

# I want to start my own business. Can you give me some tips on how to succeed financially?

The allure of owning your own business is undeniable: creating the job of your dreams, greater control of your time and, potentially, more money. But entrepreneurship also carries a whopping financial risk, so it's important to know what you're getting into. Here are the key points to keep in mind.

## Save up

Once you have a solid business plan in place, ask yourself where the start-up money is going to come from. Inadequate capital is one of the main reasons new businesses fail. To make sure you won't be one of the casualties, you should have enough money to generously fund your business – and your own personal financial requirements – for at least a year, preferably two.

Most small businesses are financed by a combination of personal savings, personal credit and “love money” (investments and loans from family and friends). You need to think long and hard about the consequences – which include a trashed credit rating or even bankruptcy – of not being able to repay loans. Borrowing from loved ones can also cause turmoil, so be sure your dad and cousin Rachel know the risk. Then be extremely frugal about operational expenses. Never assume your business will support you right away – that's very rarely the case.

## Put your house in order

As your business expands, access to credit will become more important to you than ever before, so your credit rating should be squeaky clean. To find out exactly where you stand, apply for a copy of your credit report at Equifax ([www.equifax.ca](http://www.equifax.ca)) or TransUnion Canada ([www.tuc.ca](http://www.tuc.ca)) – and make sure it's correct. Next, make it a priority to pay

off any personal consumer debts, such as credit cards and lines of credit, before you give up your job income.

## Get help

You may be the queen of catering or website design, but can you handle payroll, receivables and tax planning? Hiring an accountant for a few hours every month can make all the difference. Clients who've told me they lost money in their business often admit they could have stayed out of trouble if they'd had a better handle on their cash flow. An accountant can also make sure you don't miss any tax breaks.

To find an accountant who specializes in your kind of business, ask other entrepreneurs for recommendations. If you're a do-it-yourselfer, there are a number of comprehensive software programs (I like QuickBooks and Simply Accounting) and small-business tax guides that can help you.

## Start small

Once you're ready to launch your business, begin on a small scale (working weekends and evenings, for instance, while you're still employed). This will allow you to hang on to your primary source of income, test your market, develop your skills and identify the pitfalls, all with a safety net.

Whatever you dream, get started! A sound business strategy and smart financial plan can take you anywhere.



### Financial expert

Lori Bamber has spent more than 16 years helping Canadians take care of their money.