

BETTER MONEY HABITS

Small Business Workshop

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Agenda



Starting a Small Business

- Identify the key components of an entrepreneurial mindset and understand how that can help launch/grow a small business; understand the basic types of business structures and the main elements that go into creating a business plan



BETTER MONEY HABITS

Starting a Small Business

Objectives

1

Important
considerations
before starting a
small business

2

Components of a
business plan

3

Taxes and other
financial issues



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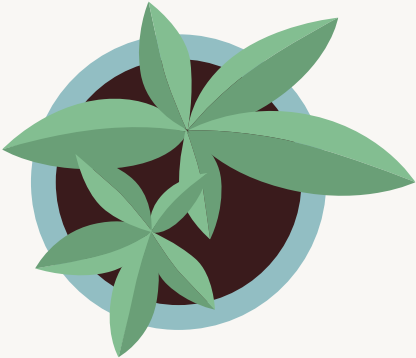
Taxes and other
financial issues



Are You Ready?



Are You Ready?



Are you ready?

Rate yourself on each of the consideration below to see if the time is right for you to start your small business. This is not intended to be a comprehensive list of considerations; rather, it is meant to get you started in your thinking so you can see where you feel comfortable and where you may have some gaps.

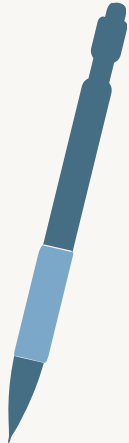
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	Have not Considered	Currently Investigating	Already Considered
PROFESSIONAL			
Do you have experience in the field in which you are considering starting your business?			
Do you have a mentor who can provide you with support and give you honest feedback?			
Do you have a support network of entrepreneurs with whom you can share your ideas and learn from?			
FINANCIAL			
Can you start out slowly while keeping your current job or working part time?			
Have you been saving for this day by developing thrifty habits and building a financial reserve that will see you and your family through a period even longer than your expected start-up phase?			
Have you made sure that your medical, disability and life insurance coverage is in place?			
PERSONAL			
Can you and your family live without the certainty of a steady income?			
Are you and your family committed to the long hours and intense focus required to start a new business?			
Starting a new business may remove you from the professional and social network of your current job. Will you be comfortable going it alone?			

Some people are natural entrepreneurs while others are drawn to entrepreneurship because of the flexibility and independence of owning your own business. It's important to understand if you have an entrepreneur mindset. Listen as your presenter discusses the differences in an employee-mindset and an entrepreneur-mindset and place a dot on the continuum to indicate your current mindset.

Employee mindset ← | → Entrepreneur mindset

If you found yourself on the Employee Mindset side of the continuum, you may want to consider pursuing a side-gig while still in your current business is the right decision for you.



Are You Ready?

PROFESSIONAL

Do you have experience in the field in which you are considering starting your business?

Do you have a mentor who can provide you with support and give you honest feedback?

Do you have a support network of other entrepreneurs you can learn from and with whom you can share your ideas?

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Have you made sure that your medical, disability and life insurance coverage is in place?

PERSONAL

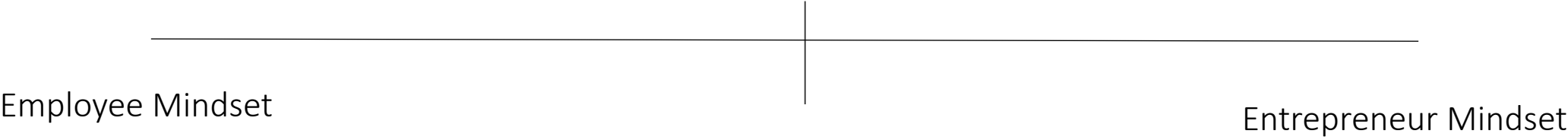
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Are You Ready?



Are You Ready?

EMPLOYEE MINDSET	ENTREPRENEUR MINDSET
Takes what someone gives you	Go and get it
Gets paid for being present during set hours	Knows operating hours are not 9-5
Assumes lower emotional and financial risks	Assumes higher emotional and financial risks
Not obligated to promote their company	Must attract others to their vision/product/service
Understands a job	Understands a business as a whole
May get reprimanded for failure	Accepts setbacks, realizing that failures will come up on the path to success

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Build a Business Plan



Components of a Business Plan

- Executive Summary
- Company Description
- Competitive Analysis
- Leadership and Organization
- Product Line or Service
- Marketing Plan
- Sales Strategy
- Funding Request
- Financial Projections



URL: <https://bit.ly/38HA8Ax>



Use your phone's camera to scan the QR code.

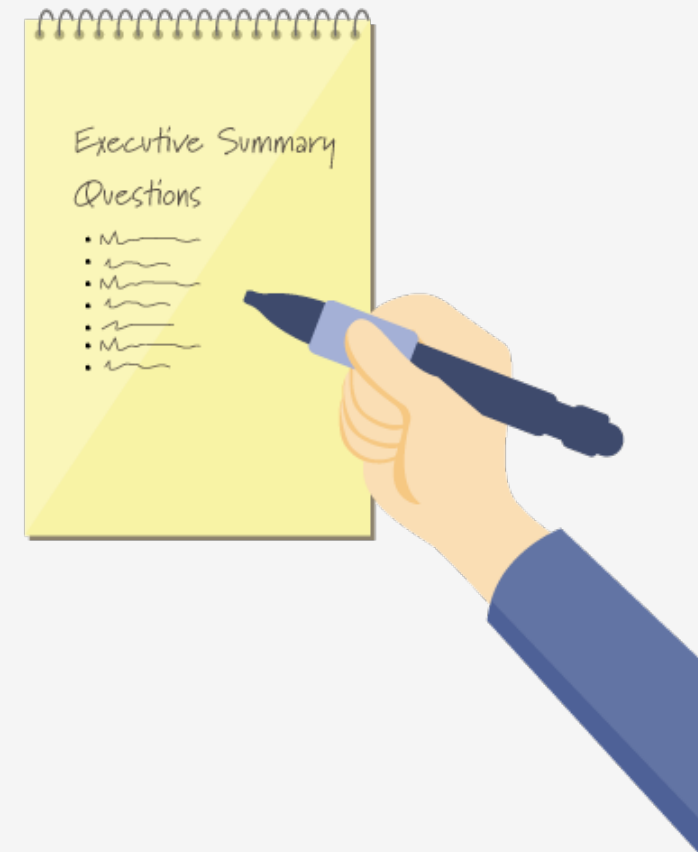
Things to Remember About the Executive Summary:

- It's a snapshot of your business
- Keep it a few sentences to one page in length
- Make it easy to understand
- Consider writing this section last



Questions to Answer in the Executive Summary

- What are your **goals** and **objectives**? What do you hope to accomplish?
- What is your **motivation**?
- Who is your **target market**?
- What is your **value proposition**?
What's unique about your business?
- Who is your **competition**?



Questions to Answer in the Executive Summary

- How will you get your **target market** to buy from you?
- What **funding** will you need?
- **How profitable** will you be in one year? Three? Five?



Company Description

Include the following in the Company Description:

- Your company's history and your relevant experience
- Description of the industry you will serve (current and longer-term outlook)
- Description of your target audience
- Explanation of how your product or service meets your customers' needs
- Your company's key differentiators



Company Description

Names and numbers:

- The name of your business
- Employer identification number
- Relevant business license numbers
- Business phone number



Competitive Analysis

- Research your market. Then research your competitors and provide an objective summary of their:
 - Market share
 - Years in business
 - Customer demographics
 - Positioning in the marketplace
 - Products and price
 - Key differentiators
 - Strengths and weaknesses



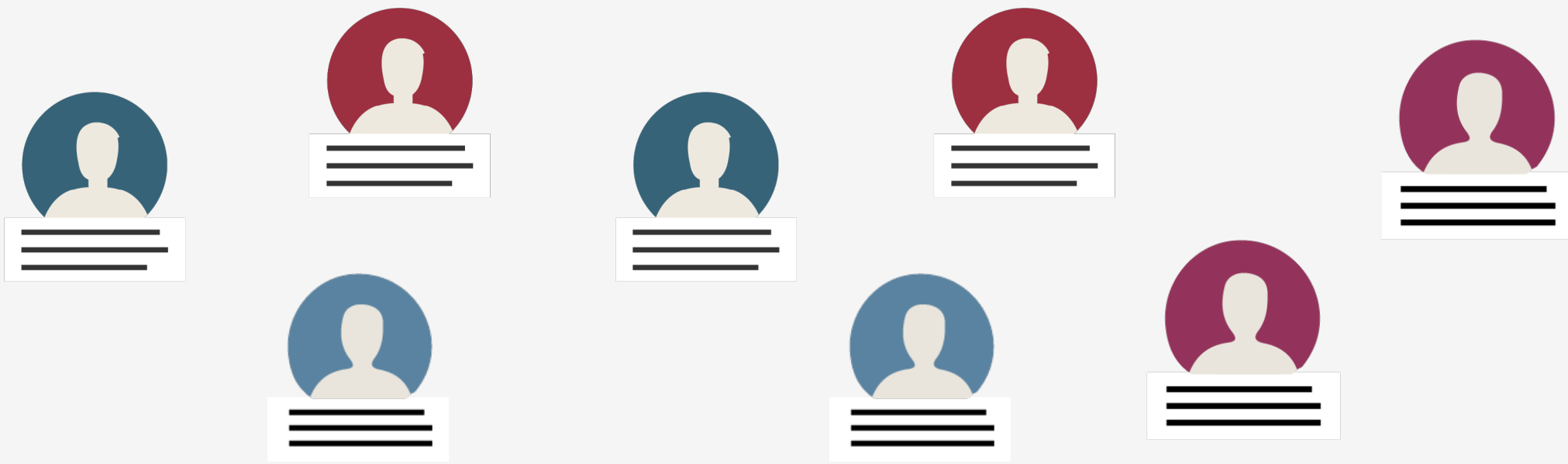
Leadership and Organization

Include the following in the Leadership and Organization section:

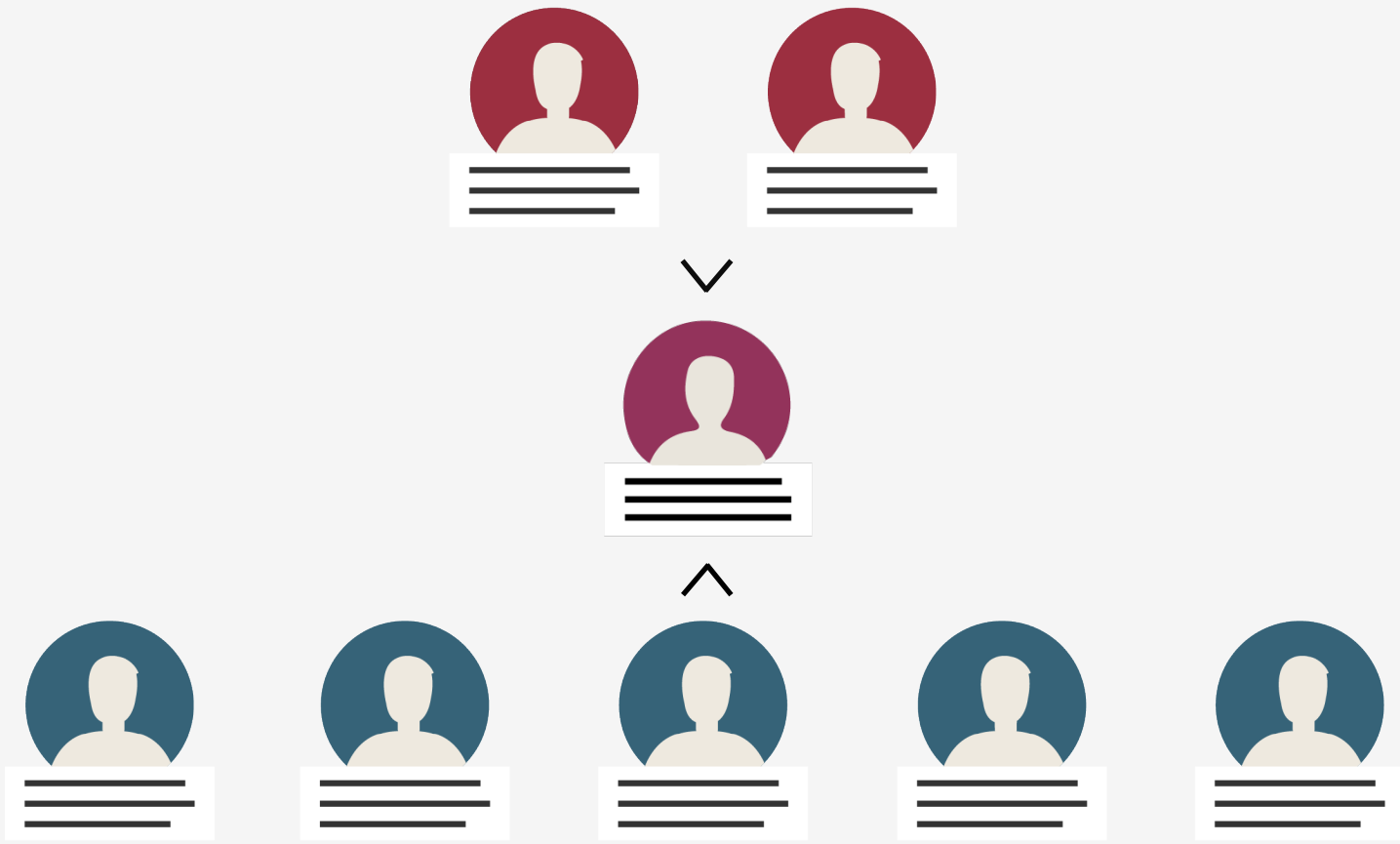
- Profiles of your board members and management team
- Organizational structure
- Legal structure



Profiles of Board Members and Management Team



Organizational Structure



Legal Structure

DESCRIPTION	PROS	CONS
<p>Sole Proprietorship</p> <p>Owned and run by one person; you pay taxes on business income as part of your personal return.</p>	<p>Easy; no paperwork; no special regulations.</p>	<p>You are responsible for all the company’s debts and liabilities, putting your personal assets at risk.</p>
<p>Partnership (General or Limited)</p> <p>Each partner must include their share of partnership income, gain, loss, deductions, etc., on their own tax return.</p>	<p>No paperwork; can continue if one partner retires or dies.</p>	<p>General partners are responsible for the company’s assets and liabilities. Limited partners are liable for the money they put in.</p>
<p>Limited Liability Company (LLC)</p> <p>A business structure with the tax characteristics of a partnership or sole proprietorship, but members cannot be held personally liable for the company's debts or liabilities.</p>	<p>Easy to operate; must file with the state; the LLC does not pay taxes; profits and losses go through owner’s tax returns.</p>	<p>Some states charge LLCs an annual tax or various fees.</p>

Leadership and Organization

Include the following in the Leadership and Organization section:

- Profiles of your board members and management team
- Organizational structure
- Legal structure



Product Line or Service

Explain the details of your product or service:

- What your product or service is
- How it will meet customer needs
- How long it is expected to last
- History of the product and anticipated future opportunities or barriers
- Patent filings, copyright concerns and intellectual property information



Marketing Plan

Your Marketing Plan should focus on:

- Market penetration
- Growth
- Channels
- Communication



Tips for Using Social Media

Social media can be a powerful marketing tool. Here are some tips for creating a strong presence:

- Use video
- Show behind-the-scenes footage
- Share content from other small businesses
- Engage with your followers
- Empower influencers/brand advocates
- Make announcements

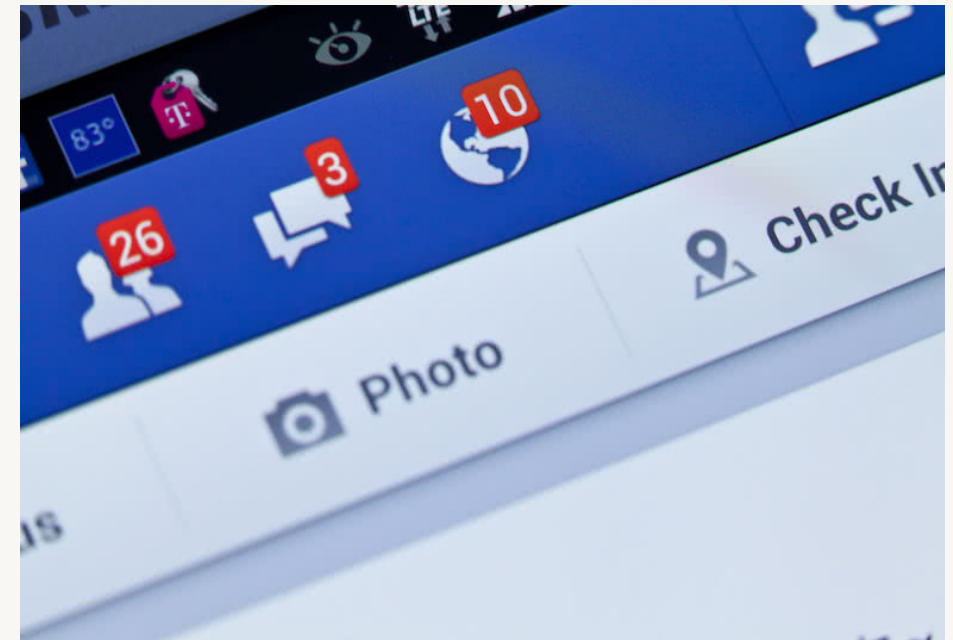


How to Keep Business Moving and Network on Social Media

Social media has become an important way to stay connected with customers.

Here are some opportunities to consider:

- Understand your goals and sales funnel: awareness, consideration, conversion
- Build your social community
- Brush up on social marketing best practices
- Explore new or different digital channels like podcasts, YouTube and influencers



Sales Strategy

When documenting your sales strategy, consider:

- Will you use a sales force?
- How will you get your product to your customers?
- How much will you sell your product for? What will it cost to make? When will you bill your customers?
- What are your projected sales for the next one, three and five years?



Funding Request

If you are planning to ask for financial support, include the following in your business plan:

- Amount requested (short- and longer-term)
- Type of funding (debt or equity)
- The terms you require
- Explanation of how you will use the money

Visit Bank of America's [Small Business credit and funding](https://www.bankofamerica.com/smallbusiness/resources/category/credit-and-funding/) resource:

<https://www.bankofamerica.com/smallbusiness/resources/category/credit-and-funding/>



Financial Projections

Your plan should contain these financials:

- Cash flow
- Profit and loss
- Balance sheet



Cash Flow



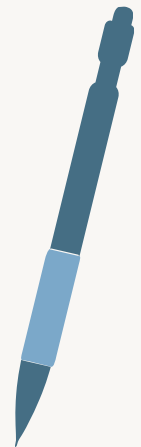
Cash Flow Statement

The cash flow statement shows how money comes in and goes out of a business for a specified period of time. It helps you to understand your cash position as you cover expenses and pay down debt. Below you will find a pre-populated example sheet for demonstration purposes only. Additional cash flow statement samples and templates can be found online.

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For the Year Ending: _____ Cash at the Beginning of Year: _____

OPERATING ACTIVITIES	
Cash Receipts from	
Customers	
Other Operations	
Cash Paid for	
Inventory Purchases	
General Operating and Administrative Expenses	
Wage Expenses	
Interest	
Income Taxes	
Accounts Receivable, Total	
Accounts Payable, Total	
Net Cash Flow from Operations	
INVESTING ACTIVITIES	
Cash Receipts from	
Sale of Property and Equipment	
Collection of Principle on Loans	
Sale of Investment Securities	
Cash Paid for	
Purchase of Property and Equipment	
Making Loans to other Entities	
Purchase of Property and Equipment	
Net Cash Flow from Investing Activities	
FINANCING ACTIVITIES	
Cash Receipts from	
Issuance of Stock	
Borrowing	
Cash Paid for	
Repurchase of Stock	
Repayment of Loans	
Dividends	
Net Cash Flow from Financing Activities	



Cash Flow Glossary: Five Terms You Should Know

- Break-even point
- Burn rate
- Cash conversion cycle
- Cash flow budget
- Negative cash flow

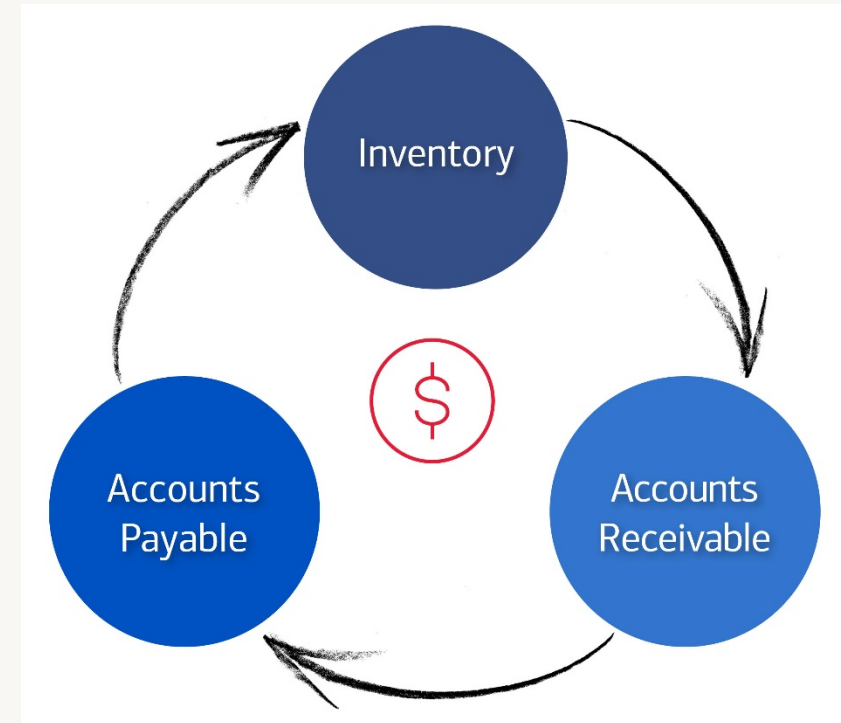


Managing Cash Flow

Maintaining a healthy cash flow can help ensure that you have cash available for your needs today and in the long term. But how do you do it?

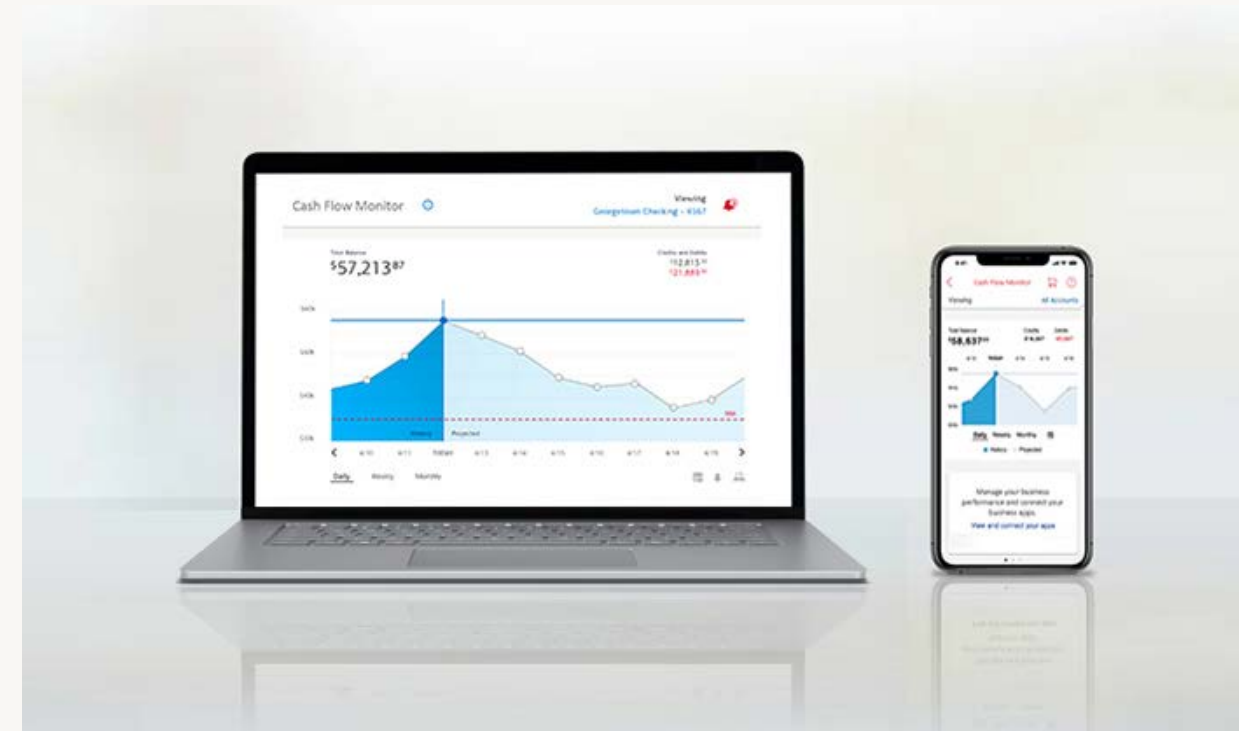
- Forecast expenses and earnings
- Track net cash flow
- Assess cash flow — is it healthy?

Resource: <https://www.bankofamerica.com/smallbusiness/resources/category/cash-flow/>



Strategies for Boosting Cash Flow

- Improve inventory management
- Collect receivables promptly
- Manage cash wisely
- Optimize accounts payable
- Take steps to prevent fraud
- Get help from your banker



Profit and Loss



Profit & Loss Statement

The profit and loss statement, also known as an income statement, shows when sales and expenses and provides insight into how much money your company makes or loses over a period of time, such as monthly, quarterly or annually. Additional P&L samples and templates can be found online.

Date: _____

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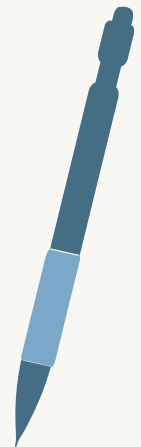
INCOME	
Services	
Hardware	
Total Income	

COSTS OF GOODS SOLD	
Wages	
Material Costs	
Total Cost of Goods Sold	

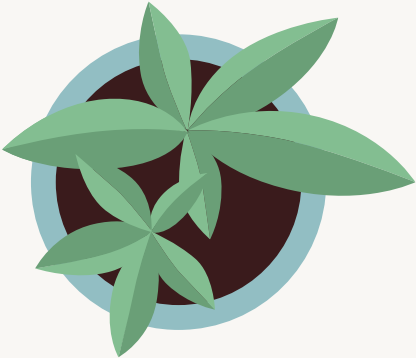
GROSS PROFIT	

EXPENSES	
Advertising and Promotion	
Insurance Expense	
Misc Expense	
Office Expense	
Postage	
Rent Expense	
Utilities	
Expenses Total	

EBITDA (Earnings before interest, taxes, depreciation and amortization)	
Depreciation & Amortization	
Taxes	
Net Operating Income	



Balance Sheet



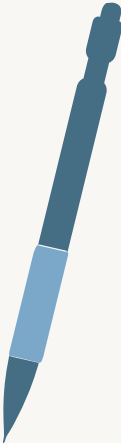
Balance Sheet

A balance sheet shows your businesses' assets, liabilities and equity during a specific point in time. It helps you to understand the financial health of your company. Below you will find a pre-populated example sheet for demonstration purposes only. Additional balance sheet samples and templates can be found online.

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ASSETS	
Current Assets	
Cash - Bank of America	
Accounts Receivable	
Total Current Assets	
Fixed Assets	
Furniture and Equipment	
Total Fixed Assets	
TOTAL ASSETS	

LIABILITIES AND EQUITY	
Current Liabilities	
Accounts Payable	
Credit Cards	
Total Current Liabilities	
Long-term Liabilities	
Loan Payable	
Total Long-Term Liabilities	
TOTAL LIABILITIES	
Equity	
Owners Investment	
Net Income	
Total Equity	
TOTAL LIABILITIES & EQUITY	



Components of a Business Plan Recap

- Executive Summary
- Company Description
- Competitive Analysis
- Leadership and Organization
- Product Line or Service
- Marketing Plan
- Sales Strategy
- Funding Request
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Why and How to Keep Your Personal and Business Finances Separate

Why?

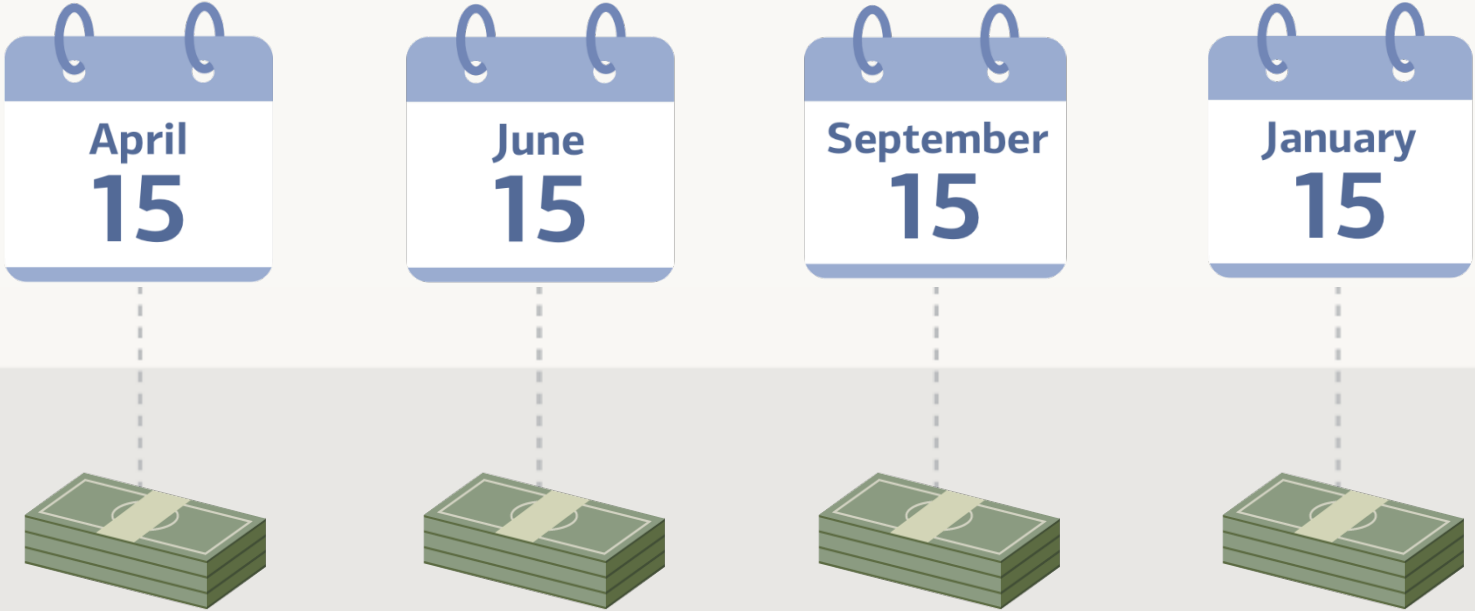
- Liability protection
- Building business credit history (and qualifying for financing)
- Streamlining accounting
- Better recordkeeping
- More-relevant account features

How?

- Select the right business structure
- Obtain an EIN
- Open a business bank account
- Consider a business credit card
- Keep accurate books



You are Responsible for Paying Taxes on Your Small Business



Use the **IRS Form 1040-ES** to help you estimate your quarterly taxes.

Five Helpful Tips for Tax Season



Get organized

- Schedule quarterly payments
- Separate your personal from your business bank accounts
- Digitize receipts
- Have a savings account specifically for taxes
- Keep detailed notes



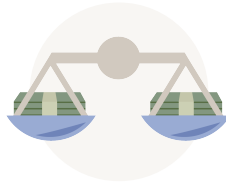
Use technology

- Save time and eliminate unnecessary paper and clutter by using accounting software to reconcile your business account
- Checking accounts and financial records can also be linked to tax software



Hire someone

- Using a professional may save you money in the long run
- Tax preparation fees are tax deductible



Ask questions

Don't rely solely on an accountant to manage your taxes. Ensure you understand some of the foundational information that can impact your business, such as the pros and cons of hiring contractors vs. employees, and special deductions you can take.



Stay informed

- Keep up with industry news
- Visit the small business tax center at www.irs.gov
- Get small business news and tips: www.sba.gov



Insurance Is a Safety Net for Your Small Business

- Liability
- Commercial auto
- Errors and omissions (E&O)
- Business interruption



Things to Consider When Getting Business Insurance

- Use an insurance broker
- Understand exclusions
- Buy as much as you can afford
- Consider the deductible
- Hire a lawyer if your claim is denied



Key Takeaways

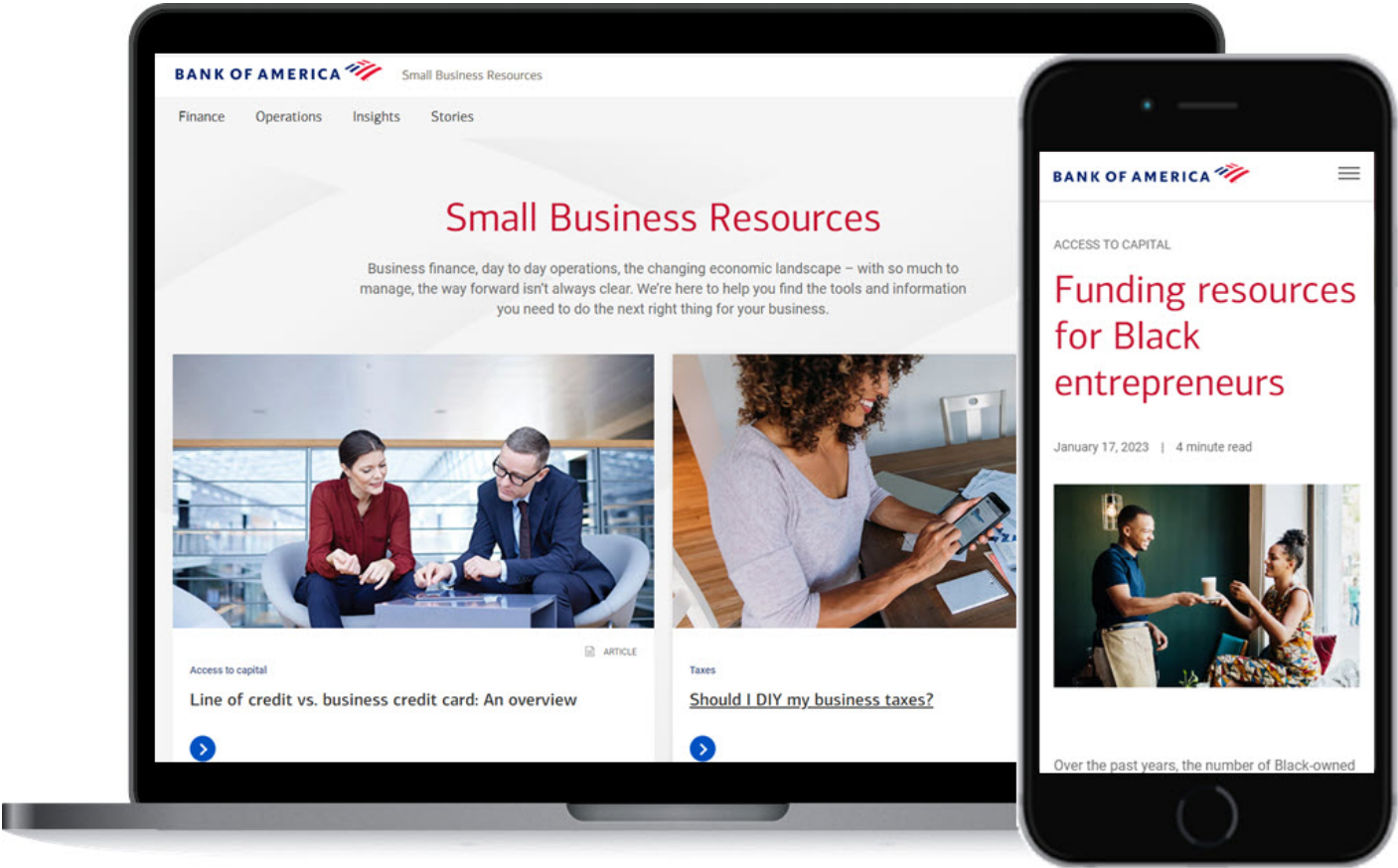
- 1** Take inventory of your professional, financial and personal situation prior to starting your business to assess whether you are ready to take the leap.
- 2** A business plan documents your strategy for making your business profitable. Invest time in writing a thorough and realistic plan. Use your network for help.
- 3** Small business owners are responsible for paying taxes on their business. Be sure to factor taxes into your budget and remember to pay them in a timely manner. Also, educate yourself on what is tax deductible.
- 4** Insurance is a safety net for your small business. Investigate your options and ensure you get the coverage that is best for your business.



Questions?



Additional Resources



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