

Small Business Guide



*Prepared by:
Gloucester County
Dept. of Economic Development
115 Budd Blvd.
West Deptford, NJ 08096
856-384-6930
www.gloucestercountynj.gov*



This brochure is provided as a service of the
Gloucester County Board of Chosen
Freeholders

Robert M. Damminger
Director

Giuseppe (Joe) Chila
Deputy Director

Lyman Barnes
Heather Simmons
Adam J. Taliaferro
Dan Christy
Frank DiMarco

In cooperation with the
Dept. of Economic Development

Heather Simmons, Freeholder Liaison

Acting Director
Thomas Bianco

Division of Business Development
Michelle Shirey
(856) 384-6930

BUSINESS PLAN

Statement of Purpose And Application and Expected Effect of Loan

To whom are you addressing this plan? What is the purpose of writing this plan?

1. Name of company applying for funds.

2. The formation of the business is.

sole proprietorship

partnership

corporation

common

subchapter S

limited liability company

3. Dollar amount of funds requested. \$ _____

4. What kind of loan are you applying for?

1 year Line of credit

3 year Commercial mortgage

5 year Term Loan

7 year Other (describe) _____

5. How much of your own assets will be invested in the business:

Cash \$ _____ Other Assets \$ _____ (Equipment, Etc.)

6. What Collateral/Security do you have to offer?

Certificate of Deposit Net Value \$ _____

Stocks/Bonds Net Value \$ _____

Real Estate Net Value \$ _____

Equipment Net Value \$ _____

Other _____ Net Value \$ _____

7. Identify how the loan or investment will be spent:

Purchase Real Estate \$ _____

Renovations \$ _____

Equipment \$ _____

Furniture \$ _____

Working Capital \$ _____

Other _____ \$ _____

8. Describe how the requested loan will effect your business.

9. Describe your personal credit history:

Excellent Good Poor Bankruptcy

10. Do you have a current copy of your credit report? Yes No

If no, New Jersey residents are entitled to one free copy per year. Please order.

11. Do you have someone, with good credit, income, and assets will to co-sign? Yes No

A. THE BUSINESS

Describe your business (in 25 words or less).

B. PRODUCT/SERVICE

1. List up to 3 main products and/or services you plan to sell or currently sell:

- 1> _____
- 2> _____
- 3> _____

2. List 3 reasons why people would purchase your products/services.

- 1> _____
- 2> _____
- 3> _____

C. THE MARKET

1. Describe overall market for your products and services including industry trends.

2. Who is your TARGET customer? (What makes them your TARGET MARKET?)

3. How will you attract and keep customers like these?

4. Describe the market's growth potential and industry information researched.

D. PRICING

1. List the prices/price ranges of your top 3 product/services.

2. Describe how you determined your pricing.

3. How does your pricing compare to your competition?

4. Identify three (3) trade suppliers and their credit terms

1> _____
2> _____
3> _____

E. LOCATION OF BUSINESS

1. Your business address is?

2. Your space is: leased owned Square footage required: _____

3. What renovations are needed and how much it will cost.

4. List Zoning, License and Permits required to operated business.

F. THE COMPETITION

List your 5 nearest competitors and why do customers buy from them?

1> _____
2> _____
3> _____
4> _____
5> _____

G. MANAGEMENT

Who will be the owner(s) of this business? _____

1. Describe your employment background and/or management and supervisory experience.

2. Describe education and list certifications, courses and training related to this industry.

Duties and Responsibilities of Management

1. Describe duties and responsibilities of management.

2. List the salary of each member of management team.

3. Identify 4 professional resources you will utilize? (Accountant/attorney/insurance broker/banker.)

1> _____
2> _____
3> _____
4> _____

H. PERSONNEL

1. How many employees do you need? What will you have them do?

2. Identify the credentials and skills required of employees.

3. How will you find these skilled employees?

4. Will employees be salaried or hourly, full-time or part-time?

Salaried Hourly
 Full-Time Part-Time

5. In addition to basic benefits (UDI and worker's comp) you will offer any other insurance coverage?

6. How will you train employees?

FINANCIAL PROJECTION ASSUMPTIONS

In completing your Cash Flow (last page) what resources did you use to determine your income projection?

START UP COST WORKSHEET #1:

Acquisition costs

Purchase Price of Business/Real Estate \$ _____
Loan Fees and Closing Costs _____

Pre-payments/Retainers

Insurance _____
Legal Services _____
Accounting Services _____

Installation Charges

Phone _____
Other _____

Equipment _____

Leasehold Improvements

Renovations _____
Electrical _____
Exterior Sign _____
Plumbing _____
Painting _____
Ceiling _____
Flooring _____
Lighting _____
Other _____

Organizational Costs

Trade Name Registration _____
Incorporation _____
Mercantile License (Local) _____
Permits _____
Other _____

Advertising

Brochures _____
Newspaper Ads _____
Grand Opening _____

Supplies

Sales (bags, boxes, etc.) _____
Office (pencils, etc.) _____
Stationery, business cards _____
Invoices, purchase orders _____
Other _____

Inventory

Open Stock for Sale _____

Other

Working Capital _____

Total Estimated Start up Costs \$ _____

Starting a Business

1. Determination of Business Name & Its Registration

The First step towards starting a business involved deciding a trade name for your business. The following are possible scenarios:

- If you intend to do business under your own name, then no trade name registration is required. Registration is only considered advisable. If you intend to start a Sole Proprietorship or General Partnership, then you must contact the County Clerk's Office of the county in which the business will be located for registering a business name. This registration at the county level is compulsory. Additionally, if you are interested in reserving the business name for the entire state of New Jersey, then you must contact the Division of Commercial Recording, NJ Department of Treasury, PO Box 308, 225 West State St., Trenton, NJ 08625-0308. Their phone number is 609-530-6400 or 609-292-9292.
- If your business is going to be a Corporation, a Limited Liability Corporation, or a Limited Partnership, then for registration, contact the Division of Commercial Recording, NJ Department of Treasury, PO Box 308, 225 West State St., Trenton, NJ 08625-0308. Their phone number is 609-292-9292

2. Registration of the Business

After the business name decision and its registration are complete, you are required to register your actual business with the State of New Jersey. This registration pertains to tax purpose. The following are possible scenarios:

- Whether you intend to run a business under your own name, as a Sole Proprietorship, or as a General Partnership, you are required to register with the NJ Division of Revenue at least 15 days prior to the business opening. To register and acquire tax information, contact Taxpayer Registrations, NJ Division of Revenue, PO Box 252, Trenton NJ 08625-0252. Their phone number is 609-292-6400. You can also call toll free 800-323-4400. You will be doing your business taxes under your social security number in this situation.
- If you are an Incorporation, Limited Liability Corporation, or Limited Partnership, then in addition to registering with the State of New Jersey, you are also required to file federal tax forms. For obtaining federal business tax information, contact the Internal Revenue Service Office in your area or call toll-free 800-829-1040. To request forms only, call 800-829-3676. You will be doing your business taxes under a federal tax ID number in this situation.

Note: You may now register your business for taxes and employer contributions for unemployment and disability, online, without having to file paper registration forms via the [New Jersey Division of Revenue On-line Business Registration Service](#).

3. Taxation

All businesses must pay taxes. When you register your business, the state of New Jersey will send pertinent forms and information necessary for compliance with the New Jersey tax laws. It is important to include either a social security number or a Federal Employer Identification Number (FEIN) on all returns, checks, and other correspondence sent to the State of New Jersey.

4. Permits & Other Regulations

Regardless of what type of business you are (Sole Proprietorship/General Partnership/Incorporation) you need to contact the Clerks of the municipality and county in which the business is located to determine if there are any local regulations to which the business must adhere. Also check whether any Permits are required for your operation.

5. Business Licenses and Certification

Depending on the nature of your business, the State of New Jersey requires that you either obtain a License and/or Certification. The New Jersey Online License & Certification Query is available online and lists various types of businesses and their requirements. You can also call the NJ Commerce, Economic Growth & Tourism Commission at 609-777-2642 or toll free 800-533-0186 to obtain License/Certification information.

6. Employee Related Issues

If you have at least one employee, you are required to address the issue of employer insurance. This relates to the following instances:

• Unemployment Insurance:

If you have at least one employee, registration is required with the Division of Employer Accounts, NJ Department of Labor, PO Box 913, Trenton, NJ 08625-0390. Their phone numbers are North (Newark) 973-648-4109, Central (New Brunswick) 732-418-3331, and South (Camden) 856-614-3764.

• Workers' Compensation Insurance:

Information regarding Workers' Compensation accidents may be obtained by contacting the Division of Workers Compensation, NJ Department of Labor, PO Box 381, Trenton, NJ 08625-0381. Their Phone number is 609-292-

2515. For coverage information, contact your Insurance Provider, or the Compensation Rating and Inspection Bureau at 60 Park Place, Newark NJ 07102. Their phone number is 973-622-6014.

7. Additional Requirements for out-of-State Firms

If you are not located in the State of New Jersey but intend to start your business here, there are some additional requirements that you need to fulfill:

- **Corporations and Limited Partnerships:**

It is necessary to obtain a Certificate of Authority to do business in New Jersey from the Division of Commercial Recording and Business Services, NJ Department of Treasury. You can contact them at P.O. Box 308, 225 W. State St., Trenton, NJ 08625-0308. Their phone number is 609-292-9292.

- **General Partnerships and Sole Proprietorships:**

It is necessary to obtain a Trade name Certificate to Operate from the County Clerk in each county where business will be conducted.

- **Out-of-State Payroll Record keeping:**

A permit must be acquired from the Division of Workplace Standards, Office of Wage and Hour Compliance, NJ Department of Labor. Their phone number is 609-292-7860.



Windsor Business Park, Bldg. 4B
186 Princeton Hightstown Rd
West Windsor, NJ 08550
609-799-5101
609-799-5141 (fax)
Paula Gould, Executive Director

STRUCTURE

SOLE PROPRIETORSHIP

1. Easiest to open
 - a. Obtain "Trade Name Certificate" from County Clerk at County Court House – (Anywhere from \$5.00 to \$65.00)
 - b. Register as a business with State of New Jersey – can be done on the Internet, www.state.nj.us. This registration will cover:
 - i. Sales Tax
 - ii. Business Registration
 - iii. Employer Registration
 - c. If you will have employees, a Federal Employer Identification is needed. This can be done on the telephone with the IRS at 800-429-4933 or online at www.irs.gov.
 - d. Secure liability insurance
2. Profit or losses flow through personal income tax return
3. Owner takes money from the business via a "draw", not salary
4. Owner assumes all liability for the business. Any claims and/or judgments against the business above and beyond insurance coverage remain the personal responsibility of the owner. **ALL PERSONAL ASSETS ARE AT RISK.**

PARTNERSHIP

1. Same as Sole Proprietorship, but with more than one person.
2. Profits, losses, draws, etc. are all divided according to agreement.
3. Although not required by law, a Partnership Agreement that defines roles, responsibilities, dispute resolution and especially an exit strategy is strongly recommended.

C CORPORATION

1. Although there are "fill-in-the-blank" forms available for opening a corporation, it is recommended that this structure be created by an attorney.
2. A brand new "person/entity" is created in a corporation. This entity has its own Social Security number and pays its own taxes. (In NJ there is a

- \$500.00 - \$2,000.00 (depending upon gross sales) minimum corporate tax each year, even if you lose money.)
3. Although you own the corporation, you are considered an employee of the corporation and are paid a salary.
 4. The corporation is only liable for debts/judgments up to the value of the assets of the corporation. No personal assets are at risk. Adequate liability insurance is still a must.

There is an exception here. If the corporation secures a business loan, business credit cards, sometimes a lease and sometimes a vendor, anyone who owns more than 10% of the corporation is required to sign a personal guarantee which states that, if the corporation is unable to pay the debts, the owner will. This puts personal assets at risk.
 5. A yearly report must be filed.
 6. The corporation must be formally dissolved in order to close.

LIMITED LIABILITY COMPANY (LLC)

1. Combines the tax advantages of the sole proprietorship with the liability protections of the corporation, i.e., taking a draw and reporting profits or losses on personal income tax forms, but without the risk of personal assets.
2. Can be opened online at www.state.nj.us. There will be a small business icon on the left side of the home page that will walk you through the process.
 - a. It starts with checking to see that there is no one else in the state operating a business under your name.
 - b. The second part is actually opening the LLC.
 - i. You can open different types of LLCs, i.e., sole proprietorships, more than one person and corporate. CAUTION: Never check anything that says corporation or you will be responsible for the CBT minimum tax.
 - ii. When asked about a “registered agent”, you can either check “none” or put your name there. This is in case you want your attorney or some other designated person to receive business correspondence from the state.
 - c. The cost is \$125.00. (State fees change on a regular basis, so this may be slightly different.)
3. If you are going to have employees, obtain a Federal Identification number from the IRS either by telephone at 800-429-4933 or online at www.irs.gov.
4. Secure liability insurance.
5. A short report must be filed each year.
6. To end the business, you must file dissolution forms.

N.B. – The choice of a structure of your business can have substantial impact upon your personal income tax position. If unsure, it is most important that you seek the counsel of your accountant or tax attorney before you make the final decision.

FINANCING OPTIONS FOR START-UP BUSINESSES

US SMALL BUSINESS ADMINISTRATION (SBA) GUARANTEED LOANS

The US SBA does not provide direct business loans, but guarantees loans to the bank. What this means is, if you or your business is unable to repay the loan, the SBA will pay a certain percentage of the balance to the bank as an incentive for them to provide small business start-up loans that are considered risky.

PROCEDURE:

1. Make an appointment at the bank where you do your business to speak with the Commercial Lending Officer. Bring along any information you have already prepared, i.e., business plan, personal financial statements, etc. Ask if the bank would be interested in financing your project and what you need to submit.
2. Submit all materials requested. (The bank will approve your loan and then send it on to the SBA for their approval prior to a commitment letter and closing.)

LOAN INFO:

1. The SBA loans are not “low interest” loans and can be 2.75% OVER prime. In addition, there will be a guarantee fee of ¼% – 3 % of the amount of the loan.
2. Unless real estate or equipment having an extended useful life is involved, these loans are relatively short term – 5 to 8 years.
3. You will be required to sign a personal guarantee that says you will be personally responsible for the loan if the business cannot make the payments - no matter what the structure of the business.
4. Payments are made to the lending bank.
5. The bank will be looking for:
 - a. A viable business plan,
 - b. A down payment of 10% - 30% of the start-up costs,
 - c. Good personal credit,
 - d. Experience in the industry,
 - e. Pledge collateral, if available. (In most cases, a loan will not be declined where insufficient collateral is the only unfavorable factor.

ADDITIONAL SBA PRODUCTS

1. Microloans – up to \$35,000.00
 - a. Lower down payments – 10%

- b. Although a borrower must prove credit worthiness and the viability of the business idea, collateral and other stringent requirements will be eased.
 - c. Microlenders –
 - i. Regional Business Assistance Corporation, Trenton
Contact: (609) 396-2595
 - ii. Greater Newark Business Development Consortium, Newark
Contact: (973) 242-4134
 - iii. UCEDC, Union
Contact: (908) 527-1166
 - iv. Cooperative Business Assistance Corporation, Camden
Contact: (856) 966-8181
 - d. Superior Financial Group –
 - i. Virtual Lenders – apply on-line and funds are electronically credited to your account. One time application fee of \$450.00 or \$550.00 depending upon amount of loan – only if loan is approved. Call P. Nafus at NJAWBO’s WBC for complete information – 609-581-2220.
2. Community Express Loan Program
- a. A combination of a loan program and technical assistance provided by NJAWBO’s Women’s Business Center
 - b. Program partnered with Commerce Bank
 - a. Contact Pamela Innis – (908) 237-4755 – Commerce Bank

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
The State of New Jersey

These are direct loans, loan guarantees or partnered loans with eligible banks at reasonable interest rates. They particularly look at priority locations and at targeted industries. There is an application fee that varies with the loan program.

Criteria for these loans will be similar to that of the SBA Guaranteed Loans.

Telephone *Loretta Richardson* – 609-777-4880 (*North*); *Margie Piliere* 609-292-0360 (*South East*); or *Laura Wallick* 609-292-2720 (*South West*) for complete information.

HOME EQUITY LINE OF CREDIT

If you own a home and have equity equal to the amount you need, the home equity line of credit will provide **the least expensive, fastest and most flexible** method of financing your new business. (Do not confuse this with a home equity **loan**.)

PROCEDURE:

1. Go to the bank where you have your mortgage or conduct your personal business to ask for the Home Equity Line of Credit. Most banks will make your credit limit up to 80% of the equity you have in your home.
2. Sometimes you will obtain the line right then and there; others will require just a few days.
3. You will receive what looks like a checkbook. Whenever you need the money, you write out a check. (Most banks will require a minimum of about \$500.00 so that you don't use this as your regular checking account.)
4. At the end of each month, you will receive a bill for the interest and a minimum principal payment, similar to your credit card bill.
5. You must pay the interest, but may pay however much you want to on the principal over the minimum.
6. The next month's bill will charge you interest only for the money used and only for the time you used it.

ADVANTAGES

1. No business plan, deposit, additional collateral or financial statements are required. This is considered a second mortgage on your home. (NOTE: For those who have issues with "putting up your house," please be aware that any business loan will require a personal guarantee and collateral, effectively placing all of your personal assets, i.e., your house, at risk anyway. If this is the case, you might as well do it in the least expensive manner.)
2. This is always a revolving line of credit. As you make payments, additional monies will be available to you in the event something unforeseen occurs and you need cash quickly.
3. The interest rate is flexible, based on prime, but ALWAYS much less than the traditional business loans.

ADDITIONAL OPTIONS

CREDIT CARDS – Use these only as the option of last resort. They are expensive to use and can position you for long-term financial and credit barriers. (The warning here applies to start-up expenses. Credit cards are an excellent financial management tool for operating a business, but be sure try to pay them off each month.)

PERSONAL LOANS/ANGELS – An excellent source of funding, if available, but be sure to secure the terms in writing (even if it is from your mother or friend) to protect both you and the person lending the money. Each one of these arrangements is unique and careful thought must go into the negotiation.

Microloan Program

www.sba.gov/financing/sbapartner/microloan.html

The SBA microloan program makes smaller amounts of capital (up to \$35,000) available through SBA intermediaries. Although a borrower must prove credit worthiness and the viability of the business idea, collateral and other stringent requirements will be eased. The private, non-profit intermediaries received loans from the SBA with which to establish a local revolving loan fund. These organizations now re-lend the money to local entrepreneurs within their designated areas. Management and technical assistance may also be available. For information contact the intermediary lender in your area:

Regional Business Assistance Corporation

247 E. Front Street
Trenton, NJ 08611
Contact: William Pazmino
(609) 396-2595

Service area: Bergen, Burlington, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Somerset, Sussex and Warren counties.

Greater Newark Business Development Consortium

744 Broad Street, 27th Floor
Newark, NJ 07102
Contact: Desiree Sealey
(973) 242-4134

Service area: Statewide

UCEDC

Liberty Hall Corporate Center
1085 Morris Avenue, Suite 531
Union, NJ 07083
Contact: Ellen McHenry
(908) 527-1166

Service area: Statewide

Cooperative Business Assistance Corporation

328 Market Street
Camden, NJ 08102
Contact: Michael Diemer
(856) 966-8181

Service area: Atlantic, Camden, Cape May, Cumberland, Gloucester and Salem counties.

What is a FICO score?

A FICO score is a credit score developed by Fair Isaac & Co. Credit scoring is a method of determining the likelihood that credit users will pay their bills. Fair, Isaac began its pioneering work with credit scoring in the late 1950s and, since then, scoring has become widely accepted by lenders as a reliable means of credit evaluation. A credit score attempts to condense a borrower's credit history into a single number. Fair, Isaac & Co. and the credit bureaus do not reveal how these scores are computed. The Federal Trade Commission has ruled this to be acceptable.

Credit scores are calculated by using scoring models and mathematical tables that assign points for different pieces of information which best predict future credit performance. Developing these models involves studying how thousands, even millions, of people have used credit. Score-model developers find predictive factors in the data that have proven to indicate future credit performance. Models can be developed from different sources of data. Credit-bureau models are developed from information in consumer credit-bureau reports.

Credit scores analyze a borrower's credit history considering numerous factors such as:

- Late payments
- The amount of time credit has been established
- The amount of credit used versus the amount of credit available
- Length of time at present residence
- Employment history
- Negative credit information such as bankruptcies, charge-offs, collections, etc.

There are really three FICO scores computed by data provided by each of the three bureaus—Experian, Trans Union and Equifax. Some lenders use one of these three scores, while other lenders may use the middle score.

Frequently Asked Questions (FAQs)

How can I increase my score? While it is difficult to increase your score over the short run, here are some tips to increase your score over a period of time.

- Pay your bills on time. Late payments and collections can have a serious impact on your score.
- Do not apply for credit frequently. Having a large number of inquiries on your credit report can worsen your score.
- Reduce your credit-card balances. If you are "maxed" out on your credit cards, this will affect your credit score negatively.
- If you have limited credit, obtain additional credit. Not having sufficient credit can negatively impact your score.

What if there is an error on my credit report? If you see an error on your report, report it to the credit bureau. The three major bureaus in the U.S., Equifax (1-800-685-1111), Trans Union (1-800-916-8800) and Experian (1-888-397-3742) all have procedures for correcting information promptly. Alternatively, your mortgage company may help you correct this problem as well.

Important Business Resource Links

More Information about the Women's Business Center

<http://www.njawbo.org/html/wbc.html>

SBA's Business Start-Up Guide

http://www.sba.gov/starting_business/startup/guide.html

Application for EIN/Tax ID Number

<http://www.irs.gov/businesses/small/article/0,,id=102767,00.html>

EIN/Tax ID Number-Information on Methods of Applying

<http://www.irs.gov/businesses/small/article/0,,id=97860,00.html>

Starting, Relocating, and Maintaining a Business, and Procurement

<http://www.nj.gov/njbusiness/>

Business Start-Up How-To Guide

<http://www.entrepreneur.com/howto/startyourbiz/0,5969,,00.html>

Common Start-Up Mistakes (What Not to Do)

<http://www.entrepreneur.com/startingabusiness/startupbasics/archive144024-12.html>

IRS Starting a Business and Keeping Records Form

<http://www.irs.gov/pub/irs-pdf/p583.pdf>

Small Business Forms

<http://www.irs.gov/businesses/small/article/0,,id=99200,00.html>

Patents & Trademarks

<http://www.uspto.gov/>

Market Research Sample Forms

http://www.easimedia.com/business_tools/free!_business_forms/

LAYING “FREE MONEY” RUMORS TO REST!!!!

You have probably seen them - advertisements or programs from so-called experts that offer “insider information” on financing a business. They claim that the state government or other public organizations have funds in the form of grants or extremely low-rate loans available to the following groups:

- ◆ Individuals who want to open a business
- ◆ Companies in severe financial trouble
- ◆ Minority, women, or foreign-born entrepreneurs

Don't be fooled. These promotions are pitching high-priced books, tapes, or videos. The “insider information” that the authors claim to be privy to is usually nothing more than common business guidelines and a list of government agencies that can be found in a library or telephone book. Once a person begins calling these numbers to request money, he/she quickly finds that the programs often have been misrepresented.

The simple truth is that business owners usually must meet stringent criteria to secure private or public financing. Most qualifications for capital revolve around having a sound business plan, healthy financial statements, personal investment, business experience and substantial collateral. In addition, government loan programs sometimes emphasize job development.

In short, a successful entrepreneur must be able to separate a sales pitch from reality. These commercials are selling dreams.

Reprinted from:

Doing Business in New Jersey

Public/Private Partnership
PSE&G & NJ Department of Commerce

NO FREE LUNCH!

In spite of what people see on television or hear from friends, the fact is there is no government agency or private foundation handing out free money to start small businesses, regardless of the money-seeker's gender, ethnicity or economic status. Every day our office gets calls from people convinced that there is 'free money' out there to fund business start-ups. The fact is that most grants are awarded to non-profit organizations. A few go to businesses that do research and development geared toward crucial government projects. These grants are extremely specific in nature and often quite technical. For example, there is a tiny grain of truth in those late-night TV infomercials. There is a program called 'Small Business Innovative Research' which does award grants of up to \$100,000 to research ideas, which seem promising, and then to develop products if the research is successful. However, most of these grants are for projects such as how to put a satellite into orbit and then repair it. These funds are not available to people who are interested in opening restaurants, hair salons and other more conventional small businesses. If the government provided free money to everyone who wants to start a small business, it wouldn't last long. Can you imagine the outcry from taxpayers if their money was funding these risky ventures?

The fact is that most new businesses are started with personal savings, loans from friends or relatives, or small commercial or personal loans. I think one reason this 'free money' myth is so prevalent is that people are looking for an alternative to the work and detail required to obtain a conventional loan. The idea of writing a business plan and approaching a lender can be intimidating. But think about it. Aren't you more likely to succeed if you do the groundwork and research required? There's a reason procedures are in place for small business loans. One of the most important factors in obtaining a loan for a new business is the borrower's personal credit history. Lenders don't care if you're male, female, black, white, Asian, Hispanic, young or old. The bottom line is: Can you pay the money back?

NJAWBO's Women's Business Center provides training and counseling for individuals who want to start their own businesses, including classes about how to write a business plan. For more information, please telephone 609-581-2220 or email pnafus@najwbo.org.

SHOULD YOU START A SMALL BUSINESS?

The decision to start a small business may have a major effect on your future. Before you finalize that decision, it is important to consider a variety of factors. You should consider the following:

1. Prepare a list of the reasons you want to go into small business. This list should be specifically as possibly.
2. Prepare a list of the goals and rewards that you expect from your business. These should be broken down into the following sequence.
 - A. Immediate (within 1 year)
 - B. Intermediate (1 to 5 years)
 - C. Long Range (over 5 years)
3. Prepare a list of all the negative effects that may result from your decision. Write down every possibility, no matter how remote. This list should include things such as:
 - A. Additional time away from your family
 - B. Maximum amount of monetary loss. (Include actual dollar amount)
 - C. Loss of job security
 - D. Loss of weekly income
 - E. Loss of retirement of disability benefits
 - F. Increase in stress
4. Prepare a written and honest assessment of your personal areas of strength and weakness. The more accurate you are with this assessment, the more likely you will be able to make the proper decision concerning going into business. This assessment should include the following:

<ol style="list-style-type: none">A. Self-motivationB. Ability to interact with peopleC. Ability to accept responsibilityD. Ability to organizeE. Ability to superviseF. Ability to evaluate information and make decisions	<ol style="list-style-type: none">G. HealthH. IndependenceI. Business or technical skillsJ. DependabilityL. Financial stabilityK. Persistence
--	--

Once you have prepared these four lists, allow yourself some time to reflect on them. During this period you should be making some additions and changes to them. After you are satisfied that you have honestly included all the appropriate information, review them with your family. You should now be prepared to make a competent decision about starting your small business.

Once you have made this preliminary decision to go into business, you must make initial contact with various business professionals that can help you. These professionals will vary with the type of business, but every business will need the following:

A. ACCOUNTING FIRM

They will advise you on the proper records, the proper tax forms and the type of business organization. If necessary, they will assist you with financial statements, a financial feasibility analysis, projections, and various tax form preparation. You should consider them your primary business advisor.

B. LAW FIRM

They will assist you in complying with various local ordinances, represent you before any local planning or zoning boards, review any leases you may be contemplating, incorporate you (if necessary), and give you appropriate advice concerning your business.

C. FINANCIAL INSTITUTION

You should make contact with a commercial lender in the bank you choose. This person should be capable of making loan commitments in the amount of input concerning your potential business.

D. INSURANCE AGENT

In addition to the Accountant, the Lawyer, and the Banker, you may need to contact an insurance agent, a life insurance agent, a stockbroker, an architect, or an engineer. The Accountant, Lawyer, or Banker may be able to recommend competent individuals.

You should also contact the U.S. Small Business Administration & Service Corps of Retired Executive (SCORE). They periodically hold small business training seminars, which could be very valuable to you. In addition, they have a number of “management aids” available.

Small Business Administration
2 Gateway Center
15th Floor
Newark, NJ 07102
(973) 645-2434

The Service Corps of Retired Executives are retired business people who volunteer their professional services to provide management assistance to businesses with problems and help people interested in starting new businesses. There is no fee charged for their services. The local S.C.O.R.E office can be reached at:

S.C.O.R.E
4900 Rt. 70
Summit Bank Building
Pennsauken, NJ 08109
856-486-3421

Once you have completed all of the above steps and met with various professionals, you are prepared to make an informed decision on whether or not you should go into a small business.

HOW DO YOU GO INTO BUSINESS?

Once you have decided to go into business, there are multitudes of details that must be handled. What you do at the “birth” of your business will have a definite affect on its future, and may mean the difference between success and failure. It is an absolute essential that you work closely with your professionals. If you are not prepared to pay their fees, you should not go into business.

All business ventures have certain common elements. Lists of the most important ventures are as follows:

A. What form of business entity is appropriate? Your Accountant and Attorney can advise you. You have four main choices:

1. Sole Proprietorship

You are the only one involved in the business. You will be completely liable for any losses. The results of your business activity are reported on your personal tax returns on Schedule C. Most small business ventures start as a proprietorship. This form incurs the lowest legal and accounting costs. Additionally, the record keeping requirements are relatively simple.

2. Corporation

This is the most complicated form of business. The corporation may have one or more shareholders. The corporate records must be kept in a very detailed manner. Separate corporation forms must be prepared and corporate taxes paid. All funds must be completely separated from your personal funds and any loans from stockholder to corporation meeting and reflected in the corporate minutes. It is difficult to operate a corporation without close help from our Accountant and your

Attorney. A corporation may limit your liability. This is the most complicated form of business. The corporation may have one or more shareholders. Any loans from stockholder to corporation and vice versa must be closely controlled.

3. S-Corporation

An S- Corporation has elected to be taxed in a similar manner to a partnership. If you have any interest in this type of corporation you should review it in detail with your Accountant and Attorney. This form or organization can be very beneficial in specific situations. The initial election, with the Internal Revenue Service, must be made within 75 days of our incorporation of Form 2553. The State of New Jersey recognizes this type of entity and application CBT-2553 is used.

4. Partnership

A partnership is a business entity involving two or more people. Depending on the type of partnership, your liability may be limited or unlimited. Any income or loss will be passed through to the partners. The partnership, unlike the corporation, is not subject to tax. The accounting requirements are as detailed as a corporation's. It is advisable to have your Attorney draw an actual partnership agreement.

Various registrations must be made with the Federal and State governments. They included the following:

INCORPORATION, LLC

If you decide to incorporate, you must file a Form C-100 with the Treasurer, written requests should be directed to the:

NJ Division of Revenue
PO Box 308
Trenton, NJ 08625

For general information, you may telephone (609) 292-9292. You should contact your Attorney to be sure your incorporation is handled properly.

TRADEMARK

To register a trademark, contact the County Clerk of where your business will be located (Gloucester County Clerk 384-3237). If you are using your own name, registration is desired, but not required. If trading any name other than your own, registration is required by law.

TAX INFORMATION

1. State

Anyone establishing a business in New Jersey must register it for tax purposes. You may write to Taxpayer Services at:

NJ Division of Taxation
50 Barrack St., 1st Floor Lobby
Trenton, NJ 08695
800-323-4400

2. Federal

Each employer must apply for an "Employer Identification" (Form SS-4). For Federal Business Tax Information contact the IRS office in your area or call 800-829-4933.

EMPLOYER INSURANCE

1. If you open a business and hire at least one (1) employee, you must register with the Division of Employer Accounts, NJ Department of Labor. For the appropriate forms and information, write to the Division which is located at:

PO Box 913
Trenton, NJ 08625-0913
609-633-6400

2. You may obtain information regarding workers' compensation by contacting:

Division of Worker's Compensation
NJ Dept. of Labor
PO Box 381
Trenton, NJ 08625-0381
609-292-2515

3. Locally, there are a variety of licenses, permits, and fees required. Please refer to the addendum, listing most of these.
4. You must open a business bank account. You should go to the bank armed with your employer I.D. Number or your social security number, whichever is applicable. You will also need your fictitious name certificate.
5. If you anticipate having employees, you should:
 - A. Contact your insurance agents to obtain workmen's compensation.
 - B. Contact New Jersey Division of Wage and Hour at (609) 292-2337 prior to any employee beginning work.

DEALING WITH BANKS AND SIMILAR FINANCIAL INSTITUTIONS

Banks require certain standard documents to make loans.

- a. Personal financial statements
- b. Financial statements of the business entity
- c. Copies of personal tax returns
- d. Copies of corporate tax returns (if applicable)
- e. Business Plan (Only with certain businesses will the bank need this from you)

The bank is trying to extract certain facts from the above documents. One of the primary concerns is your ability to repay the loan. The bank tries to assess whether there is an adequate cash flow to meet the periodic payments on the loan you are requesting. The secondary concern is the amount of collateral you have to back up the loan.

Your collateral protects the bank in the event that you should default on the loan. In all of your financial and tax reporting, it is important that the entire income you are receiving is recorded. It is also important to reflect all of the assets which this income purchases. The bank extracts these elements from your financial statements and tax returns and uses the information as its basis to make or deny a loan. If you have substantially understated either your assets or you income, there is a good possibility that the bank will not be able to grant you a loan when the necessity arises.

Gloucester County Loan Fund

A number of banks located in Gloucester County organized for the purpose of giving financial and loan advice to business owners as well as making loans to small businesses that may otherwise have difficulty getting a loan. The Cooperative Business Assistance Corporation (CBAC) and participating banks each share in the approval process of every loan.

Participating banks are as follows:

The Bank

686-6804

Colonial Bank

589-4888

Cooperative Business

Assistance Corp.

966-8181

Susquehanna-Patriot Bank

478-2817

Commerce Bank

232-9111

PAYROLL

Payroll is usually one of the biggest problem areas for a person going into business. The reporting requirements are complex and the penalties for failure to comply are very stiff. If you have fewer than 10 employees, it is usually cost effective to prepare you payroll manually. The tools you will need are: payroll-withholding chart, a payroll book that allows you to record the person(s) being paid on an ongoing basis and the check. You should keep in mind that each employee must be provided a record of his or her gross pay, the amount each deduction and the net pay each time you prepare payroll. You must also comply with the requirements of the State and Federal wage and hour laws.

If you are going to have 10 or more employees it might be wise to consider having your payroll prepared by a commercial payroll service. These services reduce your work dramatically and are very accurate. However, nothing is without its price. It is often cost effective to have your payroll prepared by a computer service when you have 10 employees or more.

Reporting requirements are very detailed. You should check with your accountant to determine which reporting requirements apply to you. Some companies provide benefits to employees, which require special reporting. Examples are meals and tips. Additionally, if your business will rely on subcontractors or outside support services still different rules apply. At a minimum, you will need to file the following forms.

FINANCIAL STATEMENT, BUDGETS, ETC.

You should prepare a budget of the income and expenses you expect your business to have. This is a useful tool; even it is only preliminary in nature. Budgets are not meant to be cast in "concrete". As you work within your budget framework, you will find the need to modify various categories. This is perfectly normal. However, even as your budget is changed and re-arranged it is providing you with information you need to operate.

Proper financial statements let you monitor your actual revenue and expenses. These statements should be prepared by an Accountant. It is absolutely essential that elements of revenue, expenses, assets and liabilities be recorded properly. If financial statements are not prepared properly, you may be making financial decisions based on erroneous or inaccurate information.

The comparison of your actual results to your budget expectations provides you with a yardstick to measure how your business is doing. If you scrutinize the information these tools are providing, you will be able to make adjustments in the way you spend money, advertise and procure business, and have a greater understanding of why you are making a particular decision.

ACCOUNTING RECORDS

Accounting records come in various forms. They range from nothing more than a check stub to very elaborate journal systems. The ideal accounting system for the small business lies somewhere between these extremes: One of the most useful, and also simple, systems which have been devised for manual record-keeping is the “one-write” system. These systems are produced by various manufacturers and are readily available. Their cost is not prohibitive and the resulting records provide the proper detail and are easy to work with.

The one-write disbursement system provides a journal page and a check with a carbon strip on the back. As the check is written, the basic elements of the journal are produced. These include the check number, a record of the person or organization being paid, and the amount of payment. After the check is removed, the expenditure can be allocated to appropriate journal columns. One-write disbursements can be expanded to include provisions for payroll, accounts payable, job cost tracking, computer input and various other alternatives. Your Accountant can help you make the right decision of which one-write system, with or without modifications, is right for you.

Some businesses will require a one-write receipting system. This type of system allows you to produce a customer receipt while recording payment and producing a journal. This system operates under exactly the same principle as the one-write disbursement system. Provisions can also be added for accounts receivable record-keeping, job cost record-keeping, etc. Once again, you should seek the help of your Accountant to select which system is appropriate for your needs.

A. State of New Jersey

1. Form NJ 500 – state withholdings tax
2. Form WR – 30 – state wage reporting form
3. Form UC – 27B – state unemployment compensation
4. Form NJ w-3 – reconciliation of gross tax withheld
5. W2's – wage & tax statement

B. Federal

1. Form 941 – employers quarterly federal tax return
2. Form 508 – depository cards – federal unemployment taxes
3. Form 501 – depository cards – federal employment taxes
4. Form 940 – employers annual federal unemployment tax return
5. Form W-3 – transmittal of income & tax statements
6. Form W-2 – wage & tax statement
7. Form 1099 – statement for recipients of income

There are many combinations of the above that must be filed within time spans which are not mentioned above. The above list is meant to provide you with a basic understanding and reference to the forms that must be filed.

RECORDS AND RETENTIONS

Maintaining proper records and retaining them for the correct period of time is a very important element of managing your business. The following list is meant to show you the minimum records you must keep and the time they must be retained.

Description

Retention Period in Years

Accounting Records – General Ledger	
Sales Invoices	Permanent
Payroll Journal & Ledgers	7 years
Canceled Checks	Permanent
Correspondence	7 years
Cash Receipts & Disbursements Journals	1 year
Accounts Receivable Records	Permanent
Accounts Payable Records	7 years
Supplemental Accounting Data (Daily cash reports, remittance advice bank deposit slips, vendor's invoices & petty cash slips)	7 years
Tax Returns & Related Documentation	
Monthly or Periodic Financial Reports	Permanent
Current Legal Documents (Lease, insurance policies, special contracts, partnership agreements, etc.)	7 years
Personnel Data (applications & contracts former employees)	Permanent
Personnel Data (applications & contracts present employees)	7 years
Miscellaneous (partnership or corporate meeting files, annual & special meetings)	Permanent
	7 years

GENERAL REQUIREMENTS OF EACH MUNICIPALITY IN GLOUCESTER COUNTY FOR OPENING A SMALL BUSINESS

Each municipality has specific zoning requirements for business. For a municipality's requirements, you should contact the zoning board or construction code official in that municipality.

You must also have a Mercantile License. These licenses must be renewed annually. Each municipality's licensing requirements vary as to cost and the types of businesses that are to be covered.

The following pages list the twenty-four municipalities including their addresses and telephone numbers for Gloucester County. Please contact them for specific information.

Gloucester County Municipalities

Borough of Clayton
125 N. Delsea Dr.
Clayton, NJ 08312
856-881-2882

Township of Elk
667 Whig Lane Road
Monroeville, NJ 08343
881-6525

Township of Greenwich
420 Washington Street
Gibbstown, NJ 08027
423-1038

Township of Mantua
401 Main Street
Mantua, NJ 08051
468-1500

Borough of Newfield
18 Catawba Ave.
Newfield, NJ 08344
697-1100

Township of South Harrison
PO Box 113
Harrisonville, NJ 08039
769-3737

Borough of Wenonah
1 South West Ave.
Wenonah, NJ 08090
468-5228

City of Woodbury
33 Delaware St.
PO Box 180
Woodbury, NJ 08096
845-1300

Township of Deptford
1011 Cooper Street
Deptford, NJ 08096
845-5300

Township of Franklin
PO Box 300
1571 Delsea Dr.
Franklinville, NJ 08322
694-1234

Township of Harrison
114 Bridgeton Pike
Mullica Hill, NJ 08062
478-4111

Township of Monroe
125 Virginia Ave.
Williamstown, NJ 08094
728-9800

Borough of Paulsboro
1211 Delaware St.
Paulsboro, NJ 08066
423-1500

Borough of Swedesboro
PO Box 56
Swedesboro, NJ 08085
467-0202

Township of W. Deptford
400 Crown Point Rd.
PO Box 89
845-4004
Thorofare, NJ 08086

Borough of Woodbury Hts.
500 Elm Ave.
Woodbury Hts., NJ 08097
848-2832

Township of East Greenwich
159 Democrat Rd.
Mickleton, NJ 08056
423-0654

Borough of Glassboro
1 S. Main St.
Glassboro, NJ 08028
881-9230

Township of Logan
125 Main St.
PO Box 314
Bridgeport, NJ 08014
467-3424

Borough of National Park
7 South Grove Ave.
National Park, NJ 08063
845-3891

Borough of Pitman
110 S. Broadway
Pitman, NJ 08071
589-3522

Township of Washington
PO Box 1106
523 Egg Harbor Rd.
Sewell, NJ 08080
589-0520

Borough of Westville
1035 Broadway
Westville, NJ 08093
456-0030

Township of Woolwich
121 Woodstown Rd.
Woolwich, NJ 08085
467-2666

Sources of Additional Publication & Information

Small Business & Women & Minority Business
609-292-3890

NJ Dept. of Labor
PO Box 110
Trenton, NJ 08625-0110
609-292-0306

Internal Revenue Service
970 Broad St.
Newark, NJ 07102
1-800-829-4933
For Forms 1-800-829-3676

G.C. Dept. of Economic Development
115 Budd Blvd.
West Deptford, NJ 08096
856-384-6930

Rutgers Small Business Development Ctr.
325 Cooper St.
Camden, NJ 08102
856-225-6221

Southern NJ Development Council
900 Rt. 168, Suite D-4
Turnersville, NJ 08012
856-228-7500

NJ Economic Development Authority
PO Box 990
Trenton, NJ 08625-0990
Entrepreneurial Training Institute
609-292-1800

Helpful & Informative Small Business Websites

http://www.wachovia.com/small_biz/0,,00.html

Wachovia Small Business Resources

www.franchiseworks.com

Franchise

<http://www.microsoft.com/smallbusiness/bc/default.mspx>

Microsoft Small Business Center

www.bizcoach.org

Business Start-Up Q & A

http://www.sba.gov/starting_business/

Small Business Administration

www.smallbusinessbc.ca/

Business Services

<http://www.entrepreneur.com/>

Entrepreneur.com

www.aarp-smallbiz.com

AARP Small Business Center

<http://www.score.org/>

***SCORE – Counselors to America's
Small Business***

www.bizplus.com

Internet Small Business Center

<http://www.nmbc.org/>

National Minority Business Council

www.liraz.com

Small Business Guides

<http://www.irs.gov/businesses/small/>

Small Business Self Employed One Stop Resource

www.planvillage.com/

Business Plan Pro

<http://www.njawbo.org/>

***New Jersey Association of Women
Business Owners***

<http://www.gloucestercountynj.gov/Government/Departments/EconomicDev/mainnew.cfm>

Gloucester County Department of Economic Development

