



Business ownership as an alternative to employment

You have options

Over half of Americans say they hope to one day own a business, but less than 5% ever do anything about it. This guide is a must-read for anyone who has ever thought about being a business owner.

careerzition.com

Shorten your Career Transition

Business Ownership as an Alternative to Employment

Explore Your Options

You've reached a crossroad in your career. Even if you're not here by choice, this could be an excellent time to explore options you may not have considered—specifically, the option of business ownership. You're probably thinking, "What? Start a business *now*?" And certainly, if you are unemployed, the idea of starting a business may seem daunting but, in reality, it's not nearly as far-fetched as it sounds. In this resource guide, we'll present an overview of different ways you can become a business owner.

Is Business Ownership for Me?

Business ownership is a liberating alternative to employment. It offers independence, control, and a vehicle by which you can achieve your goals. Operating a business is no small feat, however—it requires commitment and an investment of both time and money. Before you embark on this long and arduous journey, there are a few questions you should consider:



- What do you hope to achieve?
- What role will you play in the business?
- What skills are you lacking and how will you acquire them for the business?
- How much money do you need to make to cover your living expenses each month and how will you subsidize that while getting the business off the ground?
- Business moves fast. Do you have the ability to make sound decisions quickly?
- Do you have the support of your spouse or significant other?

If you've asked yourself these questions and the idea of owning a business seems manageable, we invite you to read below to explore your options.

Common Ways of Opening a Business

There are three fundamental ways to approach business ownership:

1. **Start a business from scratch:** This option is great for someone who has a detailed vision for a specific business, and wants to see it come to fruition. If executed correctly, this can be the least expensive option for business ownership. There are always unanticipated expenses involved in opening a business, however, and inevitably you will make mistakes. Make sure to budget for the unexpected.
2. **Buy an existing business:** Buying an existing business is another option—if you have the cash. The advantages are plentiful: there is a business model already in place, an existing storefront, and possibly a long line of established customers and suppliers. Not to mention, it can be easier to secure financing on an existing business, since the company has a proven performance history it can reference. The

Business Ownership as an Alternative to Employment

disadvantage to buying your own business is that finding a suitable business can take a great deal of time. Always question why the owner is selling, ask to see the books, and don't commit to a purchase until you have a full understanding of what the business is worth. You'll need an attorney and a CPA to help you in this process.



3. **Open a franchise:** When you purchase a franchise, you are paying for a proven business model whose name will often have immediate brand recognition. Franchises cover approximately 72 different industries and reach far beyond the fast food models that people often first think of when they think of franchises. They also range from big name brands like McDonald's and Subway, to smaller, newer brands like SuperCoups and Snap Fitness.

You can start a franchise in almost any area of business, from hotels to portable storage companies. With franchising, expect to pay an initial fee and ongoing royalty. In exchange, you will be trained and given support on a continuing basis. The franchise will often provide marketing assistance, customer call centers, and vendor support—which ultimately make your life easier, and allow you time to run your business.

One disadvantage to this system is that, although it is easier from an ownership perspective, you are often sacrificing control. When you purchase a business, you are expected to follow the operating standards and rules set by the franchise. Before you commit to a company, make sure you do your homework.

Financing a Business

There are a variety of ways to finance your small business. Since everyone has a unique financial situation as well as individual goals and risk tolerances, you will need to do your homework to understand what options work best for you. Consulting your accountant and financial advisor is important so that you can understand the implications of the different options on your particular situation.



- **Self Funding Options:** Self funding means just that, you are going to fund the business from resources you have available. Those resources could include savings, stocks, and life insurance. They may also include using your 401K/IRA.
- **Home Equity:** Home equity loans or lines of credit remain a possible option for individuals who qualify and have enough equity in their home. You need to understand the ramifications of using home equity. The interest rates for home equity loans or lines of credit are often lower than business loans.

Business Ownership as an Alternative to Employment

- **SBA Loans:** It is important to understand that the Small Business Administration (SBA) does not actually loan money. So when people talk about an “SBA Loan” what they are really talking about is a loan that is made by an SBA approved lender (typically a bank) and the SBA guarantees the loan. There have been a variety of changes recently made to SBA lending programs; for more information about the SBA, visit www.SBA.gov. There are a variety of different SBA loan packages and the rates and terms vary. To obtain an SBA loan you will need to work through a local SBA approved bank. They will be able to help you understand the various requirements.
- **Business Loans:** It is also possible to obtain lending from a bank that it is not guaranteed by the SBA. If you are contemplating obtaining a bank loan, I often suggest visiting a bank that you already have an existing relationship with. I also suggest visiting with smaller community banks as they are often more willing to loan money for start up ventures. Larger banks will often not loan money for start ups. They will want to see a detailed business plan and they may have additional requirements. Its often beneficial to have an initial consultation with the business banker so that you can understand what kind of documentation they want and what format they want it in.

Additional Resources on Small Business Ownership:

- SCORE is a nonprofit association dedicated to educating small business owners and would-be entrepreneurs. With offices around the country, SCORE offers 24/7 mentoring and low-cost workshops, as well as a variety of “how to” articles and business templates. Let SCORE assist you at www.SCORE.org.
- The United States Small Business Administration offers a variety of resources, including a small business planner, podcasts, and information on business-related laws and regulations. The SBA also provides an index to local small business experts in your area. Take advantage of this government resource at www.SBA.gov.
- The Entrepreneur’s Source offers coaching and consulting on identifying business ownership options that will help you to reach your goals. You can find other helpful articles and blogs at www.e-sourceva.com.

To learn more about business ownership as an alternative to employment, register for a free webinar at Careerzition.com.

Email Robin Smith at robin@e-sourceva.com.