

Things to do before seeing a business lawyer and/or starting a business... The Budget Talk.

As a business lawyer, one of the most frequent moments I experience with clients is the “deer in the headlights” look when I ask them if they’ve created a budget for their business. It’s always one of the first questions I ask clients. First, I want them to understand that (successful) businesses work *on* their business, not just *in* their business. This means determining a bare bones plan as to how to meet those basic business expenses. It doesn’t matter whether you’re running a business which has significant overhead such as construction, a brewery, manufacturing, or a restaurant. Or whether it’s a service-based business with virtually no overhead, such as a marketing firm, IT services, event planning, or accounting. If you don’t have an idea as to how much a business costs to run on a daily basis, how can you be sure you are able to pay those bills and stay in business? As the wall in my gym says: “A goal without a plan is just a dream” – and I can assure you, you don’t want your business to just be a dream – especially when it comes down to the money portion.

Next, helping people is great, but you should balance that out with the necessity to make money. After all, this is a business now, not a hobby. So, how do you figure out the money-making side of running a business? Simple, build out a *budget*. How much does it cost to build your widget or provide your service?

To build a budget, figure out your income sources and the price points you think will work in the market. For instance, will someone actually pay \$1,000.00 for a Chinese Tea Ceremony? And if so, who are these people and where do I find them? If your answer is “I’m not sure”, perhaps spending some time doing research and business planning is in order before you take a leap of faith and spend money in your small business.

After you’ve determined your target price point, product and purchasers, you’ll need to figure out what your fixed costs include. “Fixed Costs” are business costs which do not change - things like rent, insurance, taxes, salaries, etc. Once you’ve determined your fixed costs you can move to variable expenses. These are obviously a little trickier to determine because...well, they’re variable and depend upon output. Variable expenses include things like business license fees (which, in Charleston, are based on the revenue you have made in the past), cost of goods, packaging and labor. After you’ve determined your fixed and variable costs, you should have a contingency fund. This is simply money you set aside for those “just in case” moments – like when your computer gives you the blue screen of death, or you have to hire a lawyer to answer a cease and desist for trademark infringement.

Finally, you’ll want to create cash flow projections to figure out how many widgets or services you’ll need to sell in order to meet (and hopefully exceed) your costs. Once you’ve determined your target numbers, you’ll want to review your business plan to make sure you know *who* will purchase your goods and/or services.

So, plan your budget and make your business a reality – not just a dream. And once you are ready to start, reach out to Epstein Law for help with setting up your company, drafting employment agreements and employee handbooks, reviewing contracts and more!