# Atlantic Credit Unions

# Business Planning Guide

# Starting a Business

Congratulations—starting a new business is an exciting time. Navigating through all the paperwork and red tape associated with that decision? Not so exciting. Whether you're planning to open a local coffee shop or a bitcoin trading lounge, before you brand your new business idea, it's important to map the details to help bring your business to life. That's why we prepared this helpful guide for you.

And if you need help beyond what's on these pages—you can always **connect with your local credit union.**

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# First Things First:

**There are a lot of items to check off the list when starting a business. No matter what your industry, every business will have its own set of unique challenges and costs. Do you need to purchase stock? What about a location? What about the legal portion of being a new business owner? Below are some of the key things you should be thinking about.**

## Develop a business plan

Plan to work and then work the plan. Writing a solid business plan should be the first thing you do when thinking about opening a business. With the tools and tips found in this guide, you'll be able to pull together a plan to bring your business to life. Not sure where to start? We have a Business Readiness Checklist that can be found on page 5.

## Location, location, location

Buy your own building or lease a space? Storefront or a spare room in your own home? Determining what you need for physical space for your business is key—and it might also be a moment of reality. Sure, who doesn't want prime real estate on the busiest street in town? But it's important to be realistic about your needs as well. It's better to start small and grow into something than to devote too much revenue to your rent or mortgage payment.

## Equipment

What starts as an idea to open an independent coffee shop could snowball quickly. Make sure you're armed with the right information when it comes to the equipment you will need.

Pro-tip: In some instances, you can purchase used or leased equipment. Do your homework. Have coffee with entrepreneurs in your community who opened their own business. Rather than feeling like you're having coffee with the competition, treat it as an opportunity to learn from seasoned community leaders.

## Build a team

Depending on your business structure, you may need a lawyer or perhaps an accountant to help with bookkeeping. Building a team is about more than hiring great employees, it's about surrounding yourself with a team of experts who can help you, including your local credit union advisors who are there to support you when you need it most.

## Stock up

Depending on the business, you may need to have product to sell before you can open your doors. If you are doing production, you'll need to ensure you have both the raw materials and proper quantities of your finished product to meet the potential demand of the business. And all that stock can cost money up front, so make sure you've accounted for it in your budget.

# Operating Costs

**Once all that planning and hard work has paid off and you're open for business, you're in the clear—well, almost. There are still some ongoing costs and considerations to be aware of.**

## Accountant

Unless you're a math whiz, you'll probably need someone who is designated to organize your business' finances. An accountant can help pull together financial statements, tax returns, employee pay, and various financial aspects, depending on the structure of your business.

## Lawyer

A lawyer can assist you with the documents needed to incorporate your company, and many other items depending on the size, scale, and industry of your business.

## Utilities

Whether your office is in your own home or a standalone warehouse, you need to have power, heat, water, and phones/internet. Business utilities can be higher than personal utilities and things like the type of industry, number of employees, size of the space, and more can all impact your monthly bills.

## Employee expenses

If you have employees, expenses are inevitable—they need to be compensated, after all. But salaries and wages are only one part of it—don't forget vacation pay, benefit packages, and other expenses.

## Advertising and marketing

Businesses need customers—and how will your customers know about you and what you do if they don't know you exist? Marketing and advertising your business can be as simple as having a webpage or as complicated as running a full-scale advertising campaign. The level and scale of the marketing and advertising you need will depend entirely on what type of product or service you have to offer.

## Upkeep and unexpected costs

When you own a business, there will be unexpected costs. And like it or not, most things within a business require upkeep. Equipment can wear out or become obsolete, spaces need a coat of paint (at a minimum), and employees may need additional training as your business continues to grow and evolve. Make sure you account for the unexpected costs of owning a business. Expect the unexpected.

## Taxes

Taxes, deductions, pensions, income—it all needs to be accounted for. This can come in many different forms, such as EI, CPP, business tax, property tax, or any other variations of this.

## Licensing, permits, and insurance

If you think purchasing equipment or insurance is a one-time deal, think again. You may have to license your equipment on an annual basis. Business insurance, equipment insurance, or life insurance on loan products are all part of doing business. Don't forget to factor in professional fees on top of this (for both you and your employees).

## Applying For A Loan

**Speaking of costs—how exactly do you plan to fund your business? Many new business owners require a loan to help them get off the ground. There are three main types of commercial lending offered at most financial institutions:**

1

### Demand loan

These are used as a short-term lending product and normally have a term of no more than five years. These types of loans are often used to purchase assets such as equipment. As a result, interest will often depend on the type of asset you have purchased.

2

### Conventional mortgage

This type of loan is only applicable if you plan to purchase property (like a building or warehouse) for your business. Conventional mortgages have a longer amortization period—often up to 20 years—and tend to offer lower interest rates over other lending products.

3

### Line of credit

A line of credit is a form of revolving credit. You can borrow in increments and then repay your balance and borrow again as long as the line is open. These types of loans are best when you need cash flow for inventory, payroll, or accounts receivables, but these types of loans also tend to have the highest interest rates.

It can be tricky to get a financial institution to lend you money to help finance your business dreams unless you have some collateral like real estate, equipment inventory, term deposits, etc. But, because credit unions are based in communities and tend to know their members, they often tend to be a little more flexible and will work with members to figure out a solution that works for everyone. The best advice is always to talk to your local credit union—we're always here to help.

## Business Structure

**There are lots of different structures your business can take—each with their own benefits and drawbacks. It's important to determine which structure works for you.**

### Sole proprietorship

The most common structure, this is when the owner and operator are one in the same in the eyes of legal and tax authorities. The owner is personally liable for all functions and debts of the business and all income of the business will be claimed on the owner's personal income tax form.

### Partnership

A partnership is exactly what it sounds like. This is when a business has two (or more) owners. More often than not, the partners will have an agreement that states in percentage terms how revenue and expenses will be applied when preparing their taxes.

### Corporation

A corporation is often a more complicated structure. This is when the business is a separate legal entity that is owned by its shareholders. The income and expenses will be filed under the business name and the business will pay into corporate taxes rather than the owner.

## Government Programs

Did you know the Government of Canada offers a large number of grant contributions and other types of financial assistance to all types of businesses? Any information you need to know can be found here: https://www.canada.ca/en/services/business/grants.html.

## Business Readiness Checklist

Still unsure if you're ready to start a business? The following are helpful questions to ask and answer.

1. **What type of business would you like to have?**

☐ Sole Proprietorship ☐ Partnership ☐ Corporation

2. **What type of products/services will you offer?**

3. **Who is the competition?**

4. **What makes your business different from others that provide these products/services?**

5. **Is there a demand for these products/services?**

6. **How will you be able to support the demand?**

7. **Who will your suppliers be?**

8. **Who are your target markets?**

9. **How will you market your business?**

10. **Will you need to have a storefront or will it be based online?**

11. **Will you buy or rent?**

12. **How many hours do you have to dedicate to your business?**

13. **What risks are there in this industry?**

14. **How many employees will you need?**

15. **What kind of restrictions from the city/town will you have to navigate?**

16. **Will there be any environmental impacts with the type of business you decide to start?**

## Financials Checklist

1. **Will you need to seek financing to start this business?**

☐ Yes ☐ No

a. **If so, how much?**

b. **What will this money be used for?**

2. **How much equity do you have to put in the business?**

3. **What will your overall cost be?**

4. **What is your cash flow?**

5. **Will this be your main source of income or will you keep your full-time job?**

6. **How will you make your personal payments?**

7. **What key financial ratios does the new business need to consider (e.g. Current Ratio, Debt Service Coverage, Working Capital, Debt to Equity, etc.)?**

8. **What are the new business's margins (for example: if it is a coffee shop, what is your food cost against revenue, labour, etc.)?**

9. **Do you qualify for any government grant programs?**

## Break-Even Calculator

If you run a business—or you're thinking about starting one—doing a **break-even analysis** is an essential step in informing smart business decisions. Our break-even calculator will help you understand what it takes for your business to be profitable.

# Glossary

## Revenue

The amount of incoming money a business has.

## Expenses

The amount of money spent on a particular item, product, service, or fee.

## Net income

The amount of money remaining after taking away all the deductions or expenses the organization needs to pay.

## Financial statements

Records that show current organizational activities and the financial performance of a company. Often audited by government agencies, accountants, etc. to ensure accuracy and for tax, financing, or investing purposes. Financial statements can include balance sheets, income statements, and cash flow statements.

## Income statement

A financial statement that outlines the profit and loss a company can experience in terms of revenue or expenses and how that translates into net income.

## Balance sheet

A statement that shows the overall worth of the organization. It outlines the assets, liabilities, and owner's equity at a particular point in time.

## Equity

The difference between the value of the asset owned and the value of the liabilities on that asset.

## Personal net worth

The overall income and assets you own minus all of your liabilities and debt.

## Personal guarantee

An individual's personal promise to repay credit issued to a business in which that person serves as an executive, partner, or owner.

## Collateral

An asset or group of assets that a borrower has pledged as security for a loan. The lender has the right to sell these assets if the borrower is unable to pay back the loan.