

# Your BUSINESS TOOLKIT

**The first and most important step in starting a new business is to prepare a business plan. A business plan is a written summary of what the business hopes to accomplish and what resources are required to achieve success.**

A good business idea may not be a viable business opportunity with potential for success. The research, evaluation and preparation of a business plan separate the real opportunities from casual ideas by eliminating the misunderstandings that can arise by not putting thoughts and research in writing. The preparation of the written business plan fully develops the concept, identifies areas of concern and distinguishes the planning stages. If the business start-up requires financing, the financial institution of choice will require that a business plan be submitted.

## **Can I succeed in Small Business?**

You may have many reasons for wanting to start a business. They may include wanting to make money, having personal independence and self-fulfilment, or escaping the frustrations of employment – and unemployment. Your reasons may be good ones, but your decision must be based on more than simply a desire to change your situation. A new venture is risky. It may make heavy demands, financially and time-wise, on you and on those close to you. It might not provide you with security such as a regular pay cheque, medical and dental benefits, and a pension plan.

One of the first steps you should take in making the decision to start a small business is to determine if you have the right skills and temperament. You have to be as honest with yourself as possible.

## **Reality Check**

The following checklist will suggest what to look for in yourself to improve your chances for success.

### Do I have a burning desire to be 'on my own'?

Most entrepreneurs have a strong inner drive to strike out on their own. They like the idea of being their own boss and not having to report to anyone.

### Am I confident that I can succeed?

Successful entrepreneurs believe in themselves. They are optimistic about projects they undertake, and are good at motivating others and sharing their enthusiasm when pursuing goals.

### Am I willing to take calculated and moderate risks?

Going into business involves taking a chance. You may have to push yourself beyond what is comfortable for you and try new things. Successful business people are willing to take risks, but they are also realistic. They gather as much information and support as possible before making a move. In this way, they build a safety net for themselves and decrease the amount of risk involved.

### Am I a self-starter?

Successful entrepreneurs believe that what happens in life usually depends on themselves. They are often described as 'internal' people who choose to do something based on their own interests and views. Because they believe that they control their own destiny, they refuse to be at the mercy of others or of events. As a result, they take the initiative in starting projects and getting ideas off the ground.

### Am I able to set long-term goals? Can I stick with them?

Even if I'm faced with a difficult problem or situation? Successful business people are patient and determined. They have the ability to work toward a goal, delaying rewards until a future time, and persist even in difficult times. They understand that it takes time to build success – sometimes years.

### Do I believe that money is the best measure of success?

If your only reason for going into business is to make money, it may not be enough to make you a success. The desire for money is not a prime motivation for most successful business people. Rather, they want personal fulfilment and enjoy doing their best. While money is important to them, it is a means to do more and not simply a way to gain wealth and prestige.

### Am I creative? Am I always looking for new approaches and ideas? Am I innovative?

Entrepreneurs often have many ideas and a great capacity to dream up and carry out projects. They are highly motivated by their desire to innovate or to bring their own approach to doing things. Never satisfied or content, they believe there is always a better way to get a job done.

Am I good at making decisions? Are my decisions generally sound?

Successful business people tend to be comfortable making their own decisions.

### Am I willing to market my product or service?

Successful business people do not believe the old saying 'Build a better mousetrap and the world will beat a path to your door.' They know that proper marketing is critical to business performance. They advise you must sell, sell, sell.

### Am I a good organizer? Do I pay attention to details?

Conducting a successful business requires organizational skills and competence. As a small business owner, you are your own boss. Since there is no one looking over your shoulder to make sure you are doing your job well, you will need self-discipline. Your ability to pay attention to details can make the difference between success or failure.

### Am I flexible? Do I adapt to change? Can I handle surprises?

Change is a fact of life. To succeed in business, you must accept this fact and use it to your advantage. Successful business people monitor social trends, adopt new technologies, compare themselves to the competition, and listen and watch with an open mind.

## Do I have what it takes?

By now, you will be able to put together a good picture of the qualities and skills required to succeed in your own business. You are likely to be happy and successful in your own business if you:

- are able to set and achieve goals;
- possess an inner drive to be independent;
- are flexible and adaptable;
- are willing to work hard;
- have confidence in your ability to succeed;
- possess self-discipline, leadership abilities and organizational skills; and
- have the confidence to make decisions and take calculated risks.

If you don't have all these qualities, you might need to develop some additional skills, or perhaps you might require an associate, partner, or employee whose strong qualities can counterbalance your weaknesses.

If you don't have at least some of these qualities, you will have to decide if a small business is the right career option for you. If it isn't, and you are already employed, you might be better off staying in your current job and creating new possibilities there. If that doesn't work, you might consider other jobs that could interest you either with your current employer or with a new one. If you do not have a job, perhaps you should look for new employment in your area of expertise.

If you are still having difficulty deciding if starting a business is the best career option for you, go through the reality check again with a friend or someone you trust to be honest with you. Ask them for their opinion. Compare notes. The exercise can be very revealing – and worthwhile.

## Is It For You?

Entering into a new “business for self” venture is most risky at best. Substantive demands can be placed on the entrepreneur's financial well-being, if proper planning is not completed to enable informed decisions. While completion of a formal business plan should provide the information to soften/mitigate the overall financial risk, valued preliminary planning can provide the comfort needed to pursue this more formalized process that includes;

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- the business proposal, goals and achievement plan
- management background, skills inventory and roles within the business
- market analysis identifying and describing suppliers, customers and competitors
- project costs and financing, cash flow and profit analysis.
- time lines and schedules

The aforementioned preliminary planning process, from a financial perspective should answer the following basic questions.

- How much of a wage/draw do I/we require from my new business.
- How much in sales do I/we require to break even or make a profit.
- How much capital do I/we require to open/operate and where does it come from.
- How much cash do I/we require to sustain day to day business.

## Registration

The proper registration of your business is crucial, and in most cases, mandatory. A business bank account cannot be opened without a business registration number. Registration of an unincorporated business is a provincial responsibility. Corporations may register either provincially or federally.

Generally, businesses operating in Canada use one of three forms of organization:

- A proprietorship, which is the simplest form, involving one person. All that is required is a business licence, although a sole proprietorship can operate legally under the individual's name, even without registration.
- A partnership, which involves two or more persons, is governed by the Partnership Act of the province. A partnership name must be registered under the Business Names Act by filing a declaration with the Companies Branch at the address below.
- A corporation or limited company, which is a separate legal entity from its owners. Persons wishing to incorporate a business must file with:

[Canada Business Network](#)

Corporate Services Section - Companies Branch  
Ministry of Consumer and Commercial Relations  
393 University Ave., 2nd Floor  
Toronto, ON M5G 2M2  
Telephone: 1-800-361-3223, 1-416-314-8880

- Federal incorporation is effected under the Canada Business Corporations Act by filing articles of incorporation with:

[Corporations Canada](#)

Information and Publication Unit  
Industry Canada  
Corporations Directorate  
365 Laurier Ave., W.,  
Journal Tower South, 9th Floor  
Ottawa, ON K1A 1C8  
Telephone: 1-613-941-9042, 1-613-941-5789

To register your business and receive your 'Business Identification Number' (BIN), you may access the [Business Name Registration Portal](#) of Service Ontario. The cost for on-line registration is \$60.00 with an extra \$8.00 charge if a name search is required.

In 2010 Service Ontario and Industry Canada launched the 'Business Information Line'. This new toll-free line will allow businesses in Ontario to contact different government departments and ministries through a single telephone number: (888) 745-8888 or TTY (800) 268-7095

## **W.S.I.B.**

WSIB is no-fault insurance that protects your business from lawsuits by providing benefits to your workers in cases of injury or illness at work.

Businesses in Ontario that employ workers must register with the Workplace Safety & Insurance Board (WSIB) within 10 days of hiring the first full or part-time employee. Sole proprietors and partners are not automatically covered by WSIB, but can apply for optional insurance. You may also insure your workplace on a voluntary basis if your business activity is not automatically covered. When you register with WSIB, a kit will be forwarded to you explaining an employer's responsibilities and forms for assessment, coverage, incident reporting and appealing a WSIB decision.

You may register at the same time as registering your business or contact WSIB direct at:

### [Workplace Safety & Insurance Board](#)

128 McIntyre Street West  
North Bay, ON P1B 2Y6  
Telephone: 1-800-461-9521  
Fax: 1-705-472-9801

## **Income Tax**

Income taxation in Canada has become increasingly complex. Tax laws and regulations are constantly changing, making it difficult in many respects for the small business owner to keep current, let alone understand the relevant tax laws. Proper tax planning is critical to the entrepreneur and accurate records must be kept in any type or size of business.

It is recommended that a small business owner consult a professionally qualified accountant from the onset.

We further recommend that the entrepreneur read the [Canada Revenue Agency's](#) 'Guide for Canadian Small Businesses' and 'Business and Professional Income' guide, both designed for the self-employed individual. They introduce the business owner to the process of reporting earnings and paying income tax on business profits as well as what expenses you're allowed to deduct.

Make sure you understand the income tax rules as they apply to your business. Individuals pay taxes on their share of the net income of unincorporated businesses when they file their personal income tax return. Corporations must file income tax returns both federally and provincially.

## **Insurance**

Needs for insurance will vary widely with the different types of businesses. Consult your insurance agent to guide you through establishing comprehensive policies. It is recommended that all businesses carry liability insurance to protect assets. Coverage for perpetuation of income and lives of the owners should also be investigated. Consideration should be given to the following:

## BUSINESS AND LIABILITY INSURANCE

This includes coverage against theft and damages and / or fire to buildings, equipment and documentation, employee theft, and liability through accidents. Liability insurance covers any area in which the business or employees might be held liable for negligence causing injury to customers, employees and the general public.

## DISABILITY INSURANCE

If you are the sole owner of a business, and should suffer an accident, injury or illness, the business income immediately ceases, thus threatening the financial security of both the business and family. Workers Safety and Insurance Board will only pay a portion of earned wages if you are covered and only if the accident or illness is work related. Be safe and protect yourself with a good disability policy that covers all contingencies.

## LIFE INSURANCE

Invest in some form of term life insurance that protects your family in case of your death. Keep in mind that under current taxation laws, if the business pays the policy, the insurance payout will be taxed. However, if the premiums are paid personally, taxes are not payable at payout.

## **Intellectual Property**

If your business creates or manufactures a specialized product, performs a specialized service or has a distinctive brand name or logo, you should consider protection under federal patent, trademark, industrial design or copyright laws.

Intellectual property (IP) includes patents, copyrights, trademarks, industrial designs and integrated circuit topographies (layouts of microchips). IP ownership may also be useful when approaching financial institutions for business loans. To protect your IP rights in Canada, it is recommended that you establish ownership with the Canadian Intellectual property Office (CIPO).

### [Canadian Intellectual Property Office](#)

Place du Portage I  
50 Victoria St., room C-114  
Gatineau, QC K1A 0C9

## **Advisors**

Professional advisors are essential to small business success. They provide the knowledge and expertise in areas in which the new business owner would have little or no experience. The correct advice can save you from making a short-sighted decision that may be detrimental to your business for many years to come.

Professional and business advisors you may need include a lawyer, accountant, banker, business consultant and insurance broker. Be selective in your screening process and consider the professional's qualifications, experience, compatible personality and fees. Make sure that you feel a strong degree of confidence in the individual you choose.