

MAP YOUR OWN ROAD TO THE FUTURE...

It has always been said that the only way to make real money is to work for yourself, and for the most part this statement is true. The real advantage of working for yourself is that you are the master of your own destiny and reap the rewards of your hard work. Of course the corollary to keeping all the returns is that you also take all the risk.

At present it is a relatively difficult time to start your own business, bank credit is very tight and access to cash restricted. However difficult conditions are often the best motivators particularly with redundancy - a redundancy payment can provide the necessary capital to start a new business. A slowing market may also inspire you to investigate other business streams if the potential in the current market is starting to diminish.

Whatever the rationale for wanting to start your own business there are a number of key issues and considerations which need to be examined:

1. It is vitally important that you have a **strategy**. This will detail how the business will succeed. This strategy should be explained in your business plan, including an overview of the business and how it will work. Information in your business plan should include:
 - Details of your product or service
 - Market research e.g. who is going to buy it
 - Pricing strategy - what price will it sell for and why
 - Competitor analysis - who are your competitors
 - Summary of the key stakeholders in the business
 - Financials - how the business is likely to be financed; financial projections of potential revenues and expenses the company is likely to incur over a five year period.
2. The lifeblood of any business is its **cashflow** and you need to ensure that you have sufficient access to cash to make your business viable. It is very likely that you will need a reserve of cash in place as any supplemental funding will usually only be granted on the basis that you bring some funding to the business yourself. Finance can be obtained from many sources, but generally breaks down into three categories. You may look for finance from the banks. You may try to source grant funding from agencies such as Enterprise Ireland. Thirdly you may source an investor to take an equity stake - either an individual investor or a corporate investor such as BES investment or funding from venture capital sources. A detailed and professional business plan is the first step in attracting investment from any source.
3. **Structuring your business correctly** is vitally important. This may mean operating as a sole trader, through a partnership or a company. There are advantages and disadvantages of each, but usually the correct structure for your business will be determined by the nature of the business and the parties involved. There may also be supplemental legal agreements which need to be drafted and signed, depending on the relationship of the people involved in setting up the business. This may take the form of a shareholders agreement or a partnership agreement.
4. Going into business carries with it **responsibilities**. Being a company director is an onerous task, and any company director needs to be well briefed on their responsibilities - as behaving improperly carries with it legal penalties. If you are taking on employees, you have an obligation to operate the payroll correctly, ensuring that you deduct the appropriate tax from each employee's salary and pay it to the Revenue Commissioners accurately.
5. Maintain a good working relationship with the **Revenue Commissioners**. Learn the due dates for the different types of taxes and ensure your monthly filings are completed on time.

START YOUR OWN BUSINESS



6. Be prepared to **work hard**. The days of starting your own business and hiring someone to run it for you are over. Ensure you have the full commitment of your family as you will most likely need to work long hours. Be prepared to do tasks that you never did before. It may be that you will have to learn new skills such as how to do the payroll, bookkeeping, human resource management, sales and marketing. Know when to ask for help and start as you mean to go on. Ask your accountant for pointers on how the bookkeeping should be structured before you start, to ensure that you are keeping your records efficiently.
7. The importance of having accurate, timely and relevant **financial information** cannot be understated. Once you start in business you need to ensure you are constantly informed of how your business is doing. Do monthly/quarterly management accounts. Constantly update your projections and forecasts. It is not enough to be profitable in the long term, the scarcity of credit means you have to manage your cash flow on at least a monthly basis.
8. Surround yourself with good **professional advisors**. Ensure you source help/advice when it is required - spending on sound financial, tax and legal advice can save you a great deal of time and money in the longer term. Don't try to do everything yourself.

I have been advising clients for many years on setting up their own businesses and taking them through the necessary steps. The typical areas I go through with them include:

- Preparing business plans and financial projections.
- Advising on sources of finance and meeting banks.
- Advising on advantages and disadvantages of incorporation versus sole trader.
- Company setup and tax registration.
- Accounting and taxation services.
- Assistance on sources of funding such as BES, venture capital and grant funding.



If you would like to discuss any of these areas or starting your own business don't hesitate to get in touch.

 Horwath Bastow Charleton