

Prospera's

GUIDE TO BUSINESS RESOURCES

PROSPERA

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EVALUATING YOUR BUSINESS IDEA

Do you have a great business idea? Use the questions below to evaluate your business idea and determine if you should start a business.

1. Why do you want to start a business?
2. What kind of business do you want to start?
3. Is there a market demand or real need for your product or service?
4. What are the unique advantages or benefits of your product or service?
5. What are the exact problems or difficulties your product or service will solve?
6. How strong is the market demand for your product or service? Will the demand last long enough for the initial investment?
7. Does your product or service fill an obvious need, or does the need have to be created through promotional and marketing activity?
8. Who are your target customers? How would they describe your product or service?
9. Can your target market afford the price for your product or service? What is their buying frequency and continuing demand for your product or service?

BIZ PLAN TIP

Create a business feasibility study and analyze

- ✓ Create a list of personal and business goals.
- ✓ Discuss your business idea with stakeholders (friends, family and partners) and assess their responses.
- ✓ Conduct a market analysis researching industry trends, target market groups and competition.
- ✓ Have a good understanding of your business and what it will take to operate.
- ✓ Determining your start-up and operating costs.
- ✓ Build realistic monthly sales assumptions.
- ✓ Develop a first year cash flow statement.
- ✓ Assess your financial resources and prepare a personal financial statement.
- ✓ Determine your need for outside financing and explore funding sources.

Meet with a business advisor at Prospera at any time during this process to help analyze the feasibility study and determine next steps.

MARKET RESEARCH

Why is market research so important?

In order to succeed in selling your product or service, you must first make sure that there is market for what you are offering. Learning what customers want, and how to present it attractively, drives the need for market research. Small businesses have an edge over larger entities in this regard. Large businesses must hire experts to study the mass market, while small-scale entrepreneurs are usually close to their customers and can learn much more quickly about their buying habits. Small business owners have a sense about their customers' needs from years of experience; however, this informal information may not be timely or relevant to the current market.

BIZ PLAN TIP

Conduct effective market research

- ✓ Research your industry and industries associated with your target market for trending information and data.
- ✓ Describe which area of the market your business contributes and identify potential market areas.
- ✓ Identify your target market (customers and potential customers)
 - Definable, meaningful, sizeable and reachable
 - Describe your audience's demographics, geographies, behaviors and psychographics
- ✓ Gather actual numbers to measure and quantify your market size and growth.
- ✓ Analyze competition by identifying their strengths and weaknesses.
- ✓ Describe your competitive advantage in the market.
- ✓ Perform and analysis on future growth and opportunities in the market.

MARKET RESEARCH RESOURCES

Industry Association Information

A-Z Index of Trade Associations

Offers free access to an index of associations and provides a brief description and contact information for each association. www.indexindustry.org

Center for Association Leadership

Access directories of associations through a community portal. www.asaecenter.org

Encyclopedia of Associations. www.gale.cengage.com

National Trade and Professional Associations Directory www.columbiabooks.com

Vertical IQ

Talk to Prospera to receive your Industry Report verticaliq.com/

List of Resources for Market Research

American FactFinder

Guided access to a wealth of information from several censuses and surveys and also advanced search options. <https://data.census.gov/>

LivePlan

Quick access to free industry reports <https://www.liveplan.com/?ref=bplans>

Bureau of Business and Economic Research – University of Montana

Variety of economic and industry data including annual economic forecasts for the U.S. and Montana. www.bber.umt.edu

Bureau of Economic Analysis

Detailed national, international, and regional economic statistics related to GDP, income, savings, and industry data. www.bea.gov

Business Financial Statistics

Free business statistics including industry profitability, risk data and financial benchmark reports. Also includes access to financial calculators and glossaries. www.bizstats.com

CenStats

Databases include demographic county information, building permits, county business patterns, occupation data, and international trade. www.census.gov

Department of Housing and Urban Development – State of the Cities Data System

Special data runs on a number of economic performance indicators for metro areas, including

demographics, employment, business patterns, and crime <https://www.hud.gov/>

FedStats

Interactive maps for state and local data profiles, with a focus on making statistics from over 100 agencies available. Great for a quick overview of which federal agencies provide data. <https://www.fcs.gov/>

Federal Deposit Insurance Corporation (FDIC) - Regional Economic Conditions

Highly valuable resource with access to employment, income, housing, and real estate data for states, counties, and metropolitan areas. Also includes access tools to build maps, tables, and charts. <https://www.fdic.gov/bank/statistical/recon.html>

Montana Dept. of Commerce – Census & Economic Information Center

Montana demographic and economic data and tutorials, key economic indicator reports, and county QuickFacts reports. <http://ceic.mt.gov>

Montana Dept. of Labor & Industry – Research & Analysis Bureau

Montana economic profiles by county, labor market information including employment, wage, industry, and occupations data. <https://dli.mt.gov/>

Montana Site Selector

A powerful GIS-enabled tool developed specifically for businesses looking to open, expand or relocate in Montana. Find available commercial real estate and nearly 40 different market reports for the communities of southwestern Montana. <https://svc.mt.gov/doc/siteselector>

National Information Clearinghouse

Puts “big business tools in the hands of small business” with access to a wealth of small business help center topics, market research reports, and industry information. www.sbdnet.org

U.S. Bureau of Labor Statistics

Query-based system for accessing wages, unemployment, occupation, and price data series. Also see Economy at a Glance for integrated sets of BLS data for states and metro areas. www.bls.gov, www.bls.gov/eag

U.S. Census Bureau

Easy access to a full range of popular Census data series organized by topic as well as Quick Facts reports for all states and counties and cities with more than 5,000 people. www.census.gov

U.S. Library of Congress – Business & Economics Research Advisor

Starting point for conducting business and economics research at the Library of Congress, with assistance available for formulating search strategies and gaining access to information. www.loc.gov/rr/business/

COMPARISON OF LEGAL FORMS AND STRUCTURES

Businesses may be structured in a variety of ways, each with its own advantages and disadvantages. Consult with an attorney and/or account to help you determine which structure best suits your needs.

| Type of Entity | Definition and Key Elements | Pros and Cons |
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| Sole Proprietorship | Owned by a single individual (the sole proprietor) who has total control of and responsibility for his or her business, receives all profits, and can make important decisions quickly. The sole proprietor is also responsible for all taxes and liabilities of the business. | <p>Pros</p> <p>Simple and inexpensive to create and operate. Owner reports profit or loss on personal tax return and has unlimited access to the income of the business.</p> <p>Cons</p> <p>Owner personally liable for business debts and has no liability protection, the inability to easily transfer interest in the business during the life of the owner, restrictions on the tax deductibility of medical insurance for the owner, and all profits are taxed as self-employment, personal income.</p> |
| General Partnership | Two or more people acting as co-owners of a for-profit business. Individuals may create a partnership by oral or written agreement. Partners share personal liability for all claims against the partnership, as well as share all profits and losses. Profits are taxed as personal income for each individual partner. | <p>Pros</p> <p>Simple and inexpensive to create and operate. Owners (partners) report their share of profit or loss on their personal tax returns. The partners have unlimited access to the income of the company, the partnership can make unequal distributions of profits, and it is easy to transfer ownership interest.</p> <p>Cons</p> <p>Owners (partners) personally liable for business debts. no liability protection; all profits are taxed as self-employment, personal income; and the restrictions on the tax deductibility of medical insurance for partners.</p> |
| Limited Partnership (LP) | There must be at least one general partner who manages the business and who is fully and personally responsible for all claims against the business (incurs unlimited liability). In addition, there are investors who play no part in the management of the business and whose liability for the business is limited to the extent of their investment. This is more closely regulated than a general partnership. | <p>Pros</p> <p>Limited partners have limited personal liability for business debts as long as they don't participate in management. General partners can raise cash without involving outside investors in management of business.</p> <p>Cons</p> <p>General partners personally liable for business debts. More expensive to create than general partnership. Suitable mainly for companies that invest in real estate. To establish a limited partnership, you must file an Application for Registration or Renewal of a Limited Liability Partnership with the Montana Secretary of State's Office. Limited Liability Partnerships must also file a Certificate of Domestic Limited Partnership with the Montana Secretary of State's Office.</p> |

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| <p>Limited Liability Partnership (LLP)</p> | <p>Mostly of interest to partners in old line professions such as law, medicine, and accounting.</p> <p>Owners (partners) are not personally liable for the malpractice of other partners.</p> <p>Owners (partners) report share of profit or loss on personal tax returns.</p> | <p>Unlike a LLC or a professional limited liability company, owners (partners) remain personally liable for many types of obligations owed to business creditors, lenders, and landlords.</p> <p>Often limited to a short list of professions.</p> |
| <p>Limited Liability Company (LLC)</p> | <p>Both the protections from personal liability of a corporation and the favorable tax treatment of a partnership. It provides flexibility in the contribution and distribution of assets. Under this type of structure, you need not hold annual meetings, but you do need to file Articles of Organization and annual reports with the Montana Secretary of State's Office.</p> | <p>Pros</p> <p>Combines a corporation's protection from personal liability for business debts and pass-through tax structure of a partnership.</p> <p>Significantly easier to maintain than a C-Corporation.</p> <p>IRS rules now allow LLCs to choose between being taxed as a partnership or as a corporation.</p> <p>Cons</p> <p>More costs to create than a partnership or sole proprietorship.</p> <p>State laws for creating LLCs may not reflect latest federal tax changes.</p> |
| <p>S Corporation</p> | <p>An S Corporation is a regular corporation that has elected "S corporation" tax status. Forming an S corporation lets you enjoy the limited liability of a corporate shareholder but pay income taxes as if you were a sole proprietor or partner. All business profits or losses "pass through" to the owners, who report them on their personal income tax returns (as in sole proprietorships, partnerships, and LLCs). The S corporation itself does not pay any income tax, although an S corporation with more than one owner must file an informational tax return like a partnership or LLC, to report each shareholder's portion of the corporate income. You must file Articles of Incorporation with the Montana Secretary of State's Office to establish a S corporation. You also must apply to the Internal Revenue Service (IRS) to receive S corporation status. The IRS places limits on who can be a shareholder.</p> | <p>Pros</p> <p>Owners have limited personal liability for business debts.</p> <p>Owners report their share of corporate profit or loss on their personal tax returns.</p> <p>Owners can use corporate loss to offset income from other sources.</p> <p>Often reduces income tax for owners</p> <p>Cons</p> <p>More expensive to create than partnership or sole proprietorship.</p> <p>More paperwork than for a limited liability company which offers similar advantages.</p> <p>Income must be allocated to owners according to their ownership interests.</p> <p>Fringe benefits limited for owners who own more than 2% of shares.</p> |
| <p>Regular C Corporation</p> | <p>A C-Corporation exists apart from its owners or shareholders and is a legal entity in its own right. As a separate entity, it has its own rights, privileges, and liabilities apart from the individuals who form it. A corporation has shareholders who invest money in the business and therefore own it. The shareholders hold an annual meeting at which they elect a board of directors. The board makes policy decisions for the company and selects the corporate officers who manage the company's daily affairs. A corporation affords limited liability to its shareholders and can continue on after the death of or transfer of shares by one or more of the owners.</p> | <p>Pros</p> <p>Owners have limited personal liability for business debts.</p> <p>Fringe benefits can be deducted as business expense.</p> <p>Owners can split corporate profit among owners and corporation, paying lower overall tax rate. designation refers to a standard, for-profit, state-formed corporation. A corporation which is properly formed and operated as a corporation assumes a separate legal and tax life distinct from its shareholders. The shareholders are the owners of a corporation. A corporation pays taxes at its own corporate income tax rates and files its own corporate</p> |

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| | | <p>tax forms each year. The owners pay individual income tax only on money they receive from the corporation as salary, bonuses, or dividends. Normally, a corporation's management and control is vested in the board of directors who are elected by the shareholders of the corporation. You must file Articles of Incorporation with the Montana Secretary of State's Office to establish a C corporation.</p> <p>Cons</p> <p>More expensive to create than partnership or sole proprietorship.</p> <p>Paperwork can seem burdensome to some owners.</p> <p>Separate taxable entity.</p> |
| Professional Corporation | <p>May be formed by individuals who are licensed in certain professions. This provides them with the benefits of a corporate structure for the business aspects of their practices while preserving the personal and professional relationship between them and the clients they serve. Shareholders may only be people who are licensed to render the specific professional service; at least half of the officers and directors must also be licensed. A professional corporation must file Articles of Incorporation with the appropriate professional licensing entity.</p> | <p>Pros</p> <p>Owners have no personal liability for malpractice of other owners.</p> <p>Cons</p> <p>More expensive to create than partnership or sole proprietorship.</p> <p>Paperwork can seem burdensome to some owners.</p> <p>All owners must belong to the same profession.</p> |
| Nonprofit Corporation | <p>Established solely for the benefit of charitable, religious, educational, or scientific purposes. No earnings are distributed to members, trustees, officers, or other individuals, except for compensation for services rendered. A nonprofit corporation is exempt from income tax. You must apply to the IRS for nonprofit status, and you must file Articles of Incorporation with the Montana Secretary of State's Office.</p> | <p>Pros</p> <p>Corporation does not pay income taxes.</p> <p>Contributions to charitable corporation are tax-deductible.</p> <p>Fringe benefits can be deducted as business expense.</p> <p>Cons</p> <p>Full tax advantages available only to groups organized for charitable, scientific, educational, literary, or religious purposes.</p> <p>Property transferred to corporation stays there; if corporation ends, property must go to another nonprofit.</p> |
| Professional Limited Liability Company | <p>Same advantages as a regular limited liability company. Gives state licensed professionals a way to enjoy those advantages.</p> | <p>Same as for a regular limited liability company.</p> <p>Members must all belong to the same profession.</p> |

LICENSING AND REGISTRATION

❑ Register a Business Name and File Organizational Documents

Montana Secretary of State - *Business Services Division*

www.sosmt.gov/business | (406) 444-3665

Forms and fees to reserve and register an assumed business name and file articles of organization, articles of incorporation, partnership agreements, etc.

❑ Apply for a Federal Tax ID Number or Employer ID Number (not required for sole proprietorship)

Internal Revenue Service (IRS)

www.irs.gov/businesses | (800) 829-4933

❑ Local Business Licensing

City of Bozeman

<https://www.bozeman.net/departments/community-development/business-licenses> | (406) 582-2300

City of Belgrade

<https://www.belgrademt.gov/290/Permits-Licenses> | (406) 388-3560

City of Livingston

<https://www.livingstonmontana.org/community/page/registering-your-business-licenses-and-permits> | (406) 222-2005

City of Three Forks

<https://www.threeforksmontana.us/city-business-licenses> | (406) 285-3431

Town of Manhattan

<https://www.townofmanhattan.com/forms> | (406) 284-3235

Note: A business license is not required by Gallatin County or Park County, if the business is located outside the jurisdictional limits of a city.

❑ Obtain a Business License

Montana Department of Revenue –
One Stop Business Licensing

revenue.mt.gov/online-services/estop-business-licenses | (406) 444-6900

Required for food purveyors, plant nurseries, tobacco, liquor, gaming, etc.

Montana Department of Health and Human Services

www.dphhs.mt.gov | (406) 444-3130

Licensing and certification for assisted living, child care, health care and youth care facilities.

Montana Food and Agriculture Development Center (FADC) Network

agr.mt.gov/Food-and-Ag-Development-Centers

FADCs support businesses who are specifically looking to develop products or services in the food and agriculture space or industry.

❑ Apply for Health Department Permits and Licenses

Permits, licenses and/or inspections may be required for your business or the activity in which you are participating. These permits, licenses or approvals may be the jurisdiction of the Health Department or another agency. Inspections are done to assure the safety of the public and the prevention of unsanitary and unhealthy conditions and practices.

Gallatin City-County Health Department, Environmental Health Services (EHS): <https://www.healthygallatin.org/>

Park County Health Department: www.parkcounty.org/site/1HLT.html

Food and Ag Regulatory Resources: <https://agr.mt.gov/Topics/E-G/FADC-Center-Pages/Food-Ag-Regulatory-Resources>

Obtain a State Unemployment Insurance Tax ID Number and Register for Unemployment Insurance

Montana Unemployment Insurance Division – *Contributions Bureau*
<https://uid.dli.mt.gov/> | (406) 444-3834

Apply for Workers' Compensation Insurance

Montana State Fund

www.montanastatefund.com | (406) 495-5000

Additional Information Regarding Workers' Compensation Insurance

Montana Department of Labor and Industry – *Workers' Compensation Regulation Bureau* <https://erd.dli.mt.gov/>
| (406) 444-7734

Register as an Independent Contractor

Montana Department of Labor & Industry Employment Relations – *Workers' Compensation Regulations Bureau*
<https://erd.dli.mt.gov/work-comp-regulations/montana-contractor/applications-and-forms> | (406) 444-9029

Form to apply for an Independent Contractor Exemption Certificate.

Register as a Construction Contractor

Montana Department of Labor & Industry Employment Relations – *Construction Contractor Registration Unit*
<https://erd.dli.mt.gov/work-comp-regulations/montana-contractor/construction-contractor-registration> | (406) 444-7734

Form to apply to register as a construction contractor in Montana.

BUSINESS PLANNING RESOURCES

The Prospera Resources webpage (www.prospermt.org/resources) has business planning resources, including a business plan template, an in-depth guide to putting together a business plan, and a useful overview and checklist for creating a business plan.

Prospera offers a business planning training called **Spark to Strategy: Crafting Your Business Plan**, which is designed to help you further explore your business idea as well as provides resources and support to help you compile a formal business plan. Check out Prospera's training calendar at www.prosperamt.org/calendar to view the upcoming training offerings.

BUSINESS FINANCE – DETERMINE YOUR STARTUP EXPENSES

- Estimate fixed asset requirements for start-up, including:
 - Land, buildings, leasehold improvements
 - Equipment and vehicles
 - Deposits on leases and utilities
- Determine the amount of inventory required for your type of business:
 - For start-ups, initial inventory in \$ amount; after start-up, express in number of days, sales or turnover
- Estimate and itemize start-up expenses:
 - One-time expenses such as installation of utilities, initial marketing materials, and legal fees for any licenses, registrations and certifications.
- Estimate and itemize fixed expenses by month for at least one year:
 - These usually include things like rent, insurance, utilities, salaries, marketing, legal/accounting fees, loan payments, etc. Determine all categories which apply to your business.
- Estimate if you need employees in the first year and how much they will be paid along with the number of hours per week they will work.
- Estimate monthly loan payments if a loan is required, be sure to include both principal and interest payments

BUSINESS FINANCE – COMPILE FINANCIAL PROJECTIONS

- Estimate sales by month for one year:
 - If you have multiple services/product lines, estimate sales for each line individually. If you sell on credit realize the delayed impact on cash flow.
- Calculate gross profit percentage for each product/service:
 - $\text{Sales Price} - \text{Cost of Goods Sold} = \text{Gross Profit } \$$
 - $\text{Gross Profit } \$ / \text{Sales Price} = \text{Gross Profit } \%$
- Determine how fast you must pay your vendors:
 - What percentage of total accounts payable will be paid in the month incurred and what percent of total accounts payable will be paid in 30 days, 60 days, etc. Your payment schedule will affect your cash flow.

Using the above information to compile your data, you will be able to set the foundation for the financial section of your business plan, which includes **financial statements**, your **pricing strategy** and **gross profit margin**, a **Break-Even analysis**, and projected **cash flow**.

Want to learn more about business finance? Check out Prospera's **Finance Fundamentals: Projections, Profit and Loss Statements, and Balance Sheets** training offered quarterly. Visit our training calendar at www.prosperamt.org/calendar to register.