



## Some key considerations when starting a business

Aaron Skloff's April IT'S YOUR BUSINESS column

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**Q: After working for a telecommunications company for 20 years my position was outsourced overseas and now I am ready to start my own consulting business. What are the key considerations in establishing and operating a new business in New Jersey?**

### **The problem: Starting and operating a new business.**

The time you spend establishing and operating a business can provide great joy or great pain, depending on how you go about it. Simply registering a business incorrectly can prevent even the best business from commencing operations. Taking the important steps discussed below can set the stage for a successful business.

### **The solution: Follow the laws, create the rules.**

Let's say you want to name your business Premier Communications Consultants. Whether or not you offer "premier communications consultants" is not the legal issue. The legal issue is the requirement that you register your business name.

With the exception of conducting business in your own name, the state of New Jersey requires you to register a trade name. Verify that your business name is not already taken, as this could preclude your use of the name. The state may also require you to obtain and maintain licenses. New Jersey issues over 150 different types of occupational licenses, from electrical inspector to professional engineer.

Conducting business in New Jersey without required licenses could put your clients, your company and you at great legal risk. Obtain all required licenses before commencing business.

### **Choosing an ownership structure.**

The majority of businesses start as sole proprietorships. As the name implies, there is only one owner. The advantages to a sole proprietorship structure include the ease of formation and tax reporting. A critical disadvantage is the unlimited personal legal and financial responsibility of the sole proprietor.

Partnerships are for businesses with more than one owner. Most partnerships have the same advantages of sole proprietorships, but a key disadvantage is the shared responsibilities partners accept for one another.

Corporations are separate legal entities from the owners. The advantages to a corporation are the shareholders' limited liability and the relative ease of raising capital. Key disadvantages of corporations include higher taxes and cumbersome documentation.

A relatively new ownership structure is the limited liability corporation (LLC). An LLC provides the limited liability features of a corporation and the tax efficiencies and operational flexibilities of a partnership.

Speak with an attorney and financial advisor before selecting an ownership structure.

### **Protecting your business.**

Imagine if you were testing a \$1 million communications system for a client when the roof of your building collapsed and destroyed the system. Without insurance, your business could be destroyed and you could be left with years of personal financial obligations.

Property and liability insurance insures your business against such things as a fire in your office or an injury caused by one of your communication systems. Speak with an insurance agent to fully understand the risks and rewards of protecting your business.

### **Operating your business.**

Along with the daily client calls and project proposals there are the administrative responsibilities. Employers in New Jersey are responsible for reporting wages, withholding taxes and forwarding payments on a monthly or quarterly basis. Information on the following items is required: wages, employee withholdings of New Jersey gross income tax, state unemployment insurance, workforce development partnership fund and state disability insurance.

All New Jersey employers, not covered by federal programs, must have workers' compensation coverage or be approved for self-insurance. Just as your job was outsourced, consider outsourcing these administrative responsibilities so you can focus on your key strengths.

### **Create the rules.**

Lest we forget, one of the reasons you are starting a business is to make your mark. In establishing your company rules, utilize the strong policies your former employer created and discard the weak ones. Do not let lax industry standards guide your company rules. Rather, set company benchmarks that exceed the norm and wow your clients. Soon, they will be referring additional clients to you.

### **Action steps: Start a new business.**

Starting a business requires work, but following the steps outlined above can greatly increase your success rate. You do not have to be an expert in every aspect of your business — seek outside professionals and tap their knowledge base.

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