



**WAUBONSEE**  
COMMUNITY COLLEGE



*Illinois Small Business  
Development Center*

## **Frequently Asked Questions**

The Illinois Small Business Development Center (SBDC) at Waubonsee Community College offers free one-on-one business counseling services to entrepreneurs and small business owners. If you own a business, or are thinking of starting one, the SBDC can help you. Call us at (630) 906-4143 for more information or to schedule an appointment.

Here are some brief answers to the most common questions asked by SBDC clients.

### ***How do I get a grant to start my business?***

Unfortunately, there is a lot of hype, as well as many scams, surrounding the topic of government grants for small business. First, information about grants can be obtained free of charge. If you are being asked to pay money to get information about grants, you should check very carefully into the claims being made. Grants are most commonly available to not-for-profit organizations, or for very specific purposes. Even when grant money is available, it is rarely “free,” and there are usually strings attached. Grants available through federal and state government programs are primarily for research or development in the areas of: technology, agriculture, biotech, homeland security and defense.

### ***I want to start my own business. What should I do first?***

Write your business plan. One of the main reasons so many new businesses fail is that they skip the in-depth planning stage. A thoroughly prepared business plan will give you a good indication of whether your business will succeed, and how long it will take to become profitable. The SBDC can provide you with tools and guidelines to help you with your plan, including the parts that most entrepreneurs find most difficult – how to research the market, and how to prepare financial projections. You’ll get recommendations on how to gather and prepare data, and honest feedback about your plan.

### ***How do I know if my business is going to be successful?***

The process of writing your business plan will reveal a lot, because it forces you to spend time analyzing the details of your business. Here are a couple of key indicators of a successful business:

- You are knowledgeable about and have experience in your industry (for example, if you are opening a restaurant, do you have experience in restaurant operations and management).

- You have researched the market and identified a strong ongoing need for your products and services.
- You have a sustainable competitive advantage over others providing similar products or services.
- You have sufficient financial capital to sustain your business until it reaches profitability (the average business takes 1-3 years to reach profitability).
- You have a management team, or other committed resources with expertise in all areas of managing a business (sales, marketing, finance, operations, product/service development).

### ***What business structure should I choose?***

Most small business owners operate as either sole proprietors, or incorporate as an S-Corporation or Limited Liability Company/Partnership (LLC or LLP.) Each option has its benefits and drawbacks, based on your business type, ownership structure, and financial situation. The business structure you choose has both tax and liability ramifications, so it is best to consult with an accountant and/or an attorney to make sure that the structure you choose is the best fit for you, and that all paperwork is complete and filed correctly. In addition, some business structures require you to file annual updates to keep your company in good standing.

Entrepreneurs tend to avoid consulting with professionals about this issue in order to save money. However, having professional advice from an accountant and a small business attorney can ultimately save you both time and money by helping you make sound business decisions from the start.

### ***What kind of licenses or permits do I need for my business?***

Because there is extensive cost in time, fees and red tape involved, obtaining licenses, permits, and tax requirements may be one of the last steps to take before opening a business. Make sure that the business or job function you perform is properly licensed by the appropriate regulatory agency.

There are different requirements at the city, county, state and federal levels that apply to different aspects of businesses:

- Check with city hall for local zoning and permit requirements.
- Sole proprietors must file an assumed name certificate with the county clerk in the county where the business is located.
- Contact the Secretary of State's Office to incorporate or register a state trademark.
- Complete an EIN application (Form SS-4) if hiring employees, incorporating or operating a partnership, administering a Keogh plan, filing excise, alcohol, tobacco & firearms tax returns, or opening a bank account in the name of the business. You can apply on-line at [www.irs.gov](http://www.irs.gov).
- Food service businesses should contact the county health department for regulations and certification requirements.
- For more information about licensing, permits, and tax requirements, contact the SBDC.

***I'm a woman/minority business owner. How will that help me?***

Certification as a woman-owned (WBE) or minority-owned business (MBE) can be advantageous if you are bidding on government contracts or performing services for or selling to larger companies or state or local government agencies. However, for most typical small local businesses, woman or minority ownership does not afford any particular advantage.

***How can I finance my business venture?***

Most small business owners finance most or all of their business through personal financial resources such as savings, home equity loans, personal lines of credit, credit cards, or loans from friends and family. When seeking a small business loan from the bank, here are a few tips:

- Protect or improve your credit score – this is one of the first things a lender will check. A poor credit score will exclude you from financing consideration.
- A business plan with detailed financial projections is required in most cases.
- Most lenders expect owners to finance at least one third of their start-up costs.
- Unless you are an established business with good business credit, you will be asked to guarantee your business loan with personal assets.
- If your borrowing needs are small, contact the SBDC about micro-loans as a financing option.

If financing your business is a barrier you face, look for ways to start small – then leverage your success. It is easier to borrow money once you start making some, and can show a track record of success. Also, consider working out of your home or finding a partner.

***What is an SBA loan?***

The Small Business Administration (SBA) does not lend directly to small businesses. Instead, it provides financing assistance to small businesses in the form of loan guaranties to banks and other private lenders as an incentive to loan money to small businesses, which are often higher risk customers. When you apply for a business loan, the lender will evaluate your application and determine if you qualify for either a conventional loan or an SBA loan. Note that not all banks offer SBA loans.

***I want to own my own business - should I consider a franchise or start an independent business?***

Each option has its advantages and disadvantages. Many franchises offer the benefit of a proven business model, recognized brand, established vendors, assistance with site selection and planning, owner training and a variety of on-going support service. In exchange, you pay an up front investment, or franchise fee, and ongoing royalties to the franchisor. Some entrepreneurs balk at having to pay franchise fees. However, it is likely that you will make a similar investment in order to get your independent business up to speed.

If you are the independent, creative type who likes to do your own thing and make your own rules, a franchise is probably not the best option for you. If you are considering a

franchise, remember – the success of your business is still in your hands. Make sure you do your homework, develop your own business plan, and thoroughly investigate the franchisor.

***I'm already in business. How can the SBDC help me?***

As a small business owner, you are faced with a variety of challenges, and limited resources. The SBDC is a free resource that can help you address small business management challenges. Here are a few examples of how we can help:

- Evaluate your marketing activities and make suggestions regarding ways to promote your business.
- Recommend business tools, technologies, and other resources to help streamline business operations and reduce costs.
- Analyze your financial statements and help you address financial challenges in your business.
- Evaluate the impact of growth opportunities on your business.
- Review management and operational procedures and provide suggestions for best practices.

***How can I learn more about starting or running a small business?***

When starting a business, use as many resources as you can to help you prepare. Free business counseling services are available by appointment from both the SBDC and from SCORE (Fox Valley Chapter: (630) 692-1162). And don't forget your local library, to help you perform market research, locate industry data, and perform a competitive analysis.

The SBDC also offers regular workshops on a variety of business topics. For a list of classes, call the SBDC office at (630) 906-4143 or visit our web site:

<http://www.waubonsee.edu/workforcedev/sbdc.php>