

STARTING YOUR BUSINESS IN ILLINOIS

**Monday, March 29, 2021
2-4 PM
Webinar**

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at Champaign County EDC**

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- **Purpose of the Workshop**

to provide the future small business owner with the necessary information and tools to develop their business idea

- **Objective of the Workshop**

to receive a basic snapshot of how to start a business in Illinois

- **Structure of the SBDC**

- Small Business Administration (SBA)
- Illinois Department of Commerce (DOC or DCEO)
- Our host: Champaign County Economic Development Corporation

Partners of our SBDC

ITC – International Trade Center

SBA – Small Business Administration

DOC (DCEO) – Illinois Department of Commerce (and Economic Opportunity)

PTAC – Procurement Technical Assistance Center

How can the SBDC Help You?

- ❑ One-on-one confidential business advice at no cost
- ❑ Help with feasibility studies and business plans
- ❑ **Help with access to financing**
- ❑ International trade and export assistance (ITC)
- ❑ Technical assistance for government contracting (PTAC)
- ❑ Business education and training opportunities
- ❑ Specialized services in technology and innovation
- ❑ Connections with professional resource providers in areas such as financing, legal services, real estate, and research

You Want To Start Your Own Business?

Here are some reasons:

- You want to be your own boss.
- You want financial independence.
- You don't work well with others.
- You dislike policies and procedures.
- You want creative freedom.
- You want to fully use your skills and knowledge.
- You don't want to punch the clock. (Be careful!)



Feasibility Checklist

- ✓ **General Personal Considerations**
- ✓ **Specific Personal Considerations**
- ✓ **Requirements for Success**
- ✓ **Major Flaws**



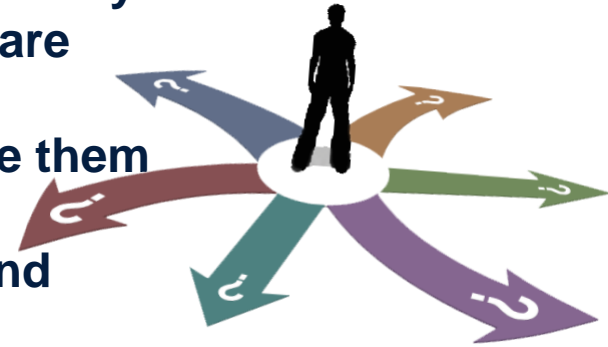
General Personal Considerations

Consider the physical, emotional and financial strains of a new business:

- Do you have the physical and emotional strength to handle a business?
- Do you understand that owning your own business means working long hours?
- Have you considered family dynamics?
- Are you prepared to lower your standard of living while your business is growing?
- Can you afford to lose your savings?

Specific Personal Considerations

- Do you know why you are considering this opportunity?
- Do you know which skills and areas of expertise are critical to the success of your business?
- Do you possess these skills and know how to use them effectively?
- Can you find the personnel who have the skills and expertise you lack?
- Can you perform the feasibility study and do you have the time and money to do so?
- Will this opportunity allow you to meet your career goals?



Requirements for Success

To determine whether your idea meets the basic requirements for a successful business, you must answer at least one of the following questions with a “Yes!”



- Does the business serve an existing market in which demand exceeds supply?
- Does the business have a significant advantage over competitors (price, location, etc.)?

Major Flaws

A “yes” response to any of these questions represents a serious challenge to your success:

- Are capital requirements for entry or continued operation excessive ?
- Are there factors that would make financing hard to obtain?
- Are there potential detrimental environmental effects?
- Are there factors that prevent effective marketing?
- Are there zoning, licensing, or other restrictions?
- Are there factors that restrict the availability of resources (raw materials, skilled personnel, etc)?

Sources of Funding

1. **You!** Savings, home equity, credit card, “bootstrap” or “shoestring” approach if significant startup funds are not needed
2. **Friends and family**
3. **Loans** (banks, microlenders, government-guaranteed)
4. **Private / angel investors**
5. **Venture capital firms**
6. **Grants**
7. **Crowdfunding**



Sources of Funding

- **May be difficult to get a startup loan**
 - Solid business plan can help
 - Strong financials
 - 5 Cs of lending: **C**ash flow, **C**ollateral, **C**redit, **C**apacity, **C**haracter
- **Banks offer business credit cards**
 - Pro: A good way to establish business credit
 - Con: Higher interest rates, less protection
- **Bootstrapping**
 - Clean up your credit and seek out a personal loan, or use personal funds
 - A great way to build a track record for your business on your way to a business loan

Deciding on a Legal Entity for your Business

Types of business entities:

- Sole Proprietorship
- Partnership
- LLC
- S Corporation
- C Corporation



Deciding on a Legal Entity for your Business

- Of all the decisions you make when starting a business, probably the most important one relating to taxes is the **type of legal structure** you select for your company.
- Not only will this decision have an impact on how much you pay in **taxes**, but it will affect the amount of paperwork your business is required to do, the **personal liability** you face and your ability to raise money.
- Even after you settle on a business structure, remember that the circumstances that make one type of business organization favorable are always **subject to changes in the laws**. It makes sense to **reassess** your form of business from time to time to make sure you are using the one that provides the most benefits.

Business Entities Comparison

	Sole Proprietorship/General Partnership	S-corporation	C-corporation	Limited Liability Company (LLC)
Formation	File with county clerk if doing business under an assumed name; register with state in most cases.	State filing required, typically within 60 days of formation	State filing required	State filing required
Personal Liability	Owners have unlimited liability	Shareholders typically not liable for corporate debts	Shareholders typically not liable for corporate debts	Members typically not liable for corporate debts
Requirements	Relatively few	Board and shareholder meetings and minutes required; annual state reports required	Board and shareholder meetings and minutes required; annual state reports required	Formal meetings and minutes not required; annual state reports required
Management	Sole proprietor has full control. Partnerships have flexible management structure.	Managed by directors who are elected by shareholders	Managed by directors who are elected by shareholders	Management is flexible with operating agreement typically outlining management duties. Board of managers optional.
Taxation	Not a separate entity. Income/loss passed through to owners	No tax on S-corp. Income/loss passed through to shareholders	C-corp is taxed. If dividends are distributed to shareholders, dividend income is taxed at individual level.	By default there is no tax on LLC. Income/loss passed through to members.
Tax Reporting	Sole proprietorship: Form 1040, Schedule C. Partnerships: Form 1065 with distributions via Schedule K-1	Form 1120-S. Profit/loss distributions on Schedule K-1	Form 1120. Profit/loss distributions on 1099-DIV	Same as sole proprietorship/general partnership. LLCs may elect to be taxed as a C- or S-corp.
Recommended for:	Owners wanting minimal formalities, maximum flexibility, not worried about liability	Owners wanting liability protection of a corporation with the simplicity of pass-through taxation of income.	Owners needing maximum tax and ownership flexibility with liability protection	Owners wanting liability protection of a corporation and the simplicity of pass-through taxation of income with less formality

Registering your Business

1. Choose a business name: Do some research to avoid picking a business name already in use – search online, check the [US Patent & Trademark site](#) and the [Illinois Corporation Search site](#).



Registering your Business

2. [File Assumed Business Name with the County Clerk](#): If your business name is different from your personal name you must submit this form with a \$5 payment and run an ad three times in the local paper (about \$60 total) to formally announce your business name. The paper will provide you with a certificate that you need to file with the county clerk in order to finalize the process.

Registering your Business

3. Obtain an Employer Identification Number

Sole proprietors who wish to have employees need to obtain an [Employer Identification Number, or EIN](#) , a nine-digit number issued by the IRS to keep track of businesses. All businesses with employees are required to report wages to the IRS using their EIN. Registering for an EIN can be done online at the IRS website. Even if you are not required to have an EIN, you may want to obtain one anyway. Some banks require one to open a bank account and it can reduce the risk of identity theft.

Registering your Business

4. Register your business in Illinois: You will need to use your EIN when registering your business at mytax.illinois.gov. Create a MyTax login and find the REG-1 form to register online. Registering your business is required if any of the following apply:

- ✓ You sell products and collect sales tax.
- ✓ You have employees.
- ✓ You are a corporation or LLC.



Registering your Business

5. Obtain Licenses, Permits, and Zoning Clearance

Your business may need to obtain business licenses or professional licenses depending on its business activities. Illinois provides a [comprehensive database of every license and permit that may be required](#) for your business. In addition, local regulations, including licenses, building permits, and zoning clearances, may apply to your business. You will also need to check with your city and county governments for more information.

Business Plan Outline

1. Executive Summary (write it last)

What products or services does your business provide?

What distinguishes you from others with similar businesses?

What are the highlights regarding revenue and costs?

2. Detail on products and services

3. Objectives

What are the short- and long-term SMART* objectives for your business?

(* - Specific, Measurable, Achievable, Relevant, Time-bound)

Startup, quarterly, one-year, three-year, exit plan, for example

4. Your market

Highlights

Competitors

Opportunities

Risks



Business Plan Outline

5. Marketing/Sales Plan

Who are your customers and how will you find them?
How will promote your business?

6. Operations/Personnel

Highlights or unique, valuable characteristics about you, any staff,
and how your business operates

7. Revenues and costs

Projected income and expenses

8. Financing (if applicable)

Are you seeking a loan or investors?
How much funding do you need and how will it be used?
Timeline – loan repayment or return on investment



The Marketing Plan

...all you have to do is get the



The Marketing Plan

- ...RIGHT products or services to the
- RIGHT customers or clients at the
- RIGHT time and the
- RIGHT location for the
- RIGHT price.

The Marketing Plan

What are your products or services?

In your business plan, explain what you are selling in sufficient detail for a reader to understand.

The Marketing Plan

Who are your customers?

Know your target audience. There are few universal products.

The Marketing Plan

Is there a demand for your product or service?

Does your solution actually solve a problem in the marketplace? How do you know? Market research is vital to your success.

The Marketing Plan

What sets your business apart from your competitors?

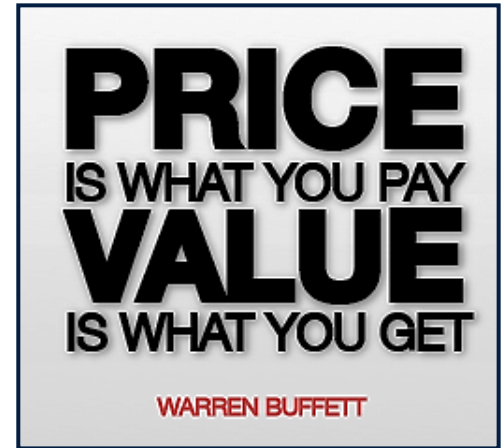
What is your “secret sauce”? Better performance, quality, reliability? Innovative technology? Superior customer service?

The Marketing Plan

What is your pricing strategy?

State and support your strategy as explicitly as possible. Is it based on position compared to your competitors? Is it based on desired margin?

Price is only one component of *value*.



The Marketing Plan

Will you make money?

Revenue must exceed expenses for your business to be profitable. Make sure you have considered all the factors that will affect your sales and all the costs to operate your new business.



The Marketing Plan

Analyze your business's

- **S**trengths
- **W**eaknesses
- **O**pportunities
- **T**hreats



Business Plan Summary

There are two main benefits to writing a business plan:

- 1. It's your playbook!** Consider the time we spent covering the business plan outline and the marketing plan in detail. Developing your business plan should be a process, not a task. It should be a dynamic document that evolves with your business.
- 2. A business plan will be required by anyone who is a potential source of funding.** In some cases a short, concise plan will be sufficient but the key points must still be covered.

For additional assistance please contact:

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Please register as a SBDC client if you haven't done so already!
Become a client at www.cusbdc.org.

Thank you for attending!

**If you have more questions or need additional information,
please ask!**

***Please complete and submit the
evaluation form before you leave!***