

TOP 10 WAYS TO AVOID “START UP” HICCUPS:

1. *Love it versus live it??* You have the skills and passion for growing plants, but does that mean you will find success as the owner of a retail nursery business? Is your interest at the “hobby” level or are you interested in offering a product or service that you can develop into a means of support for you and/or your family. How much risk are you comfortable with? Are you willing to wear the many “hats” of a business owner? Can you deal with the added stresses on a day to day basis?
2. *Have you developed a REALISTIC business plan?* Have you visited other similar businesses and talked with those business owners- what are their biggest challenges- availability of suitable labor, collection of receivables, the seasonality of cash flow, slim profit margins? Is there true demand in the area for the service you will offer or the product you will produce?
3. *Does the proforma in your business plan include a start-up/transition period?* Consider the time of year you will open for business and seasonality issues. Prepare your projections pessimistically- hopefully you will be pleasantly surprised with the real performance! Fully assess your financial needs including the line of credit to provide temporary credit for short term cash flow deficits and long term needs for equipment purchases, etc. If buying an existing business ask for 3-5 years of historical data and assess the trends- what changes can you make that will impact these?? How much does the owner contribute to the current success of the business- can you replace this??
4. *Set up your support team early!* Assess your strengths and weakness and fill in the gaps. Do you hate “bookwork” – then find someone to set up a good book keeping system and help maintain it. Common team members for startup businesses would include a CPA, legal advisor, banker or financial advisor, insurance advisor, and technical advisor. As you grow, other needs will arise- develop good relationships with your team of advisors- if they are not meeting your needs, change.
5. *What form of business organization suits you?* Can you operate as a sole proprietor or do you need the protections and benefits of operating as an entity, such as a LLC or s-corporation? Carefully assess partnerships. Consult with your legal advisor as to the entity type that will be most beneficial for you.
6. *Liquidity is important!* It helps you get into business but also helps you stay there; it has a tremendous effect on management’s flexibility. What will your initial capital investment need to be? 15%, 20%, 50%?? More is better! How much do you need to maintain in your operating account? Do you have a savings to address the “unexpected?”

7. *Initially the business probably won't produce a profit or provide you with a paycheck – can you live with this?* Realistically assess your living needs – don't ignore your personal debts. Do you need to continue with your current employment for the income and/or the benefits it provides; can you start the business on a “part-time” basis? Do what is necessary to maintain a good credit history- this will impact your ability to secure credit. A beacon of 700 or better is desired.
8. *Unless you are financially independent, developing a good relationship with your banker is important.* Grants are limited; you will probably need to qualify for credit. During your initial visit, introduce yourself, briefly present your business plan, provide 2-3 years of personal tax returns, a personal financial statement, and if you are buying another business, provide 3-5 years of financial or returns showing its historical performance. At your follow-up visit, listen. If they can't help you immediately- identify the deficiencies and work toward fixing them- realize this is a process.
9. *What factors does your banker consider??*
 - a. Does the combined personal/business cash flow picture project adequate debt service coverage?? 120% or better??
 - b. Most business loans are personally guaranteed by the business owner(s). Does the owner have the financial strength to become a business owner- what do they contribute to the overall strength of the credit in terms of their net worth, liquidity, credit history, stability of “other income?”
 - c. Is adequate/suitable collateral available?? Will the proposed purpose, rates and terms comply with bank policy?
 - d. Others!
10. *Once you are underway- track your progress consistently!* Read your records regularly and understand what they are telling you. Access your stage of growth and revise your business plan accordingly- set goals at least annually. Know your costs! Maintain adequate liquidity. Use fraud protection tools! Communicate regularly with your support team!