

6 Secrets to Master *{ in your }* Startup Business Plan



BILL SEAGRAVES

The all-important and often dreaded business plan.

The mere mention of the term can evoke a shudder from my clients. I wish I had a nickel for every time I've heard somebody say that they'll "just throw something together until they figure out the details." While there may be certain areas of business or life where this mantra works...the business plan for your startup is not one of them.

A business plan is the blueprint for every move you'll make and every dollar you'll spend (at least in the foreseeable future). Even more crucially, if you're applying for a loan, a good business plan is not only your ace in the hole—it could be the only card you have to play.

In stressing the importance of a solid business plan, I'd like to share what I believe are six things you must get right before you think about moving forward in pursuit of the business of your dreams.

Success Secret #1: Pick A Niche

Here's the number one thing that separates the experienced business owners from the newbies. It's the thing that separates the people who are successful from the people who are struggling.

The successful ones focus on a niche. Focusing brings you better, more profitable customers...faster!

First-time business owners often think they must cast a wide net in order to "make it." Not so. Casting too wide a net makes it hard to explain what you do. You can't be everything to everyone. When you can't zip out a 30 second elevator pitch, it's hard for people to refer others to you.

When you have a wide net, it takes longer for you to find your ideal customer...and for them to find you. Wide nets cost you more in marketing because you constantly have to invest in advertising in more places, in the hopes of reaching some customers who will pay for what you offer. If you cast too wide a net, you may have more laws, licenses and insurance to worry about. *Niches solve all of those problems.*

Here's a good example: One of my clients wanted to go into the computer service and repair business. He wanted a business much like the one I ran several years ago. But there's a lot more big boys to compete against than I had to worry about. Best Buy's Geek Squad comes to mind.

I coached Bryan to pick his battles. Identify a niche, like personal financial advisors or construction firms. Computers at construction firms suffer from dirt, dust and vibration. Financial advisors stay awake at night worrying about theft of their client's data.

Make yourself an expert in your niche's needs. Your customers will pay more. If you provide great services, they will stick with you longer and refer more people to you. It's the same if you are selling a product.

Your marketing dollars will stretch further. You'll be able to infiltrate your niche faster than if you try to be too many things to too many people. You'll also shorten your learning curve and gain more experience in your market. Which leads us to the next Success Secret...

Success Secret #2: Beg, Borrow or Buy It—Experience Matters

CatchFire Funding is an affiliate of Diamond Financial, the largest SBA loan brokerage in the country.

I work with a lot of bankers to help my clients get SBA loans for their businesses. When I call them to propose a loan, the first thing they ask is: *“Does your client have any experience in this kind of business? Do they know what they are doing?”*

Not going to get a loan to start your business? It doesn't matter. The same question applies to you.

Your goal is to succeed in business. You want to forge an asset you can sell for a sizzling profit. It's a lot easier to succeed if you know where the minefields are in your chosen business...and steer clear of them.

It's also a whole lot easier to break away from your competition. Experience lets you create true innovation and hard-to-beat value for your customers.

What If You Don't Have Experience?

There are tried and true methods for picking up the experience you need.

- **“Beg” It – Get a Job:** If you can afford the time and money, pick up a job in the type of business you want for yourself. Learn lessons on someone else's dime.
- **Borrow It – Bring in a Partner:** Find a partner with experience that complements your own. Be careful, though. Partnerships are like marriages. The wrong partner can make life hell. The divorce can be messy.
- **Buy It – Hire Someone:** You may be able to hire employees with experience in areas you lack.
- **Buy It – Score a Mentor:** Sign up with a business coach to guide you through the minefields. The (business) life they save may be your own.

Experience is another tool in your arsenal to make sure you succeed in business and retire wealthy. On your road to success, don't leave home without it.

Success Secret #3: Nail Your Projections

Maybe you have crowds chasing after you. Maybe wild hordes are stampeding all around, throwing money at you, desperate for you to sell them your goods or services.

Or, maybe you're like the other 99.999% of us who go into business for the first time. You'll need to spend money before you make money.

You'll be counting your pennies. You'll need to make everything stretch so you can nurture your business into putting cash back in your pocket. You can't succeed in business and retire wealthy until your business pays money back to you.

Projections are the Heart of Your Business Plan

Projections are the estimates you make for all of your revenues, costs and profits. Projections vary for every business. Some businesses are equipment heavy. Others, like the consulting business my wife has run, have very little equipment or overhead.

Every business, though, needs to market. Every business needs to sell. Every business needs to pay its employees, contractors and its owner. When I work with my loan clients, we put together a detailed spreadsheet spelling out all of the client's expected costs and incoming funds. Whether you are self-funding, borrowing from your Great-Aunt Edna, or getting the money from a bank, you'll need to do the same for before you launch your business.

Don't skimp on this step. Get some experienced eyes to look at your plans. You want great mentors to ask you hard questions. It's one of the things that separate the men from the boys, so to speak. And the wealthy and successful from the struggling to stay afloat.

Success Secret #4: Master the New Marketing

It used to be you could advertise your business via press releases, direct mail, newspapers, television, radio, postcards and magazines.

Those are all still important. Don't neglect those methods of advertising.

But most customers now use Google, Yahoo, Bing or some other search engine to find businesses in their area, their state, and even in a foreign country.

There are many companies who will help you get listed in local searches. There are others who will do all your web marketing for you—for a fee.

Or you can learn the basics of web marketing yourself. A little knowledge can buy you a huge marketing presence and a lot of customers...for very little money. IF you know what you are doing.

One way or another...don't leave knowledge of web marketing, social media, free search and paid search out of your marketing plans.

And by the way, in working so hard to make sure that your business gets found online...make sure your website is worthy of their visit. Budget enough to make sure you have a good website when you launch your business. This is crucial.

Success Secret #5: Manage Your Total Cost of Funding

Many new business owners check their credit score. Then assume, based on their score, that all of their financing and funding needs will cost them about the same.

In actuality...the more you take on, the bigger the “Kick Me!” sign can get.

What many business owners don't understand is that the more financial obligations you take on, the more expensive the next set of obligations becomes. If you're not careful, the monster of high finance charges will eat you alive.

Don't get me wrong. Sometimes you absolutely need a loan to get into the business that will make you wealthy. Your loan just has to be part of your bigger financial plan. You need to stay in control of your own financial boat.

Consider this...

Landlords won't talk to you about that ideal location you want to lease without proof you have the money to start your business. Without the proper funding, however, they might see you as a bigger risk. So they may charge you more in rent and penalties, just in case you default.

If you need to lease equipment, your loan plus your real estate lease can make you an even higher risk to the equipment guy. So, the equipment guy will kick you again by upping your leasing rate. Just in case you default, the equipment guy will still have covered his costs.

Need to finance inventory or a line of credit? Well...you get the picture. Without the proper planning to navigate these waters, you could end up with an invisible sign tacked on your forehead.

Eventually, the cost of financing your business could drive you out of business. More than one new business owner has been caught off guard in rough financing waters. If you want to succeed in business and retire wealthy, make sure you craft a smooth ride through the financial waters.

Self-Funding Can Significantly Reduce Your Costs

If you start your business using your own funds, instead of loans, you can significantly cut the ongoing spiral of debt and finance charges. You may be able to sail right past it.

1. One way to self-fund your business is to use your savings or sell your personal stocks.
2. Another is to use the equity you've built into your home. (With the beating the housing market has taken these days, this option may not be open to you.)
3. A third option is to self-fund your business using your retirement money. This is done by using a self-directed 401k plan.

There are a number of tax advantages to this strategy. The biggest is that by investing in your company through a self-directed 401k plan, you don't have to pay the taxes and penalties required if you were to simply withdraw that same money.

This gives you more money to get your business off the ground. You can get profitable much faster than if you were to finance your business through a loan.

If you do need a loan, you can use your retirement funds to make your down payment on your loan. Even better, you can put your profits back into your retirement plan and defer your tax payments until you are, ideally, in a lower tax bracket. (I won't go into all the details here, but this one can compound like crazy over the years.)

And when you sell your business, your profits go back into your retirement plan, also tax deferred. That makes your success in business that much sweeter...and with smart money management, you much wealthier.

Success Secret #6: Plan Your Big Payout Now

And speaking of selling your business...the old saying goes: “Begin with the end in mind.” If you want to retire wealthy, you’ll need to plan your exit strategy NOW.

Most new business owners can’t imagine a day when they won’t be working in their business. *Don’t let this be you.* Your goal is to build a valuable business. A business that can be sold for a handsome sum. One that can help you retire and enjoy the time and freedom you so richly deserve.

So, you want to take some simple precautions now. Make sure you are entering an industry with significant growth potential. Try to get into a business where there will be plenty of eager buyers when you decide to sell. Be careful about potential legal liabilities. Those may make others reluctant to purchase your business.

Don’t name the business after yourself. (My wife made this mistake with her first consulting business.) It can make it hard to separate yourself from the business later.

Make sure you set up ways to protect the profits from your sale, so you’ll have enough left over to score big and retire wealthy. Plan ahead for the tax implications. Take the time to learn about how to exit your business before you get into business.

Because before you get into business is when the real wealth building begins.

Before you go any further...

Get that business plan in order. If it doesn’t shape up, your business could have to ship out before you even get your feet wet.

Put in the time now and it will pay off later. I promise. And if there is anything you’d like to run past me in regards to your business plan, I’m just a phone call or email away.

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