
Start Your Business: 7 Things Every New Business Owner Should Consider

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Hundreds of thousands of new businesses are started in the United States every year. Most begin with some good ideas and some real passion on the part of the entrepreneurs who start them. What many are lacking, though, is a thorough examination of the essentials that make a business work. Maybe that is why so many new businesses fail within the first five years. In my long experience as a certified public accountant, I have identified several key things that new business owners do not always consider, but that can make a profound difference in how well the business does.

1. THE NAME

Make sure that you like your entity name; you're stuck with it for awhile and it will be on everything you hand out. If you end up wanting to change it later, it will cost you in some surprising ways. One corporate client wanted to change to a more global-sounding name to reflect the growing scope of their business. They racked up several thousand dollars in expenses to change their state registrations, file additional tax forms, reprint all of their stationery and business cards and recraft their website and all of their marketing materials.

Make sure your name is something you really like – and something that reflects where your business is going, not just where it is.

2. DETERMINE THE TYPE OF ENTITY YOU WILL CREATE

The four main choices are:

- ❖ Sole proprietorship.
- ❖ LLC (limited liability company).

❖ S corporation.

❖ C corporation.

Each comes with specific advantages, drawbacks – and associated costs. You should pick the entity that offers the most flexibility for your particular situation. For example, consider whether you need to protect personal assets, make expenses fully deductible, limit tax responsibilities when you sell your business or allocate profit and losses proportionately among partners.

For various reasons I often recommend a C corporation even when conventional wisdom suggests another structure.

You and your CPA have to keep an open mind and explore all the options. You cannot select an entity type by rote.

3. INSURANCE

Going into business introduces a whole range of risks and potential liabilities that you do not have as an individual. In addition to insuring the business' property,



