Town in which you wish to operate your business.



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NYS SALES TAX AUTHORITY

If your business will be making sales in New York State that are subject to sales tax, you are required to collect the sales tax from the person to whom you make the sale. Taxable sales are sales of tangible personal property and services generally referred to as specifically enumerated services.

NYS Department of Taxation and Finance Publication 750: Guide to Sales Tax in New York State further defines taxable sales and services. You also can contact the NYS Department of Taxation and Finance at 1-800-972-1233 for assistance with determining your requirements.

If you are required to collect sales tax, then you must register as a vendor with the Tax Department and obtain a *Certificate of Authority*. You also must be registered to issue or accept New York State sales tax exemption documents. There is no charge to apply but you must apply at least 20 days before you begin operating your business.

DTF-17 Application for Registration as a Sales Tax Vendor is used to apply for your authority. There are three types issued:

- Regular Certificate of Authority
- Certificate of Authority for Show and Entertainment Vendors
- Temporary Certificate of Authority

You can register by mail by completing and signing a DTF-17 form and mailing to:

**NYS Tax Department
Sales Tax Registration Unit
W A Harriman Campus
Albany, NY 12227**

You also can apply online at:
<http://www.tax.state.ny.us>

Once you receive your Certificate of Authority, you are considered to be in business even if you never make a sale or open the doors of your

establishment. When you first register, you will be classified as a quarterly filer and you must remit tax due on the dates specified. You must file a sales and use tax return on a timely basis (quarterly) even if you have no tax due during the filing period.

The *ST-120 Resale Certificate* form can be used to make tax-free purchases of items that will be resold by you. A blanket certificate may be reused every time you buy from that vendor. A single purchase certificate is only good for one purchase. The next time you buy from that vendor, you will need another “Resale Certificate”. Each vendor from whom you buy needs to be given a certificate. You can photocopy the form as many times as you want but your signature must be original on each form. (use *ST-120.1 for Contractor Exempt Purchase Certificate*)

New York State also provides a very helpful website to help you assess any other special permits you may need for your specific industry:
<http://www.nys-opal.com>

As a registered vendor, you are required to file a sales and use tax return summarizing your business activities. Failure to do so may result in a penalty being imposed, in the minimum amount of \$50.

When you first register, you will be classified as a quarterly filer. Sales tax returns are due no later than 20 days after the quarterly period.

<u>Quarterly Period</u>	<u>Return Due Date</u>
March 1 - May 31	June 20
June 1 - August 31	September 20
September 1 - November 30	December 20
December 1 - February 28	March 20

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Certain circumstances may change the status of your vendor tax classification to:

Monthly filing –

- 1) If the combined amount of your taxable sales totals \$300,000 or more in any of the preceding four quarters.
- 2) If you are a distributor of automotive fuel and your sales of automotive fuel total \$100,000 gallons or more in any quarter of the preceding four quarters.

Annual filing –

- 1) If you do not expect to pay or collect any sales or use tax.
- 2) If you describe your major business activity as manufacturer or wholesaler.
- 3) If your tax due for the four most recently filed quarterly periods did not exceed \$3,000.

*** Once you receive a Certificate of Authority, you must file a sales-tax return even if you didn't have any taxable sales or business purchases subject to use tax during the filing period.**



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FEDERAL EMPLOYER IDENTIFICATION NUMBER (EIN)

The EIN is a nine digit number (00-0000000) issued by the IRS to identify taxpayers who are required to file various tax returns. All businesses are required to have one, except for sole proprietorships with no employees.

Form SS-4 *Application for Employer Identification Number* is used to obtain the EIN number. The form can be obtained at any Social Security Administration office, SBDC office, or by calling the IRS at **1-800-829-3676**. Or you may download the form at:
<http://www.irs.gov>

Apply by mail:

Complete Form SS-4 at least four to five weeks before you will need an EIN. Sign and date the application and mail to the address listed for your state. You will receive your EIN in the mail in approximately four weeks.

Apply by telephone:

You can receive your EIN by telephone and use it immediately to file a return or make a payment. If you are applying by telephone, it is helpful to complete Form SS-4 before contacting the IRS. An IRS representative will use the information from the form to establish your account and assign you an EIN. Write the number you are given on the upper right corner of the form and sign and date it. Keep this copy for your records. If requested by an IRS representative, mail or fax the signed Form SS-4 within 24 hours to the address provided by the representative.

Apply by fax:

Under the Fax-TIN program, you can receive your EIN by fax within 4 business days. Complete and fax form SS-4 to the IRS using the Fax-TIN number listed for your state. Be sure to provide your fax number so the IRS can fax the EIN back to you.

Apply online:

You can receive your EIN via the Internet and use it immediately to file a return or make a payment. Visit the IRS website: **<http://www.irs.gov>** and click on “*Apply for an Employer Identification Number (EIN) Online*” in the left column under the heading “*Online Services.*”

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EMPLOYER RESPONSIBILITIES - CHECKLIST

- Apply for your SS-4 Federal Employer Identification Number (EIN) from the Internal Revenue Service. An EIN can be obtained via telephone, mail or online. If you obtain one by phone, the IRS representative may request that you mail or fax the signed SS-4 Form to them.
 - Register with the NYS Department of Labor (DOL) as a new employer. NYS-100 *New York State Employer Registration for Unemployment Insurance, Withholding, and Wage Reporting* should be completed and sent to the Albany address that appears on the form. This registration is required of all employers for the purpose of determining whether the applicants are subject to state unemployment insurance taxes. The NYS DOL will follow up with you once their determination has been made.
 - Obtain both Workers Compensation and NYS Disability Insurance from an insurer. The insurance company will provide the required certificates that should be displayed. Visit the **NYS Workers Compensation Board** website for more information - <http://www.wcb.state.ny.us>
 - Order *Federal Tax Deposit Coupons* – Form 8109 – if you didn't order these when you received your EIN. To order, call the IRS at 1-800-829-1040; you will need to give your EIN. You may want to order some blanks sent for immediate use until the pre-printed ones are complete. Also ask for the current Federal Withholding Tax Tables (Circular A) – this will explain how to withhold and remit payroll taxes, and file reports.
 - Order State Withholding Tax Payment Coupons – call 1-800-462-8100. Also ask for the current NYS Withholding Tax Tables. Visit the **NYS Taxation and Finance** website for more information - <http://www.tax.state.ny.us>
 - Have new employees complete an I-9 *Employment Eligibility Verification* form. This form can be photocopied. You should have all employees complete this form prior to beginning work. Do not send it to Immigration and Naturalization Service – just keep it with other employee records in your files.
 - Have employees complete a W-4 *Employees Withholding Allowance Certificate*. This form also can be photocopied. A copy of this must now be sent to NYS for the New Hire Reporting Program.
- Many mature entrepreneurs will have a home based business. If certain conditions are met many of the business expenses used in the home can be used as a business deduction. For additional information, refer to the *IRS Publication 587 - Business Use of Your Home*. Understand that having a home-based business may have a significant impact on estate planning, so consider consulting with an attorney, accountant or financial planning professional for advice.
- The Occupational Safety and Health Administration (OSHA) assists in assuring a safe and healthful workplace for your employees. A fact sheet is available with further information. It is important to document and report any employee injuries requiring medical treatment. Go to OSHA's website to read the *New Business Fact Sheet*: <http://www.osha.gov>
- Lastly, you can obtain required employee notification posters by contacting the various agencies. Many agencies have websites where the forms are available to download and print or the agencies will mail them to you at no cost. The NYS DOL lists posting requirements on its website - <http://www.labor.state.ny.us>. The US DOL lists workplace poster requirements on its website - <http://www.dol.gov/osbp/welcome.htm>

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DETERMINE YOUR RECORD KEEPING NEEDS

Depending on your type of business and individual needs, the following record keeping tasks may apply to your specific situation:

- Collect and remit NYS sales tax
- Manage payroll, payroll deductions and file necessary payroll tax returns
- File quarterly self employment taxes
- Record income and expense accounts to prepare income tax returns
- Manage use of cash flow, accounts payable, accounts receivable and inventory
- Provide monthly and annual financial statements

Records that need to be kept for all businesses:

- Income receipts
- Expense receipts
- Payroll records
- Personnel records
- Inventory records
- Asset lists
- Owner equity/partner/shareholder contributions
- Loan records (promissory notes)
- Corporate/LLC or Partnership records
- Lease and rental agreements (ex. office, equipment, car)
- Insurance policies
- Contracts with clients and suppliers
- Other- any records relevant to your particular business and its transactions.

Recording Business Transactions

A good record keeping system includes a summary of your business transactions. A journal and ledger list business transactions shown on source documents:

- Business checkbook
- Daily summary of cash receipts
- Monthly summary of cash receipts
- Check disbursement journal
- Employee compensation record

Whether you use computer software or manual systems to keep your records, remember it is ultimately your responsibility to remain in compliance with local, state, and federal requirements. It is important to use a system that you understand, that documents the information required by law and can help you or your accounting professional properly assess the tax liabilities, if any, for your business.

*** The extent of record keeping needs varies from business to business. Consult a professional accountant to determine the individual needs of your business.**

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SELF-EMPLOYMENT TAX

What is it?

Self-employment tax (SE tax) is a social security and Medicare tax primarily for individuals who work for themselves. It is similar to the social security and Medicare taxes withheld from the pay of most wage earners.

Who must pay it?

You must pay self-employment tax if your net profits are \$400 or more for the year or you performed services for a church as an employee and received more than the current allowed amount. Visit the IRS website to learn the current allowed amount.

Why pay it?

Social security benefits are available to self-employed persons just as they are to wage earners. Your payments of SE tax contribute to your coverage under the social security system. Social security coverage provides you with retirement benefits, disability benefits, survivor benefits and hospital insurance (Medicare) benefits.

How to pay it?

Estimated tax is the method used to pay tax (including SE tax) on income not subject to withholding. You generally have to make estimated tax payments if you expect to owe tax, including SE tax, of \$1,000 or more when you file your return. Use Form 1040-ES, *Estimated Tax for Individuals* to figure and pay tax.

If you are self-employed and you are also an employee, you may be able to avoid paying estimated tax by having your employer increase the income tax taken out of your pay. Use Form W-4, *Employee's Withholding Allowance Certificate*, to increase your withholding.

For additional information refer to the following IRS publications:

Publication 533: Self-Employment Tax

Publication 505: Tax Withholding and Estimated Tax

Or visit the IRS website at: <http://www.irs.gov>



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NYS SBDC SERVICES

The **New York State Small Business Development Center** is a one stop business resource for anyone looking to start, expand or cultivate a business. Our core services include:

One-on-One Counseling

The SBDC provides confidential, no-cost, one-on-one management and technical assistance for:

- Small business start-ups
- Business plan development
- Organizational structures
- Financial planning
- Export assistance
- Cost analysis
- Loan information assistance
- Financing strategies
- Marketing assistance
- Operations management
- Business expansion

Training Workshops and Seminars

There are many Training Workshops and Seminars given throughout the year that cover various topics such as: starting your business, marketing, record keeping, safety requirements, and many other issues targeted to the small business owners. There are occasionally nominal fees charged to cover the seminar expenses. Contact your local SBDC for their schedule, or visit the SBDC website and click on “Training” at the top of the page - <http://www.nyssbdc.org>

You can locate the SBDC in your area by going to the following link on the SBDC website:
www.nyssbdc.org/locations/locations.html

Research

The NYS SBDC Research Network is one of the most advanced business information resources in the country. Located in Albany, the Research Network provides NYS SBDC advisors with the latest economic, demographic, regulatory and other data that has an impact on small business.

They have a wide range of invaluable resources available and do an outstanding job of supplying pertinent, relevant and up-to-date information that will help the small business entrepreneur with business start-up or expansion.

The research service is provided at no cost to NYS SBDC clients.

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The following pages contain a sample business plan for a fictitious business that can be used as a guide.

SBDC Lemonade Stand

**Thurston and Lovie Howell
123 Main Street, Albany NY, 12201
(518) 555-5555
9/12/2009**

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Executive Summary

Fresh squeezed lemonade can quench any golfer's thirst on hot day. The SBDC Lemonade Stand will be located at the 9th hole, at two different golf courses, the NY State Country Club and the Green Mountain Country Club. The SBDC Lemonade Stand is a Partnership run by Thurston and Lovie Howell. This venture will cost \$10,000 to start up each stand, which will require a \$20,000 initial investment. The SBDC Lemonade Stand will be a seasonal business that operates on Saturdays and Sundays during May through October, to provide additional income to the Howells while in retirement. This venture has potential to grow into a seven day a week operation. The SBDC Lemonade Stand will operate two stands during the first year at the NY State Country Club and the Green Mountain Country Club. In the second year of operation, a franchise agreement with a family friend, Mary Ann Summers, from Phoenix, Arizona will be contracted.

Business Description

Mission Statement:

SBDC Lemonade Stand has a mission to create a profitable business venture by providing an economical, refreshing product to quench the thirst of golfers.

The SBDC Lemonade Stand is a concept to start a small, portable drink service cart at the ninth hole of the NY State Country Club and the Green Mountain Country Club. This will be a partnership start up venture. The SBDC Lemonade Stand will be a portable refrigerated cart with two lemon squeezers mounted on the counter. The stand will fold out and have a covering over the top and a chair for the worker. There will be a pretzel warming box on the stand as well. The ninth hole location at both golf courses was chosen, because it is halfway through a full game of golf. Golfers at this point in the game need refreshment. The ninth hole is easy for customers to remember if they need refreshment and are not on the ninth hole in golf. They can drive their golf carts over.

The business will establish its lemonade brand at the NY State Country Club and the Green Mountain Country Club in the first year of operation. In addition to the owners, the SBDC Lemonade Stand will employ two part time employees. After the first year of operations the partners will focus on franchising the SBDC Lemonade brand. The first franchisee will be operated by Mary Ann Summers. The SBDC Lemonade franchise will be operating at The Moon Valley Country Club in Phoenix, Arizona. Mary Ann Summers will pay an initial one time fee to Thurston and Lovie Howell for the franchise agreement. Royalties based on sales will be paid monthly to the partners. The SBDC Lemonade Stand at The Moon Valley Country Club will be a year round venture that will operate only on Saturdays and Sundays.

Product Description

The menu will include three items, hand squeezed and shaken fresh lemonade, filtered water, and pretzels. The lemonade will sell for \$2.00 per 20 oz. cup, and filtered ice water for \$1.00 per 20 oz. cup.

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Only one size cup will be offered for refreshments. Plain and salted pretzels will sell for \$2.00 each. Mustard for the pretzels will be available to customers at no extra cost. With the cost of the cup included, it is expected that our variable costs to produce the lemonade will add up to about \$0.25 per cup. This includes purchasing filtered water, ice, lemons and sugar. The filtered ice water including the cup will cost us \$0.15 per cup. The variable cost of pretzels including salt and mustard is \$0.50 per pretzel.

This pricing will result in a \$1.75 profit per cup of lemonade and \$0.85 per cup of filtered water. Pretzels will gain \$1.50 profit each. Our target market, the members of the NY State Country Club and the Green Mountain Country Club, will view this as a reasonable price, because it is one of the best value beverages that can be purchased at both of the golf courses. The location of the product in the middle of the golf course at the 9th hole will attract the target market as well.

Market Analysis

The NY State Country Club has approximately 1,500 members. 75% of their members use caddies when playing. The golf course runs tee times every 10 minutes from 6:36 AM till 6:36 PM. Each tee time has up to four players (and their caddies), so on any given day there can be 576 people on the golf course.

In addition, the NY State Country Club offers lunch and catering services in their clubhouse that attracts more than 100 visitors per weekend day on average. The golf course also employs a staff of more than 80 pro-shop clerks, restaurant help, maintenance workers, and groundskeepers.

The Green Mountain Country Club has 2,000 members and 80% of them use caddies when playing golf. This golf course runs tee times from 6:05 AM to 6:05 PM, every 10 minutes. Each tee time has a maximum of five players (and their caddies), so on any given day there can be 630 people on the golf course.

The Green Mountain Country Club employs 100 workers including trainers, equipment clerks, restaurant staff, maintenance and groundskeepers. The Green Mountain Clubhouse attracts on average 150 visitors per weekend day for breakfast, lunch, and small events for members.

The target market is the members of the two golf courses and caddies. As membership grows at the country clubs the SBDC Lemonade Stand's market will grow. Our target market expects a quality product at a reasonable price. The cost of membership in the NY State Country Club and Green Mountain Country Club is average, as compared to other country clubs in the area. This suggests that the members will not be willing to pay a high price for lemonade. Our price of \$2.00 per 20 oz. cup of fresh squeezed lemonade is a reasonable price for our target market.

The Moon Valley Country Club has approximately 4,000 members. 80% of members use caddies and six players is the maximum per tee time. There are tee times every 10 minutes for the 12 hours the golf course is open each day. Therefore, at The Moon Valley Country Club 720 golfers could be on the course on any given day.

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SBDC Lemonade Stand will offer a healthy, refreshing beverage and pretzels that can appeal to most of these potential customers. The only drawback to the product line is that it does contain sugar and citric acid, which may be prohibited in some diets, but those potential customers, could still purchase cups of filtered water. The option of salted and non-salted pretzels will allow health conscious customers to purchase a snack with their lemonade as well.

Competition Analysis

Other beverages are offered at the NY State Country Club. There are four vending machines, one near the pro shop, two in the locker rooms, and one in the lobby of the club house. Most of these vending machines offer soft drinks that come in 12 oz. cans and sell for \$1.50.

Yet another competitor is the club house restaurant and snack bar at the NY State Country Club. The snack bar has hot dogs, burgers, chicken fingers, fries, chips, and soft drinks for \$2.00 for a 24 oz. cup. However, they do not offer lemonade or pretzels. In addition, the club house restaurant operates a snack and beverage cart that travels around the golf course. They sell canned beer, soft drinks, chips and granola bars. Their pricing ranges from \$2.00 on the low end for a granola bar or soft drink, to \$5.00 for a can of domestic beer.

At the Green Mountain Country Club there is similar competition. There are five vending machines, two are located in the lobby of the club house. One is a soft drink vending machine and the other a snack vending machine. There are two more vending machines in the locker rooms and one near the trainer's office. All vending machines sell 12 oz cans of soda for \$1.75. The snack vending machine prices range from \$1.00 for a candy bar to \$2.00 for a bag of chips.

The Green Mountain Country Club has a small deli that sells soda, beer, and sandwiches. It costs \$1.95 for a 16oz. soda and \$5.00 for a 16oz. draft beer. Sandwiches range from \$5.95 to \$8.95 at the deli. They also offer chips for \$1.50 a bag. The Green Mountain Country Club does not have a snack and beverage cart that operates around the golf course like the NY State Country Club.

At The Moon Valley Country Club the franchisee has similar competition to the New York country clubs. There are four vending machines that sell soft drinks for \$1.75. The club house snack bar sells fountain drinks for \$2.00 per 16oz. cup and bottled water for \$1.75. This snack bar also offers chicken sandwiches, burgers, fries and coleslaw. Prices range from \$1.00 for coleslaw to \$9.00 for a chicken sandwich and fries. Another competitor is a small beverage cart that travels around the golf course selling canned beer for \$5.00 per can and bottled water for \$1.75. This cart does not sell any kind of food or snack. This cart takes two hours to travel the entire golf course. The beverage cart operates from 11:00 AM until 5:00 PM daily.

Some golfers bring their own beverages with them, ranging from soft drinks to alcoholic beverages. There is no other free standing refreshment stand in the middle of any of the three golf courses. In addition, lemonade and pretzels are not offered at any of the concession stands described at all locations.

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SWOT Analysis for SBDC Lemonade Stand

Strengths: Economical pricing at a \$2.00 per 20oz. lemonade and \$2.00 per pretzel. The location at the end of the ninth hole, and a refreshing beverage that quenches thirst on hot days, that is not offered at any concession stand on the golf courses.

Weaknesses: Small sized cart with a limited capacity for product storage. Both of the owners have arthritis, so long days on their feet limit the amount of work time they can invest at either location.

Opportunities: Increase cart size and product lines. Establish similar carts on other golf courses through franchise agreements of the SBDC Lemonade brand. The lemonade stand has potential to move to a seven-day-a-week operation and year round.

Threats: Easy to imitate product of sale. Club house may wish to take over operations if they see it is profitable or find another vendor who can operate seven days per week. Weather will affect sales because of the outdoor locations.

Marketing Strategy

SBDC Lemonade Stand main marketing strategy is the choice of location on the ninth hole of the NY State Country Club and the Green Mountain Country Club. Almost 100% of golfers choose to get a cold beverage after nine holes of golf in the hot sun. There will be a large sign on each lemonade stand, with the message, “Fresh Squeezed Lemonade.”

An initial promotion will be held on the Thursday and Friday before the grand opening of both SBDC Lemonade Stands. Free samples of fresh squeezed lemonade will be given out at both locations in five-ounce cups. This promotion will cost the owner operator \$0.05 per sample. There will be 400 free samples given out each day of this promotion (200 free samples at each location). The total cost of the two day promotion will be \$40. This initial promotion will get the word out to the members of the NY State Country Club and the Green Mountain Country Club about the location and product of the SBDC Lemonade Stand.

Both the NY State Country Club and the Green Mountain Country Club send out quarterly newsletters to each member. The first quarter the stands are open a 300 word article about the SBDC Lemonade Stand will be featured in both newsletters. A picture of the stands on the ninth holes will be included in the article. This publicity is at no cost to the business. For the next quarter a small advertisement with the SBDC Lemonade Stand Logo, tag line “Quench Your Thirst at 9!” and product prices will be in both newsletters. This advertisement will cost \$20 per quarter for the NY State Country Club. Data collected from the NY State Country Club newsletter staff suggests that 65% of the members read the newsletter. Based on this information 975 people from the target market at this location would see the advertisement. The Green Mountain Country Club newsletter advertisement will cost \$25 per quarter. The newsletter staff at this location believes that 70% of the members read the newsletter. Therefore, this advertisement would reach 1,400 potential customers in our target market.

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In addition to the location signage and the advertisement in the newsletter, the SBDC Lemonade Stand also purchased the beverage napkins for the clubhouse at both locations. For \$30 per month at the NY State Country Club, all beverages at the clubhouse will be served with cocktail napkins imprinted with the SBDC Lemonade Stand logo and the tag line, “Quench Your Thirst at 9!” The beverage napkins can be expected to reach the average 100 potential customers per weekend day, which the NY State Club House attracts. At the Green Mountain Country Club it will cost \$35.00 per month for napkins, which will reach on average 150 potential customers per weekend day.

A similar marketing strategy will be used during year two of operations for the franchisee, Mary Ann, at The Moon Valley Country Club.

Operational Details

The SBDC Lemonade Stand is a part-time business venture. The partners will store the portable carts at their garage and bring them to the NY State Country Club and Green Mountain Country Club on Saturday and Sunday mornings. Both country clubs are charging \$25/month rent from May until October for the use of space to set up the lemonade stands. Set up will take less than one half hour. At the NY State Country Club, the cart will be operational by 6:30 AM, to greet the first players in line for a tee-off and will remain open until 6:00 PM. At the Green Mountain Country Club, the cart will be operational by 6:00 AM for the first tee time. This stand will stay open until 5:30 PM.

The SBDC Lemonade stands will be run by the partners and two other part time employees. Thurston Howell will bring the cart each day to the NY State Country Club. Lovie Howell will bring the cart to the Green Mountain Country Club. The partners will set up the stands and operate them until 12:00 PM on Saturdays and Sundays. At noon, the two part-time employees will take over the stands until each stand closes at the second to last tee time. After the stand is cleaned and closed down by the part-time employees, the owners will come back to each location to put the carts in storage.

Break down of operations requires only the cleaning and sanitation of the shaker cups and juicer, which can be completed in less than 15 minutes. The cart is on wheels and will fold together and lock on the side for easy transporting on and off the golf course.

The process of making the lemonade is fairly simple and requires slicing a fresh lemon in half. The lemon is then squeezed using a special juicer into a cup that contains ice, sugar and water. A shaker lid is then applied and the cup is vigorously shaken for about 10 seconds. Overall the process takes less than 15 seconds.

The pretzels are frozen and will need to be put in the pretzel warmer first thing each morning. It will take a half hour of set up to thaw the pretzels to be ready to serve. At the point of purchase the customer will have the option for the pretzel to be salted. To salt the pretzel, water from a spray bottle is misted on to the pretzel and then the pretzel will be pressed into a container of salt.

Cash transactions will be recorded on a 10-department, Royal Cash Register and bookkeeping of

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operations will be maintained using an Excel Spreadsheet Program, created by the Thurston Howell. A business checking account will be maintained with Flagstaff Bank. A Corporate American Express card will be utilized strictly for SBDC Lemonade Stand purchases to provide an additional 30 days of cash flow and allow for easier tracking of business expenses.

Management/Personnel

SBDC Lemonade Stand is a Partnership. Lovie Howell has more than 20 years of experience in the Food and Beverage industry. Together Thurston and Lovie Howell created this concept to generate supplemental income while in retirement. The Howells are both available to do the bookkeeping during the week and operate the stand on the weekends with the help of two employees. After the first year of operations the partners will stop working the stands completely and focus their efforts on franchising the business.

The two part-time employees will have the same job tasks of operating the stand. The two employees will likely be the Howell's grand children age 16 and 17. They will both be paid \$9.00 an hour. Customer Service skills will be important to selling the product. The partners will train their employees on these skills by operating the stands with them during the first week. Both of the part-time employees will work from 12:00 PM on Saturdays and Sundays until the close of each stand.

Using Lovie Howell's experience in the food and beverage industry and Thurston's banking knowledge, they have created a simple model for generating extra revenue that will be franchised.

Financial Assumptions

The cost of setting up each stand will be about \$10,000. An initial quote received from a vendor offered an under counter refrigerator, two counter mounted lemon juicers, and shaker cup accessories for \$4,000 for an NSF (National Sanitary Foundation) certified stand. An additional \$150 is needed for each pretzel warmer that will be purchased through the same vendor.

A loan for \$9,000 will be obtained to cover the cost of the two stands and two pretzel warmers. The loan will be paid back in 36 months, with a 6% interest rate. The additional \$11,000 needed for start-up will be invested by the Howells from their savings.

Fresh squeezed lemonade will sell for \$2.00 a cup, filtered ice water will sell for \$1.00 a cup, and the pretzels will sell for \$2.00. The lemonade will cost \$0.25 per cup to produce including the cup, lemons, ice, sugar, and filtered water. The filtered ice water will cost the partners \$0.15 per cup and the pretzel will cost \$0.50. A profit of \$1.75 per lemonade, \$0.85 per filtered water, and \$1.50 per pretzel will be generated.

For the purposes of this plan, initial year's sales were based on selling approximately 400 cups of

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lemonade, 200 cups of filtered water, and 75 pretzels per operating day for the first year. For the second year, estimated sales are 500 cups of lemonade, 300 cups of filtered water, and 100 pretzels per operating day. The seasonal operating year is six months, May through October.

The initial franchise agreement with Mary Ann during year two of operations will cost the SBDC Lemonade Stand \$4,500 to purchase the lemonade stand, pretzel warmer, and sign. Mary Ann will pay \$6,500 initially for the franchise agreement, resulting in a \$2,000 profit for the business. Additional royalties based on 10% of sales from the franchise agreement with Mary Ann is estimated to be \$540 per month. The franchisee is estimated to sell 200 cups of lemonade, 100 cups of filtered water, and 50 pretzels per operating day during the first year.

The short range goal for the business is to generate an additional \$20,000 per year in net income. The long range goal is to establish a simple, franchised model that can generate over \$100,000 in annual revenues from sale of licensed equipment and supplies (a separate business plan will be created for the franchising model).

Source & Use of Funds

It is expected that \$20,000 in start up capital is needed for the SBDC Lemonade Stand. The partners will invest \$11,000 from savings and apply for a small business loan for the remaining \$9,000 needed.

The funds will be utilized as follows:

\$20	Furniture and Fixtures (two stools)
\$8,300	Equipment (2 Lemonade Stands and 2 Pretzel Warmers)
\$1,642	Initial Inventory
\$2,455	Prepaid Expenses (Advertising, supplies, permits, etc.)
\$7,383	Budgeted opening cash balance for working capital

The working capital balance is expected to cover the first few months of negative cash flow until the summer season begins. It is expected that working capital can cover over a 7 months worth of operating expenses and debt service, if officer's salaries are removed.

Exit Strategy

All business ventures include inherent risks and the SBDC Lemonade Stand is not immune to the various threats in a free enterprise economy. However, the owner of this venture has calculated these risks. In a worst case scenario where operating revenues fall short of operational expenses, the partners will cease operations and sell the remaining assets (mainly the lemonade stands). It is estimated that a worst case loss scenario would cost less than \$5,000, which the owner can make up with other supplemental employment.

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SBDC Lemonade Stand Break Even Analysis (Based on First Year)

Fixed Costs	
Advertising	675.00
Legal & Professional	-
Dues, Membership, Training	2,000.00
Maintenance and Repairs	-
Officer Salaries	12,000.00
Payroll	4,968.00
Payroll Taxes	596.16
Supplies	100.00
Telephone	360.00
Utilities	150.00
Workmen's Comp	-
Debt Service	3,285.60
Total Fixed Costs	\$24,134.76
Variable Costs (as a % of revenues)	
Food Costs	17.83%
Total Variable Costs	17.83%
Breakeven Amount	\$29,370.34 Per Year

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SBDC Lemonade Stand Balance Sheet At Time of Loan

Assets:	
Cash	7,383
Accounts Receivable	-
Inventory	1,642
Total Current Assets	\$9,025
Real Estate (Land and Building Value)	-
Furniture & Fixtures	20
Building Improvements	200
Equipment	8,300
Less: Accumulated Depreciation	-
Total Fixed Assets	\$8,520
Intangible Assets	-
Refundable Deposits	-
Prepaid Expenses	2,455
Total Assets	\$20,000
Liabilities:	
Current Portion of Liabilities	3,286
Additional Credit Lines	
Accounts Payable	
Other Current Liabilities	
Total Current Liabilities	\$3,286
Long Term Liabilities	5,714
Other Liabilities	
Total Long-Term Liabilities	\$5,714
Total Liabilities	\$9,000
Equity:	
Opening Balance Equity	11,000
Retained Earnings/(Losses)	0
(Minus Owner Draws/Shareholder Div.)	-
Current Net Worth	\$9,000
Total Liabilities and Net Worth	\$20,000

MATURE ENTREPRENEUR PLANNING GUIDE

SBDC Lemonade Stand
Cash Flows Statement
Year 1

	JAN	FEB	MAR	ARR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Totals
Cash Balance	7,383	4,079	2,775	1,472	168	5,067	10,305	15,544	20,738	25,977	31,216	29,912	38,400
Lemonade Income					6,400	6,400	6,400	6,400	6,400	6,400			9,600
Filtered Water Income					1,600	1,600	1,600	1,600	1,600	1,600			7,200
Pretzel Income					1,200	1,200	1,200	1,200	1,200	1,200			55,200
Income Subtotal	-	-	-	-	9,200	9,200	9,200	9,200	9,200	9,200	-	-	-
Cost of Goods													
Lemonade Costs					800	800	800	800	800	800			4,800
Filtered Water Costs					240	240	240	240	240	240			1,440
Pretzel Costs					600	600	600	600	600	600			3,600
Total Cost of Goods	-	-	-	-	1,640	1,640	1,640	1,640	1,640	1,640	-	-	9,840
Operating Expenses													
Advertising					255	15	15	60	15	15			375
Dues, Membership, Training	2,000												2,000
Officer Salaries	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Payroll					828	828	828	828	828	828			4,968
Payroll Taxes					99	99	99	99	99	99			596
Rent					50	50	50	50	50	50			300
Supplies					100								100
Telephone	30	30	30	30	30	30	30	30	30	30	30	30	360
Utilities					25	25	25	25	25	25			150
Workmen's Comp													-
Debt Service	274	274	274	274	274	274	274	274	274	274	274	274	3,286
Total Operating Expenses	3,304	1,304	1,304	1,304	2,661	2,321	2,321	2,366	2,321	2,321	1,304	1,304	24,135
Beginning Inventory	1,642	1,642	1,642	1,642	1,642	1,642	1,642	1,642	1,642	1,642	1,642	1,642	
Ending Inventory	1,642	1,642	1,642	1,642	1,642	1,642	1,642	1,642	1,642	1,642	1,642	1,642	
Cash Balance	4,079	2,775	1,472	168	5,067	10,305	15,544	20,738	25,977	31,216	29,912	28,608	
Net Cash Flow	(3,304)	(1,304)	(1,304)	(1,304)	4,899	5,239	5,239	5,194	5,239	5,239	(1,304)	(1,304)	21,225

*In U.S. Dollars

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APPENDIX A

SBDC Lemonade Stand Proforma Profit & Lost Statement Year 1

Income		
Lemonade	38,400.00	
Filtered Water	9,600.00	
Pretzels	7,200.00	
Total Sales	\$55,200.00	100.0%
Cost of Sales		
Lemonade	4,800.00	
Filtered Water	1,440.00	
Pretzels	3,600.00	
Total Cost of Goods	\$9,840.00	17.8%
Gross Profit	\$45,360.00	82.2%
Operating Expenses		
Advertising	375.00	1.2%
Legal & Professional	-	0.0%
Dues, Membership, Training	2,000.00	3.6%
Rent	300.00	0.0%
Officer Salaries	12,000.00	21.7%
Payroll	4,968.00	9.0%
Payroll Taxes	596.16	1.1%
Supplies	100.00	0.2%
Telephone	360.00	0.7%
Utilities	150.00	0.3%
StartUp Non-Recurring Expenses	2,455.00	4.4%
Total Operating Expenses	\$23,304.16	42.2%
Net Income Before Depreciation & Interest	\$23,410.84	
Depreciation	1,704.00	3.1%
Interest	463.22	0.8%
Net Income	\$19,888.62	36.0%

MATURE ENTREPRENEUR PLANNING GUIDE

APPENDIX A

SBDC Lemonade Stand Balance Sheet End of Year 1

Assets:	
Cash	28,608
Accounts Receivable	-
Inventory	1,642
Total Current Assets	\$30,250
Real Estate (Land and Building Value)	-
Furniture & Fixtures	20
Building Improvements	200
Equipment	8,300
Less: Accumulated Depreciation	(1,704)
Total Fixed Assets	\$6,816
Intangible Assets	-
Refundable Deposits	-
Prepaid Expenses	-
Total Assets	\$37,066
Liabilities:	
Current Portion of Liabilities	3,286
Additional Credit Lines	-
Accounts Payable	-
Other Current Liabilities	-
Total Current Liabilities	\$3,286
Long Term Liabilities	2,892
Other Liabilities	-
Total Long-Term Liabilities	\$2,892
Total Liabilities	\$6,178
Equity:	
Opening Balance Equity	11,000
Retained Earnings/(Losses)	19,889
(Minus Owner Draws/Shareholder Div.)	-
Current Net Worth	\$30,889
Total Liabilities and Net Worth	\$37,066

MATURE ENTREPRENEUR PLANNING GUIDE

SBDC Lemonade Stand Cash Flows Statement

Year 2

	JAN	FEB	MAR	ARR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Totals
Cash Balance	28,608	29,844	29,081	28,317	27,553	32,864	40,315	47,767	55,173	62,624	70,075	69,311	48,000
Lemonade Income					8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	96,000
Filtered Water Income					2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	28,800
Pretzels Income					1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	19,200
Franchisee Income - Mary Ann	6,500												6,500
Royalties Income from Mary Ann	540	540	540	540	540	540	540	540	540	540	540	540	6,480
Income Subtotal	7,040	540	540	540	12,540	12,540	12,540	12,540	12,540	12,540	12,540	540	84,980
Cost of Goods													
Lemonade Costs					1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Filtered Water Costs					360	360	360	360	360	360	360	360	4,320
Pretzels Costs					400	400	400	400	400	400	400	400	4,800
Cost of Franchisee Mary Ann	4,500												4,500
Total Cost of Goods	4,500	-	-	-	1,760	1,760	1,760	1,760	1,760	1,760	1,760	-	15,060
Operating Expenses													
Advertising					55	15	15	60	15	15	15	15	175
Legal & Professional													
Dues, Membership, Training					2,000								2,000
Officer Salaries	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Payroll					1,728	1,728	1,728	1,728	1,728	1,728	1,728	1,728	20,736
Payroll Taxes					207	207	207	207	207	207	207	207	2,484
Rent					50	50	50	50	50	50	50	50	600
Supplies					100								100
Telephone	30	30	30	30	30	30	30	30	30	30	30	30	360
Utilities					25	25	25	25	25	25	25	25	300
Workmen's Comp													
Debt Service	274	274	274	274	274	274	274	274	274	274	274	274	3,286
Total Operating Expenses	1,304	1,304	1,304	1,304	5,469	3,329	3,329	3,374	3,329	3,329	1,304	1,304	29,981
Beginning Inventory	1,642	1,642	1,642	1,642	1,642	1,642	1,642	1,642	1,642	1,642	1,642	1,642	1,642
Ending Inventory	1,642	1,642	1,642	1,642	1,642	1,642	1,642	1,642	1,642	1,642	1,642	1,642	1,642
Cash Balance	29,844	29,081	28,317	27,553	32,864	40,315	47,767	55,173	62,624	70,075	69,311	68,548	
Net Cash Flow	1,236	(764)	(764)	(764)	5,311	7,451	7,451	7,406	7,451	7,451	(764)	(764)	39,939

* In U.S. Dollars

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APPENDIX A

SBDC Lemonade Stand Proforma Profit & Lost Statement Year 2

Income		
Lemonade	48,000.00	
Filtered Water	14,400.00	
Pretzels	9,600.00	
Franchisee Income from Mary Ann	6,500.00	
Royalties from Mary Ann	6,480.00	
Total Sales	\$84,980.00	100.0%
 Cost of Sales		
Lemonade	6,000.00	
Filtered Water	2,160.00	
Pretzels	2,400.00	
Cost of Franchisee Mary Ann	4,500.00	
Total Cost of Goods	\$15,060.00	17.7%
 Gross Profit	 \$69,920.00	 82.3%
 Operating Expenses		
Advertising	375.00	0.6%
Legal & Professional	-	0.0%
Dues, Membership, Training	2,000.00	2.4%
Rent	300.00	0.0%
Officer Salaries	12,000.00	14.1%
Payroll	10,368.00	12.2%
Payroll Taxes	1,242.00	1.5%
Supplies	100.00	0.1%
Telephone	360.00	0.4%
Utilities	150.00	0.2%
Total Operating Expenses	\$26,695.00	31.4%
 Net Income Before Depreciation & Interest	 \$43,225.00	
Depreciation	1,704.00	2.0%
Interest	289.15	0.3%
 Net Income	 \$41,231.85	 48.5%

MATURE ENTREPRENEUR PLANNING GUIDE

APPENDIX A

SBDC Lemonade Stand Balance Sheet End of Year 2

Assets:	
Cash	68,548
Accounts Receivable	-
Inventory	1,642
Total Current Assets	\$70,190
Real Estate (Land and Building Value)	-
Furniture & Fixtures	20
Building Improvements	200
Equipment	8,300
Less: Accumulated Depreciation	(3,408)
Total Fixed Assets	\$5,112
Intangible Assets	-
Refundable Deposits	-
Prepaid Expenses	-
Total Assets	\$75,302
Liabilities:	
Current Portion of Liabilities	3,181
Additional Credit Lines	-
Accounts Payable	-
Other Current Liabilities	-
Total Current Liabilities	\$3,181
Long Term Liabilities	0
Other Liabilities	-
Total Long-Term Liabilities	\$0
Total Liabilities	\$3,181
Equity:	
Opening Balance Equity	11,000
Retained Earnings/(Losses)	61,120
(Minus Owner Draws/Shareholder Div.)	-
Current Net Worth	\$72,120
Total Liabilities and Net Worth	\$75,302

MATURE ENTREPRENEUR PLANNING GUIDE

APPENDIX B

Explanation on the Break-Even Point

Break-even analysis is an important preliminary tool to analyze the feasibility of a business. The break even point is where the business is operating at neither a profit nor a loss, it has broke even. To determine the break even point one should understand contribution margin. Contribution margin is the amount remaining from each sale after all variable expenses have been deducted.

Business expenses fall into two categories, variable costs and fixed costs. Variable costs are expenses that are incurred every time you make a sale. Variable expenses are sometimes referred to as cost of sales or cost of goods. Fixed costs are expenses that the business will incur whether a sale is made or not. In our Lemonade Stand business plan, the variable costs would be for things like the cups, the water, lemon, sugar and pretzels. Those only need to be purchased if lemonade and pretzels are being sold. Fixed costs would be for things like rent, advertising and insurance. Those need to be paid whether lemonade is sold or not.

The break-even point is computed by taking the fixed expenses and dividing that number by the contributions margin if you want to figure how many units need to be sold to cover fixed costs. You can also compute a break-even analysis by dividing the fixed costs by the contribution margin ratio if you have different products of sales with different contribution margins.

$$\text{Contribution Margin} = \text{Sales Revenue of Unit} - \text{Variable Expenses of Unit}$$

$$\text{Contribution Margin Ratio} = 1 - (\text{Total Cost of Variable Expenses on Sales} / \text{Total Sales})$$

So two formulas for a Break-even analysis are:

$$\text{Break Even Sales in Units} = \frac{\text{Fixed Costs}}{\text{Sales Revenue of Unit} - \text{Variable Expenses of Unit}}$$

$$\text{Break Even Sales in Dollars} = \frac{\text{Fixed Costs}}{1 - (\text{Variable Costs} / \text{Sales Revenues})}$$

Using the example of the SBDC Lemonade Stand in the sample business plan:

Total Fixed Costs: \$24,134.76

Total Variable Costs: \$9,840.00

Total Sales Revenues: \$55,200.00

The Contribution Margin of Lemonade can be computed by taking the \$2.00 per cup of lemonade and subtracting the variable costs for that cup of lemonade, which was computed at \$0.25. So the contribution margin for lemonade is \$1.75.

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APPENDIX B

Therefore, the Breakeven in units can be computed as follows:

$$\text{Break Even Sales in Units} = \frac{\text{Fixed Costs}}{\text{Sales Revenue of Unit} - \text{Variable Expenses of Unit}}$$

$$\text{Break-Even Sales in Units} = \frac{\$24,134.76}{(\$2.00 - \$0.25)}$$

Break-Even Sales in Units = 13,791 (rounded) cups of lemonade to cover annual fixed costs. Since they are going to be operating about 48 days in their first year (Six months of operations, Saturdays and Sundays only), they would have to sell 297 cups of lemonade to break-even.

Yet, the Howell's are selling a number of different products. They hope their average customer will buy both a cup of lemonade and a pretzel. With the different contribution margins for these products, they decide they would like to know what their break-even point is in dollar sales. We can help them compute this by looking at their sales projections to get an idea of their contribution margin ratio:

$$\text{Break Even Sales in Dollars} = \frac{\text{Fixed Costs}}{1 - (\text{Variable Costs} / \text{Sales Revenues})}$$

$$\text{Break-even in Sales Dollars} = \$24,134.76 / 1 - (\$9840.00/\$55,200.16)$$

This computes out to \$29,370.34 in sales to achieve their Break-even point in dollars. We can take this projection to the next level by assuming that the average customer purchase is going to include one cup of lemonade for \$2.00 and one pretzel for \$2.00, resulting in \$4.00 in Sales Revenue per customer.

$$\$29,370.34 / \$4 = 7,342.59$$

Approximately 7,343 customers are needed annually to break-even. Using the same 48 operating days for their first operating year, they would need to serve about 153 customers who purchase both a pretzel and a cup of lemonade for them to break-even.

A break-even analysis is probably one of the best tools for analyzing the feasibility of a project. It can sometimes get complex, depending on your particular business model. If you would like support developing a break-even analysis for your business plan, contact an Advisor at your local NYS SBDC for assistance.

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APPENDIX C

Related Websites

AARP – www.aarp.org

AARP is a membership organization leading for people age 50 and over. AARP's Retirement calculator can help individuals determine financial needs for living, go to: www.aarp.org/bulletin

BizStarters – www.bizstarters.com

Since 1988, business start-up coaching and training for Boomers seeking to be independent business owners.

BizFilings – <https://bizfilings.com>

BizFilings is committed to helping entrepreneurs and small business owners learn about incorporating online and benefits, as well as helping them easily and affordably undertake this important business step without sacrificing quality.

WomensBiz – www.womensbiz.us

This website provides meaningful, up-to-the-minute information about women in business to women in business.

Small Business Boomers – www.smallbusinessboomers.com

National Association of the Self Employed (NASE) – <http://www.nase.org/Home.aspx>

NASE is the nation's leading resource for the self-employed and micro-businesses, bringing a broad range of benefits to help entrepreneurs succeed.

To calculate Small Business Loans and Amortization Schedule –

<http://smallbusiness.businessmart.com/small-business-loan-calculator.php>

Baby Boomer Magazine – www.babyboomer-magazine.com

Has a section on retirement businesses and provides news articles related to the baby boomer generation.

Small Business Trends – <http://smallbiztrends.com>

Small Business Trends is an award-winning comprehensive online publication for small business owners, entrepreneurs and the people who interact with them.

Franchise Handbook – www.franchisehandbook.com

The website provides access to the most comprehensive and up-to-date database of franchises available.

American Institute of Certified Public Accountants – www.aicpa.org

NYS Bar Association – www.nysba.org

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Federal Government Websites

Department of Labor Small Business Resource Center – www.dol.gov/osbp/sbrefa/main.htm

Federal Trade Commission – www.ftc.gov/bcp/business.shtm

Internal Revenue Service – www.irs.gov

Occupational Safety & Health Administration – www.osha.gov

U.S. Patent and Trademark Office (UPTO) – www.uspto.gov/inventors/

U.S. Small Business Administration – www.sba.gov

NYS Government Websites

NYS Department of Labor – www.labor.state.ny.us

NYS Online Permit Assistance and Licensing – www.nys-opal.com

NYS Small Business Development Center – www.nyssbdc.org

NYS Taxation and Finance – www.tax.state.ny.us

NYS Workers Compensation Board – www.wcb.state.ny.us



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APPENDIX D

Suggested Reading

Encore: Finding Work that Matters in the Second Half of Life

by Marc Freeman

Paperback: 272 pages

Publisher: PublicAffairs (August 25, 2008)

ISBN-10: 1586486349

This book contains stories of encore career pioneers who are working not only for continued income, but for the chance to do work that is meaningful. As their numbers begin to swell, these individuals hold the potential to transform work in America—and create a society that works better for everyone.

The Second Chance Revolution: Becoming Your Own Boss After 50

by David L Carroll and Ed Rogoff

Paperback: 258 pages

Publisher: Rowhouse Publishing (November 1, 2009)

ISBN-10: 0979152291

This guide provides targeted information about the legal, financial, administrative, technological, psychological, and family concerns specific to entrepreneurship after the age of 50. With an enlightening combination of real-world advice and relatable examples, this planner provides readers aged 50 and older with the tools to evaluate both their personal and business opportunities, and helps them make better choices. Among the topics covered are how to select the entrepreneurial activity best suited to current finances, time constraints, personal goals, family situation, and temperament; how to avoid the 10 most common over-50 entrepreneurial mistakes; how to get a business up and running smoothly and keep it that way; and how to determine whether a franchise opportunity is a wise option.

Turning Silver into Gold: How to Profit in the New Boomer Marketplace

by Mary Furlong

Hardcover: 304 pages

Publisher: FT Press (February 10, 2007)

ISBN-10: 0131856987

In this book, the world's number one authority on marketing to "post-50" baby boomers offers a complete blueprint for profiting from that opportunity. Dr. Mary Furlong reveals breakthrough product and service opportunities, and gives you the tools, resources, techniques, and data you need to capitalize on them. Throughout, Furlong combines extensive, authoritative market research with inspirational stories about passionate, tenacious entrepreneurs and brand leaders who are blazing new trails in these fast-growing markets. Five trends shaping the next baby boomer revolution are: global markets, longevity, lifestage transitions, technology, and spirituality.

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APPENDIX D

Prime Time: How Baby Boomers Will Revolutionize Retirement And Transform America

by Marc Freedman

Paperback: 304 pages

Publisher: PublicAffairs; illustrated edition edition (March 20, 2002)

ISBN-10: 1586481207

A positive assessment that ‘boomer’ retirees will act as civil society change agents is illustrated through first-person accounts of the ways in which retirees are altering their own lives and those of their communities.

Retire - And Start Your Own Business: Five Steps to Success

by Dennis Sargent and Martha Sargent

Paperback: 336 pages

Publisher: NOLO (May 1, 2008)

ISBN-10: 1413307655

This book with its accompanying CD is a five step guide to choosing and starting your business. The author uses examples, anecdotes and short, simple exercises to help the reader work through all the important considerations in starting a business.

Baby Boomers Official Guide to Retirement Income

by Stan Spector

Paperback: 128 pages

Publisher: Dog Ear Publishing, LLC (June 2007)

ISBN: 1598583425

This book will tell you the truth about starting a business in your retirement years; the ups and the downs, the problems and the fun that you will encounter. It warns you about some of the novice mistakes people make. It offers hundreds of business ideas including part-time and seasonal, home-based, and low equipment businesses that focus on maximizing your success.

The Accidental Entrepreneur: The 50 Things I Wish Someone Had Told Me about Starting a Business

By Susan Urquhart Brown

Paperback: 192 pages

Publisher: AMACOM (May 26, 2008)

ISBN-10: 0814401678

The author offers the self-employed an invaluable edge, by sharing foolproof guidance she wishes someone had shared with her when she was starting out on her own. For those who are just beginning, as well as those who want to take their organization to the next level, she offers real-world advice on what works and what doesn't-from marketing tips and business-building advice to ways to avoid burnout.

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