



Library podcast

Jeff Levy presents a seminar: Your Business - Start Smart

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[00:00:41] Good evening, everyone.

[00:00:45] Welcome to the Your Business Start Smart Workshop. My name is Mimi Hetzel and I'm with the US Small Business Administration. I do marketing and outreach as an economic development specialist. And I want to thank the Seattle Public Library for hosting this workshop, which is the fourth installment of this workshop. And it's great to be here. It's a pleasure to be with you in beautiful Seattle, which is the city with some very envied weather.

[00:01:19] We have really good weather here.

[00:01:23] Ok, so I'm just going to talk a little bit about the SBA. It started in 1953 with the mission to help people start, grow, and expand their businesses. And now we like to think of the SBA as smart, bold and accessible. And one of the ways, well, the way that we fulfill our mission, is we concentrate on what we call the three Cs, which is Capital, Counseling and Contracting. Now, I'm just going to mention Counseling at this point. Well, part of that is our education. We hold monthly briefings on how to obtain capital, how to contract with the federal government. And we also do special workshops and seminars. We've got Jumpstart Your Business coming up. That's in conjunction with the Small Business Week, National Small Business Week. And that's May 4th through the 8th. And we at our downtown Belltown location, we'll have a blitz of workshops that are all free, or I should say paid for with your taxpayer money included in your taxpayer dollars. And we also have Biz Fair, which is toward the end of September. And it's our biggest event of the year. And there's no need to register for that. You just show up and it's a whole day of workshops given by different experts in their fields. We've got other programs, Emerging Leaders, that's for people that want to ramp up their business groups, do Business for Veterans, Export 101. Lots of information on our Web site, SBA.gov/WA. And then if you have a chance to pick up one of these resource guides, they're the best thing we've got as far as consolidating lots of information. And they're in very short supply. So I see that Jay has a stack here. So if you have an opportunity, pick one up.

[00:03:25] I would definitely recommend it. So one of the things as far as counseling is concerned, is we have a whole bunch of resource partners that we use to help spread our message so that we can help provide you the education of starting, growing and expanding your business. And these are just some of them. We also have other resource partners that we've reached out to. But most of the Veteran's Business Outreach Center, Small Business Development Center, SCORE, and the Women's. OK. So Community Capital Development houses the Women's Business Center. And these are our funded resource partners. And so we also have other resource partners that don't get direct funds from the SBA, but we consider them resource partners as well. And so if you want to stay connected with information, tidbits, news items, we would highly encourage you to sign up for our newsletter. It comes weekly. And so now I have the pleasure of introducing our speaker. Jeff Levy is an author, educator, and coach to individuals in exploring self employment. He has coached over 700 people. Jeff was president and COO of Spider Staging, prior to the acquisition of the enterprise by Flow International in 1992. While at Flow, Jeff served as an officer of that public company for five years until he and a partner developed a management buyout of several Flow divisions. He then became the executive V.P. and a principal of Safe Works LLC. He founded the local office of the Entrepreneur Source in 2002. In that capacity, he helped individuals explore franchising. [clearing throat] Sorry. Jeff serves on several college boards and has helped write curriculum at Seattle University, City University and Seattle College, where he teaches part time. Jeff is such an all around great guy. We love him. Thank you for doing this. Please help me welcome Jeff Levy.

[applause]

[00:05:47] Thank you. Thank you, Mimi. Is my microphone on now? Yeah, you made me blush before I speak. That's not good. We have to not do that. This is a sort of a intimidating room for a speaker, I've got to tell you. With all you guys up there, and then when they lock this 500 pound door, I think they do that to lock the speaker in, so in case I get nervous, I don't turn and run out. But I do want to thank you all very much for coming out on a Thursday night. And hopefully by the time you leave this evening, you will learn more about what it takes to be in your own business. So there's two parts to my talk today.

[00:06:28] The first part will be sort of what are the skills you need? And not only hard skills, but also some of the emotional mindset that you need to start and run your own business. I also like to offer to people that have taken the time to hear me speak.

[00:06:46] Feel free to take down my email address. I have some cards up here. And if you ever have a question that relates to entrepreneurship, you can always email, write, or call. I promise you, I won't send you a bill. I'm not looking for any more work than I have. But if I can help you in some way and point you in a direction to either give you an answer or tell you where you can get it, I'm always happy to do that. So please don't be shy. Mimi was kind enough to talk a little bit about my background. The details of all the things I do are not overly important, but I've had experience in probably every kind of business startup that you can think of--technology startups. I've helped raise money. I've been involved in buying and selling companies, management buyouts. You'd think that I wasn't very stable,

having done all these things, but all the projects I've done have been interesting. And on the franchise side, I've helped one hundred eighty-five people in our community here actually sign franchise agreements, which is something I'm very proud of. And my work in the local colleges is really important. And what's important to me is to try to reach a community of people that maybe are not in college or don't have access to this kind of information. Again,

[00:08:09] good for you guys for coming this evening.

[00:08:13] So the agenda for today is, is now a time to be in self employment? How many of you actually have started a business?

[00:08:22] Good for you. Good for you.

[00:08:24] Are you in business more than a year? Anybody? Good. Why are you here? You've already started smart. OK, so we'll talk about is now a time to start. We'll talk about the motivations. Again, if I looked back at my career, I've been involved in many startups and one of the things that I've learned that I feel very strongly about is that you do have to be passionate and excited about the business. But there are other things that are equally and maybe even more important that you need to be passionate about to be successful. So we'll talk about those. We'll talk about options, in terms of the different kinds of businesses you can start.

[00:09:04] And what are some of the considerations that are important? Then we will take that long awaited break for five or ten minutes that you have been promised. And we'll count you on the way out. We will count on the way back. And we know we have your emails. And then, Jay will talk for about a half hour on what resources the library can provide to you. And I'm hoping one of my clients will show up tonight. I know she was coming, who recently used the library service and she might give us a 30 second insight on how valuable it was for business research. After the break,

[00:09:42] I'm going to talk about things that are a little more tactical, which are your incorporation, your business planning, developing stakeholders, some of the really important fundamentals that you need to be thinking about. And then before we leave tonight, I will give you some resources. In terms of where you might go after this, depending on what you need. There are tremendous resources in our community that are very anxious to try to help you start a business and increase this great economic revival that we've had since two thousand

[00:10:16] eleven or so.

[00:10:18] OK. I'd like to know from you guys what motivated you to come tonight? What are some of the things that you want me to cover? So that I am not just a talking head, so that I'm responsive to you. OK, so you're thinking about starting a business that will create a conference for youths, just local, national, international?

[00:10:40] Statewide. OK. Great, great, great.

[00:10:43] OK, yeah. We may not get into some, we'll talk about the skills you need. Hopefully we'll identify those things you may need to find more work on. But we probably won't go totally into depth, but good for you and for you. Anybody else have a reason for being here? I know the traffic was bad, but that's no reason to come and listen to me. [laughter] Yes.

[00:11:07] Yes. That's really important. We have. You'll be able to hear Michael Coffey if you go to the SNAP.

[00:11:14] We're not SNAP, but what is the name of the program that's going on at the SBA this week? You're talking about the workshops.

[00:11:25] Yes, well. Yeah, yeah, the *Jumpstart Your Business* will have a workshop that Michael will run on the social media aspects of communication. He spoke in my class this week. And I have to tell you, it's worthwhile going because he understands how people communicate and then how you can then use technology to communicate effectively. Anybody else have other reason for being here? So they threw you out of the house tonight? OK, good.

[00:11:54] Actually, that makes it easier for me, candidly, if you guys are more of a white page. So what is it? What makes an entrepreneur? I think that's a fundamental question that people ask.

[00:12:08] And I think often we sort of judge ourselves whether we are entrepreneurial material to start a business or we're not. And because of fear, oftentimes we say we're not. Well, don't read this. I'll tell you what this says. Effectively, there's a lot of research being done about what does make an entrepreneur. Is there a particular gene that we have, a particular DNA? And the result of all this study, quite simply, was that an entrepreneur is someone who finds himself in the right circumstances and has the means to act upon them. So there's nothing magical. I mean, I tell people and I'm very proud of it, I went to a community college first out of high school. Then I got a bachelor's degree in American history and education. And yet I've been a president of a sixty-five million dollar company. And partially it was the opportunity, and I felt I was ready, and went for it. So don't ever limit yourself in terms of whether you're an entrepreneur or not. If the circumstances are right, you're capitalized and you want to go for it, you may be very successful. The first thing I want to talk about is your dream. If you put aside for a moment the business that you've either started or the business that you want to start. If you think about what is the result that you're trying to accomplish, why are you in business? Of course, we want the business to make money. If it didn't make money, it wouldn't be a business, OK? By definition, however, you'll hear through my talk that it's not going to be easy. And just because you love a product or just because you love a service, or just because you're fixing something that you think is broken, after a while that is going to become perhaps not enough to drive you through what are the difficult things. So think about the picture of what you want your life to look like. And I'll give you a little bit more insight in terms of how do you do that, more, a little bit more detail.

[00:14:16] And this is something you guys know, maybe you haven't heard it said this way, but but we live in an interesting world today. We live in a new career economy. And a very bright guy named Milton Thomas Friedman wrote, "We live in a world where we are responsible for managing our own careers, our own risks and our own economic security." And so when I talk about reasons for making this jump, for being self-employed, to me that is one of the most profound reasons a company is not necessarily going to take care of you. When I became part of a public company, I was very excited candidly to be part of that organization that bought a company that I was a principal in. But I was soon disappointed when I realized that the employees weren't that particularly important. It was earnings per share, and if the company said we were going to make 17 cents per share or Wall Street said 17 cents and we earned 15 cents, people got laid off. They lost their job. Good people, hardworking people. And that's one of the things that drove me out of that environment into places like this, where hopefully we can stimulate individuals to realize you are responsible for your own career

[00:15:35] and if you're good, you can make it. And the other thing you guys have to consider is how are you going to build wealth in your life as well? There are economic realities. And so one of the questions you have to ask yourself, are you going to provide economic security by a job? Are you going to do it by a business, possibly even a franchise? What's the best option for you? Now there was a Web poll on just what is the best definition of entrepreneurship. And we're going to show you next is the quotation that actually won the award for the best definition of entrepreneurship. "Living a few years of your life, like most people won't, so you can spend the rest of your life like most people can't." OK, great. Feel free to use it. It was credited to Anonymous, but one of the things, as Mimi mentioned, I coach, a lot of people

[00:16:41] and one of the things that we try to get through to folks is that it is not going to be easy. If you're going to own your own business, it's a lot easier to take a job, do what somebody else tells you to do. Take vacations when they say you can. It's gonna be tough.

[00:16:56] But as we'll see in a few minutes, it's worth it.

[00:17:01] Anybody here fearless? Is anybody here a skydiver, do you put on that you know the rabbit suits and fly off buildings? Not that fearless. Semi, semi. Yeah. Yeah. Most people candidly get held back from being in their own business because of fear. The end of the day, when you have to pick up a pen and write a check to buy something, invest in something, it is very fear producing. We either fight against it or we fly and run away from it. I like to always congratulate people that come out on an evening like this, because the way you're going to reduce fear and I will predict for each of you before you start your business, they'll be this moment of am I doing the right thing? Am I going to lose everything? It just is very natural allowing yourself to get information, get connected, some of the resources in the community.

[00:17:58] Be thoughtful and be patient. These are some of the key things before you start your business.

[00:18:06] And I love this quote, Time magazine came out with this cover in about 2009 which, if you guys remember, people were building bomb shelters because they thought this recession was going to turn the world upside down. And they basically said, throw away your briefcase. You're not going to go to an office. Kiss your benefits goodbye. Your new boss won't look like your old one. There's no longer a ladder. You may never retire. Sounds pretty depressing, doesn't it? But then it goes on to say, but there's a world of opportunity if you figure out a new path. And this was when people started thinking about maybe I can start a small business, maybe I can figure out a way of funding it, maybe I can work with some friends, maybe I can use my contacts. And it really started a movement where back in the depths of the recession, people were starting businesses. How many of you think it's a good idea to start a business when it's an absolutely terrible recession?

[00:18:57] I'm going to be in that camp because when the waters come back, and they always do, the boats all float up at the same time.

[00:19:06] But right after this came out, *Entrepreneur* magazine came out. And if you're not reading *Entrepreneur* magazine, I strongly suggest get a copy, a subscription where you can get entrepreneur.com and get most of it free online. But they said, see beyond the recession, run lean, raise some money, protect your idea. But the most important thing that I take away from this cover is create a little fire in your belly, create some emotional connection to your future, to what you want it to be. And I will tell you that that is going to be the engine and the gasoline that drives you closer to being in control of your own destiny and in terms of your own business.

[00:19:50] OK, so developing your goals.

[00:19:52] Remember I talked about this picture? How many of you have a vision today of what you want your life to look like three to five years from now? A couple of you do. All of you do. Great. That's great. I think it's really important. And as you get older, as you get older, it's gonna become more important because you're going to realize that time is, you're not making any more of it. It's not a commodity. You're going to cherish that time and you are going to be more thoughtful about your planning. I'm going to give you four concepts that you need to have as part of your planning. First is income. Be realistic. If you're going to start a business you want to be thinking about, is this going to generate the income I need? And, you know, make sure you have a good budget for what it costs you to live. I'm not going to ask many of you are on top of that. But it's really important that you have a good budget. You know what your burn rate is to live at home. Know what kind of income you need. And when you need it. And if you can't rationalize this from the planning of your business, then I probably would suggest don't start it until you can. So because you like doing something, it doesn't mean you should run out.

[00:21:04] you know, they say if you love what you do, you'll never work a day in your life. I say baloney on that. I think you have to love the passion of what you're trying to accomplish, but be realistic and be grounded in the fact that you've got to pay your bills. Second is lifestyle. This is a bit of my own personal philosophy when I worked in larger companies, when I even was a principal in my own companies. I didn't have much of a lifestyle. I mean, I was working and traveling all the time. This

is a great opportunity for you when you're thinking about your business to think about what is really important. And I'm talking about some simple things. You know, do you want to get up at six in the morning or eight in the morning? You want exercise in the afternoon or at night. Do you want to spend time with your children? Do you want to spend time with your aging parents? What are those things that are going to be really important to you that are non-negotiable? So when things get tough, you can drill and work right through them. Think about the lifestyle. The concept of wealth. So if you own your own business, understand today that being in your own business allows you to keep more of what you earn.

[00:22:19] My experience has been, or my observation is, that people that work for a salary tend to live at the level of their salary, meaning they they live in a house appropriate with their salary. They drive a car. They send their kids to schools, appropriate with their salary. And they they basically allow their savings to be in a 401K, etcetera. And it really doesn't create the kind of wealth you need. If you're in your own business, and you have the right goals, you can keep more of what you earn. I'll talk a little bit more about that later in terms of how the tax laws might work for you in your own business. And lastly, equity. We're in what's called an 'at will state' which means you can work for 20 years for X, Y, Z company and they can say, Brandon, thank you very much. We appreciate your efforts, but we're going in a different direction and that's it. They may give you a deal, two weeks salary or whatever, but that's it. And if that can be done in a state. If you spent the same 20 years building a business, you're creating value

[00:23:24] and that value is called equity. It's something that maybe you can sell and get a bigger return on your investment. Should we think about these things when we start planning our life and being in our own business? I don't know any of you guys in the room, but I would imagine if you're here tonight, you are hard working. And my suggestion is really think seriously about putting that effort in for yourself versus somebody else. OK. I did say that this is hard. I found a quote by Rudyard Kipling. Any of you historians? Ever heard of Rudyard? Good, good for you. Well, this is something Rudyard said, and I think he was talking about corporate America.

[00:24:10] And it was the individual has always had to struggle to keep from being overwhelmed by the tribe, or corporate America, to be your own person. It's hard if you try. It's lonely. It's frightening. But the last thing he said was, "There is no price too high to pay for the privilege of owning yourself."

[00:24:30] So when you get over the desk with a pen to sign the papers, to incorporate your business, to go to a bank and borrow money to start your business, think of this quote, that there's really no price too high to pay for owning yourself and being in control of your own time.

[00:24:51] OK. So can anybody define entrepreneurship for me? What is it in your mind?

[00:24:58] What is entrepreneurship in your mind? Help me. We're all friends here. Hello? I know. Dim the lights. I can't see to believe. Yes. Yeah. Only because that's certainly part of the definition. Yeah. There's a couple of key words I'm looking for.

[00:25:19] Sorry? Creativity. Yeah. Well, creativity is a quality that you need in a business for sure. Creativity is important. I say you have to help these guys out a little bit. Yes?

[00:25:34] Yeah, that's what these are all part of it. The two words I'm looking for is it's that person that assumes the risk and responsibility for starting and managing a business. Risk and responsibility. If you consider yourself a person totally risk averse, that might be difficult for you. I'll talk about these qualities a little bit more lightly. And if you're a person that doesn't take individual responsibility for your actions, then this is the wrong seminar, because being in your own business is probably the highest level of taking responsibility for your own actions. OK, so we're going to talk now about the qualities it takes to be an entrepreneur. Again, I'm interested in seeing people be successful entrepreneurs. So this is going to speak to even those of you who have started your own business to sit back a little bit and say, are these qualities that I have, that you have, that you think about everyday and exercise? So the first thing is, are you a person that looks at the world as full of opportunity? Do you look at the world as scarcity? Or, you look at the world as abundance?

[00:26:42] You look at the world as scarcity, I'm going to tell you, you can have a rough time being in your own business. Because from the day you start, you're gonna think the world is against you because they're just not going to be at the time, timing, and the pace of where you want to get things. The banks aren't going to be just running to throw money at you. Are you a lifetime learner? Oh, OK. That's the next slide. Are you an organized person? You know, somebody once said time is money. I don't know who said that. I know it wasn't Albert Einstein. He said time is something else, but time is money. And so when you're starting a business, can you be intentional and figure out those key things that you have to do to shorten the time before you're actually making money in the business? And it's so critical. You can't only do what you like to do. There's things that you have to do, and I call it being intentional. Are you a lifetime learner? In small business, we really need to leave our ego out the door. We need to create networks and supports around us where we can learn from other people. Are you willing to grow? Are you willing to put the business before you? I'm telling you, if you're starting a business the first couple of years, don't think you've arrived. I tell people in my franchise coaching, it's a great event, and we celebrate when you sign a franchise agreement, but that's only you basically, you know, you bought the ability to start. OK?

[00:28:22] So, again, are you willing to grow up with the business before yourself? And do you believe there's a relationship between risk and reward?

[00:28:29] One of the stories I like to tell, and it was one of the most significant lessons I've ever learned, and I'm dating myself. But going back to 1985, I was in my thirties. I had a partner who was very smart and we identified a business that we wanted to buy. And we found the business that we could actually buy for very little money ourselves. We were able to get the banks to lend us money against the assets of the company. And I thought I had arrived. We had this great business plan. It was gonna be really, really cool. Believed in it in my heart. Well, when we went to the bank to get the money, the bank asked us for a personal guarantee, unconditional personal guarantee. And for those of you who had never signed an unconditional personal guarantee, it means exactly that. It's your house, it's your car, it's your next born child. These things are written very, very broadly. And all of a

sudden, that plan that I thought was so cool yesterday now started really giving me the willies. I was real, it didn't look so good. And I sat down with a mentor who was very mature, experienced. He said, Jeff, this is the first lesson you're gonna learn. Yesterday, you saw the reward of this effort. Today you see the risk. I'm going to tell you, you're never gonna get the reward unless you take the risk. So, again, one lesson for you guys is understand there's going to be some element of hanging out there if you start your own business. It may be in the form of signing a lease. It may be in the form of buying some equipment and maybe in the form of borrowing money from somebody. But there's gonna be a point where that risk reward is important. And franchises, I threw a little something up here too, if some of you are ever considering a franchise,

[00:30:22] it's so important that you take your will, your belief in your own strength to make something better and just put it aside in the beginning until you learn that system and get that down cold,

[00:30:34] and then you can figure out how to make it better.

[00:30:39] There are, so that's what it takes to be an entrepreneur. There are other qualities. I'm sure many of you have worked for someone who's done a review of what your skills are and your background. I want to give you some, just a very quick overview of some of the skills that you really need to either have, or buy by hiring somebody, or use a contractor. But in your own business, you're going to need to be a leader. You're going to have to make decisions when it's time to make decisions.

[00:31:11] You're going to have to have some marketing. And this maybe speaks to who our person is putting together the student conferences.

[00:31:20] Marketing today is very challenging because it's really all about properly being positioned in social media with the right relationships between what you do. You do have to have management skills. If you're going to relate to people, you're going to have to figure out how to motivate them and help them grow. And then, of course, there's the last of these, which are very critical, is can you identify who your customers are and move them along in the pipeline

[00:31:47] so these leads eventually become converted to customers. And then once they become customers, how do you take care of them? So these are all qualities that you need to be thinking about, that your skills are required in running your own business. And if you don't have them, it's OK. We can learn, but it's most important to identify where your strengths are, how they relate to the business. And if you don't have a particular strength, we need to make sure it gets filled in someplace else.

[00:32:21] OK. I want to talk about the advantages of being an entrepreneur. It's a little bit about what I've learned after interviewing probably 700 people as to what their passion is.

[00:32:35] So the advantages are, first of all, freedom and independence. Again, you're controlling your own time. Of course, that's a two edged sword, because if you decide to play golf every day and

not work at your business, it can be a big problem. Being in your own business also controls a major aspect of your life. Do any of you have a date that you set, or an age that you set, where you're going to say, I'm not working anymore? Some of you have? OK. Good for you. I used to. I used to have this date and what I found is that when I got captivated by things I enjoy doing, some in my business, some in my personal side of life, I threw the idea out the window of when I was going to stop working. It's more, I think, a question of being relevant. The problem, of course, if you work in a corporation, oftentimes when you get in your 50s or 60s, they make the decision for you. And my wife and I work with a financial planner and she threw some cold water at us and said, you know, plan on living till you're 96. And if you plan on living and being healthy to that age, you've got to do something that creates a quality of life.

[00:33:52] So this being your own business, gives you that control. If you're a creative person, I think somebody mentioned creativity when it comes to being your own business. There's nothing more creative than trying to run a business, figuring out how to grow it, be more successful, exciting. I think starting your own business is like getting the part to a hang glider, taking a running start, go off the cliff, and then start putting it together. [laughter] It's not that you can't wait till it's ready to go because sometimes the opportunity is there and you need to go for it. Satisfaction. Self-esteem. I will tell you, these things do come along with someone who has started a business. They've been successful. They go to the cocktail party. What do you do? I work for Amazon [sigh]. OK, great, you and 65,000 other people. Or. I started my own business four years ago. I've got six employees and we're doing great. Just a totally different way of relating to the world. And some status recognition. Most small businesses support communities, flexibility if you have some commitments to family. This is one of things I love

[00:35:16] about being in my own business is that at this stage of my life, I have grandchildren and I really want to spend time with them. I don't want to have to ask somebody for the freedom to do that. And so being in your own business can give you that flexibility if you earn it. And this one, people do snicker a little bit at. You know, you can screw up a business and fail. I will make sure you understand that in the next couple of minutes. However, nobody is going to make a decision that your job will be better off done in India or Taiwan or by someone at half your salary, etcetera. They're just not going to do that. So you can't be laid off. And the other concept, too, is that if you work, you might see I have a bias towards being self-employed. So if I if you haven't gotten it yet, I will I will come out here and tell you that that is part of my bias. If you work for a corporation, you are sort of bound by their budget for paying people, which today raises might be, you know, a glorious one and a half percent. So you're really not getting ahead. If you're in your own business, there's things that you can do. You can sell more, you can run more efficiently. You can work with it with an accountant on how to keep more of what you make. The strong motivations to be in your own business. And never forget, this is the concept of this equity of growing your original investment to the point that that business has created more value than what you've put into it.

[00:36:50] So any questions about these?

[00:36:54] Good. I'd like to talk to you about the disadvantages, though, and here's where we definitely tend to lose people during the break. That's why we only make it a 10 minute break. We found when it was 12 minutes, people had time to think more. We lose half the audience. Okay.

[00:37:13] Risk and responsibility? Know, I'm just saying, know thyself. Know how you react to pressure and be able to manage it constructively for your health and just for your well-being, because it will be there. If you start your own business, you will have risk, responsibility and pressure. You'll be dealing with the fear of failure. So I've had I can tell you stories. We don't have the time, but people -- and they should be creative writers because their imagination about what failure looks like is quite dramatic and it usually doesn't happen. But it's you'll be thinking about these things. You'll end up on the street in Skid Row, you'll lose everything, have to go home and live with your mother. That's what happens sometimes with this fear of failure. So you have to really work on a plan to know what the upside and downside potentials are. No matter how good you plan, there will be obstacles and frustration that will be thrown in front of you.

[00:38:15] Happens all the time. You're waiting for a bank to give you an approval. You're waiting for a lease to be negotiated. Things happen. One customer you thought was absolutely going to buy something decided to run off to Mexico, you know. These things happen. Loneliness, more work, longer hours, less time with friends and family. I'm just telling you, that's part of the game. If you find you're in your business three to five years and it's lonely, you haven't built a structure of support around you. If you're not spending any time with your family and you want to, something might be wrong with your plan or your execution. But in the beginning, this is just part of what comes along with it. And let's not forget, too. Less financial security in the beginning. The money is going out. It's not coming in. And candidly, that sometimes scares people. But I try to have them understand that you're not taking the money and lighting a match with it. You're basically changing it into a different kind of asset to work for you. But it's scary when that bank account starts coming down and you're not getting a paycheck every two weeks. Job benefits.

[00:39:38] I don't know how you feel about the *Affordable Health Care Act*, but candidly, for small business startups, it's been pretty attractive. It's helped a lot of people. And you can lose your investments and one of the things I want to make sure if you went through my presentation, I didn't tell you that that's a possibility, then I wouldn't be doing a service to you guys. So there's this risk-reward relationship. And who gets paid last in your own business? I see a couple of people that I know, smiling. Yeah. Yeah. You've got to pay your contractors. You've got to pay your rent. If you actually get revenue, you've got to pay a B&O tax. If there's any money left, then you pay yourself. The good news is, though, if there's a lot of money left, you can pay yourself what you think you're owed. And of course, we live in a world where taxes are just part of a small business owner's life. Does anyone know what B&O tax is? Yeah, some of you do. Yeah. Yeah. B&O. Our state doesn't have an income tax, which is really positive. It does have a tax based on revenue.

[00:40:48] So if you sell something, whether you're making money or not, you will pay a tax to the state and to the city. People tell me, oh, you should be happy you're paying taxes. That means you're making money. It doesn't make me happy. [laughter] But I'm telling you, you have to do it. You have

to. You don't have a choice. So this is some of the disadvantages. But I have to tell you that small businesses make a huge difference. And that's why having Mimi here, and the SBA, and for me to encourage you to really understand what they're doing in terms of support.

[00:41:25] And this is data from the Small Business Administration. Almost 100% of all employers are small business owners. In our state, it's like 98% of all the businesses have 50 or less employees. They're really small businesses. You guys can read this. I'm not much on statistics, but 50% of the gross domestic product is generated by small businesses in this country.

[00:41:53] We've got one of my colleagues that I work with, Steve Nielsen here, who helps his company fund small businesses. And it's just a matter, if any statistics, Steve, that's put you on the spot, of how much funding is done for small businesses in this state or this country? (unintelligible) Yeah.

[00:42:17] A lot. [laughter] That's what happens when you put somebody on the spot. But there's a lot.

[00:42:22] I mean, Steve's company, I think, has done three point seven billion dollars. One company helping small businesses fund. So there's just a lot of good stuff, a lot of activity going on in the community. So what are your options for beginning a business and

[00:42:40] I'm not gonna ask you to do this, but if we're going to take out a clean sheet of paper today and this is after you set these goals. When I retired from the company I was with, retired isn't the right word. I'd decided to leave. But I left in 2002. And the best advice given to me was to sort of figure out. Don't go right back to work. Don't put a résumé together. Don't try to buy a company. Figure out the goals first. So I did that. And then I went through the exercise of thinking, what are my options? And I'd like to take you guys through this a little bit.

[00:43:15] So if you want to start a new business today, there's a whole world of opportunity. Somebody mentioned photography. Couple of people, a publishing business. I know Michael's in the Internet services businesses, evaluating and analyzing. You can do it, if you have something to sell, intellectual property, why not monetize that and market it? There are still products that need to be made, either manufactured here, manufactured overseas. Service businesses. Do you know that Seattle is the fastest growing city in the country. And if you don't think that there's opportunity, you know, Amazon is hiring, there'll be 65,000 people, if you don't think they need goods and services. We rethink it a little bit. You can, if you're smart, have an Internet business or even retail businesses today, there's a lot of opportunities. Have any of you ever thought of buying a business? I mean, existing business? Nobody? Interesting. Oh, yes, I know that, hi Stuti. I think that is something that might be on the radar screen for some of you. I'll talk to you about the positives and negatives about it. I've been involved in purchasing two businesses and some very attractive elements to it, and some of you who maybe have not come up with your own great idea,

[00:44:46] there's a world of franchising that is quite fascinating and the statistics about growth in franchising are pretty dramatic these days. A lot of activity going on. So if you're going to start with a white sheet of paper with your own idea, I want you to be thinking about four specific things. And these are: does your idea have something that is unfair to competition? And I'm not saying unethical. I'm not saying illegal. I'm saying unfair. Meaning is what you're bringing to the market something that other people can't copy. Something that you can protect. Something that's unique. Because if it's not, what happened, what happens to your product or service if it's not unique? Yeah, it can sort of get lost by it, because this low cost entry, several of the people are in it. Anybody else? If it becomes a commodity and when something becomes a commodity, people will say, well, I can get the same thing from Joe. Why should I pay you what you're asking? So, I'm suggesting that whatever you do, make sure it's got some kind of a value proposition, that makes it unique. Secondly, really spend time identifying your customer base.

[00:46:07] And this is sort of a good time to mention again. I'll be giving you a resource link to the library and Jay will be talking about the library. One of my friends and clients is here Stuti. Probably, you're eating, Stuti. Sorry, she used the library to do some research on a business she's considering buying and put you on the spot to just say a couple of quick words. Sorry. It was great, right?

[00:46:34] Stuti [unintelligible], basically, she identified the areas that she had information about, a specific market, a specific industry that she's interested in, and wrote to the library. They defined the search. And by the time she got home from shopping, she had all this great research back. So I'm just suggesting to you that you need to do something similar. Define who your customers are, when they buy, what they buy, how often they buy.

[00:46:59] Secondly or thirdly, the idea of a realistic business plan. You're going to need a business plan at some point and I'll talk about the elements of it in the second hour. And thirdly, leave your ego outside the door. If you can create people around you as mentors or stakeholders, people that can really guide you down the path you're looking to do. I think it's really important some kind of an advisory board. Oftentimes you don't have to pay these people. There are mentors, they care. And it's all of us have blinders to some degree in terms of how we make decisions. Find someone who can listen to you, give you advice, and sometimes take the blinders off. So if you're thinking of starting a new business, I want to outline the advantages and the disadvantages. And the advantages are, you know, whatever your costs are to start the business are totally under your control. It's what you decide to spend to start that business. You do have independence and creative freedom. You basically can do what you want. You can choose how the business does business, how it markets. Does it go through distributors? Does it sell on the Internet? Do you have a retail location? Those are all your choices. And if you're starting something from scratch, you don't inherit any problems. And this is compared to maybe buying a business where there will be some inherited problems. But there are disadvantages. I want to make sure that if you are planning on starting your own business, you need some significant disciplines.

[00:48:39] I think, few people have the ability to take something from infancy to maturity when it comes to business. The requirements of the person change as the business grows and changes. So

it typically takes more time. There's a high risk of failure. Sometimes you're on your own. It's difficult to get money when you're doing a business from scratch, a startup business. Today, you have to be willing to take a home equity mortgage or use some of your 401K money. You've got to be willing to do some of those things. Walking into a traditional bank when you're starting a business is very difficult. And if you're trying to develop a brand, there's going to be an investment in time, cost and money. This is at a high level some of the positives and negatives. I'm going to go over this sort of real quickly, the buying of business, because no one is interested. There's a good reason. People do buy businesses today, and oftentimes they might go to an accountant or an attorney to find out who is going, who is retiring, who is getting divorced, who has illness, whose children are not going to carry on a business. And sometimes you can find some opportunities. The advantages of buying a business is, candidly, you jump on a horse that is in mid-gallop. It already has customers. It has inventory. It has location. The disadvantages, just quickly on this subject, is that there are always skeletons in the closet when you go to buy a business.

[00:50:18] You hear that, Stuti? There's always skeletons and you have to protect yourself and look for them and there's ways of doing that both through your own review as well as when you set up legal documents to buy a company. You can put certain wording in there that protects you. Like you never, nobody ever buys today, the stock of a company. They buy the assets of the company. And the reason is a difference. If I buy the stock of your company, Michael, I basically bought the shares. That means I'm now responsible for any past liability of that company. You didn't pay your taxes last year, you're gonna come to me. If I just bought the assets of your company, then I'm free. I don't have any obligation to what you did before you sold it. So that's just sort of a quick talk on that. I'll spend a minute on franchising. Some of you may have an interest in this. I do talks at SCORE in the Women's Business Center, specifically on the topic of franchising. So if you want to know more about that, take my card and I'll make sure that you know when those programs come up. But franchising is basically something any business owner should be aware of as a possibility, or someone thinking of starting a business. These are businesses that are systems where somebody else came up with the idea. Somebody else proved the concept. And they are willing to license that concept to you for a certain cost as long as you agree to follow the system and not change it.

[00:51:59] So advantages of a franchise. You still have the tax benefit to being in your own business, but you're not alone. There's a certain level of independence that you have. You are starting with an established product. And so that's important. Again, it's there's a higher, if you look at the success rate of franchise businesses versus independent businesses, franchise businesses have a much higher success rate. Now that the the overall income you might get if you started two equivalent businesses, one non-franchise and one franchise, they were both equally successful. You'd make more money on the independent business. However, the risk is going to be greater as well. So you get this proven system. There are disadvantages, though. I know some of you are looking at franchises. You are not totally independent. You can't do what you want to do when you want to do it as it relates to the product and the brand. You have to pay some fees. You've got to sort of balance the restrictions with the support. If the brand has a bad image by things that other people have done. You have to really look at the image of that brand and, you know, look at *Yelp* and look at *Angie's List* etcetera and make sure that the brand has a good image. And franchise contract terms are usually

fairly limited in terms of negotiation. Because if it was open to negotiation, it wouldn't be a franchise. Everybody would have a different deal effectively.

[00:53:36] One book I like to suggest at this point in our discussion is a book by Michael Gerber,

[00:53:42] and it's a very good book. It's a very easy book to read, but it has a theme that any business owner should understand, and that is, do you see yourself as a technician, basically working in the business every day? Do you see yourself as the manager basically managing a business, or do you see yourself as that visionary person who's trying to use the business to create some kind of a better life for yourself and your family? So with that, this is the perfect time for our break. And as I was asked to remind you, that the bathrooms close at 7:45.

[00:54:21] The older you get, the more important that message is [laughter]

[00:54:25] So welcome back, everybody. I'm Jay Lyman and I'm a librarian here at the Seattle Public Library. How many of you are here for the first time this evening? Anybody here? Hey, welcome. Well, if you're here for the first time this evening, or if you've been here 500 times, welcome. Thank you for coming out. We're really pleased to have Jeff and Mimi here this evening and really, really pleased to see all of you come out for this program. So in my in my day job, I help people find information that they're looking for at in their in their work for starting a business. So there's really two ways that the library can help. The first is that we answer questions, and we can answer questions in a lot of different ways today from our website, spl.org. If you scroll down to this little *Ask a librarian* form, gets you all the different ways that you can get in touch with us. So you can chat with us. You can email us. You can call us on the phone. There's a lot of different ways that you can contact us. Now, just just kind of a heads up that sometimes they will, well, Business Information, we get into deep water really fast. You know, often we're talking about statistics. We're talking about demographics, about people.

[00:55:46] We talk about industries and markets and things. So this stuff is sometimes not easy to find and takes some time, especially after we've learned what you're what you're looking for. So just be prepared that sometimes if you're calling us on the phone, you're chatting with a librarian, you're even sometimes in person, we might take down your contact information and get back to you with some more information via email. That gives us, myself and my colleagues, some of which are in the room this evening, and thank you guys for coming out, it gives us some time to work on your question. go look and dig for answers, and then e-mail you back. And so that's a great way to use us. Usually it's a 24 hour, I'm sorry, a 48 hour turnaround on those questions. But we try to be faster and sometimes we are. So we answer questions. The second big way that the library can help you be successful is that we buy things for you to use. And so we we buy things on a variety of different different topics here. We, of course, buy things in print. We buy things on DVD, CD, all these sorts of things. But most of the time when I'm helping somebody find business information, it's in our databases. It's electronic. So from our from our website here, if you go to *Articles and Research*, scroll down here to *Business, Finance and Fundraising*.

[00:57:12] Here's where we've collected a number of useful tools that you can use to find information about for your business plan or other kinds of business information. So what are we talking about here? We might be talking about looking for lists of competitors and *Reference USA*, which I'm going to demo in a minute, is a great place to look for that. Also, you could look at that in a different way. Maybe that's a prospect list. You know, maybe that's what you're trying to do. Find out the size of the market or look at a variety of different things to *Reference USA*, think of this as the phone book on steroids. You're able to look into and find companies by their industry, what they do, and also by geography and other criteria. We're gonna look at that one here in a minute. But then there are some other tools here. So *ABI/Inform*, this one is has trade publications that were in trade magazines. It also has some nice market research reports on different industries. So there's another great place to look. *Business and Industry*, *Business Insights: Global*, these two have trade articles that were in trade publications. So those are some places to look for details as well.

[00:58:28] Which one to use? Come and ask us. We've dug through these databases in the past. And we're going to know which ones to look at for your industry. And and, you know, when we're talking about business information in general, we can talk about it really generally. But really quickly, we dive down into what is it you're doing? What industry are you in? What market are you where you're trying to delve into? And so it becomes really specific really fast. There's some challenges to doing this kind of research. The big big, biggest of which probably is that information is often proprietary. So companies don't have to share information, especially private companies. And so even public companies are only required to share certain kinds of information. But there are some ways around that. The information might not exist. It may be that you're doing something brand new, and so nobody's published information about this. Or, it might be just too expensive for you just starting off. Some of these market research reports that have the perfect data point for your plan are priced at like four thousand dollars. So, you know, that's maybe not the right best thing to spend right off the bat. So that's come ask us first before you do that. We'll see if we can find the information for you, for you in our databases, or can we refer you to another organization that might have it. So we're Seattle Public Library,

[00:59:51] but then there's the King County Library System, which is nearby, and we have a reciprocal agreement where people live in Seattle can get a King County card and vice versa. So often people can use other databases. You walk into the University of Washington's Foster Business Library and they have a vast variety of things that you can use there too. So that's another way that we can refer you to an organization might have your data. So let's, let's let's dive in here. I want to get back to Jeff as quickly as we can. But let's let's do a little demo of *Reference USA*, because this is the one that when I'm here at the library, I use this every single day, you know, literally every day, this comes up. Click on *Reference USA* from the website. If we had been outside the library right there, I would have asked us for our library card and PIN number. And that's because the library pays for this for you to use. We've got *U.S. business search*. We've got *White Pages* and *Consumer Lifestyles* here. These are the scary parts because this is about us.

[01:00:49] So you can look yourself up there and see what data has been collected about yourself. And I always tell people at this point there is an opt out. Contact *Reference USA* and they can opt

out. All right. So let's go into the *US businesses*. This is one of the two largest databases that we can buy. I could search by company name here, but more often, I don't know the name of the company. I want a list of companies that do something specific in a geography that I'm trying to target. So I go to custom search. And I can search by all of this criteria over here on the left hand side. So I can search by executive's name or title, I can search by this keyword, SIC or NAICS and that's what I want to do, because this is these are the industries here, SIC and NAICS codes, are how we organize the industries that sell this. These are defined by the federal government through the census. So let's do a little search here for pet supply companies just because they have the best names. So we get carpet, petroleum here, pet and pet supplies. That's what I want to update my count. So we get 30,000 US-wide that are in this criteria. Let's click on "City" because we want to see. So then it drops this little search tool into the center box here. And I'm able to say I want to search in Washington.

[01:02:12] Seattle.

[01:02:15] And when I click on it, it jumps over to that box right there. I can select more than one. So if I were trying to do like a wider variety, wider view here, click update count. I get 85 results. And then when I want to see those, I click on the 'View Results'. And here they are: A Dog's Dream, The Bunny Bites, The Crown Hills Pet Supplies. We get all these different pet supply stores. I could export this list as you see it, to an Excel spreadsheet and then play around with the data. But it gets better than that. Let's let's click on. Let's look at what these each of these have in it. Click on a big one. We're going to go into Petco just because they have more information. And so larger companies, even if they're private companies, we find more data about them than the smaller companies. It makes sense. So here's Petco, the one on Alaska Street, South West Alaska. It's got some job listings there. Here's their lines of business. So there's in this case, there's just one code there, but there might be a list of them. If a company does pet supplies as well as some kind of manufacturing or something. However, their combined business demographics. Here, we've got some location, sales volume, employees.

[01:03:33] Be careful with this number because look here, this is a private company. So this probably isn't something that Petco's came out and told *Reference USA*. This is how much we made at this location. But *Reference USA* is estimating and it may be the closest we can get for for this. There might be others someplace else, but maybe just the closest we get. Keep scrolling down. Here is also some stock data. If it's a public company, business expenditures. So here's where you could estimate this is all these are also estimates that you could estimate, you know, how much this kind of company spends on advertising, insurance and all these sorts of things. Sales volume by year and such. And it also has, often here, the names of the management. In this this particular one doesn't have them. But often we see a list there of the top level managers in the company. So not only can I export that list as we saw it to begin with, I can also export any of those other fields there that we see in the database. So you could do an export of company name, sales volume, a zip code and executive name or something along those lines, just so you could get into those expenditures.

[01:04:54] So what do you think? Useful, useful stuff?

[01:04:57] This is you know, it's so much better than trying to search individually for companies or trying to. You know, we certainly search out on the Web ourselves. And this is a lot more efficient type of a search. We're going to get back to Jeff. But any questions that people have? Do you have any questions about the library, about *Reference USA*, other things? (unintelligible) Good question. You need to get a specific library Seattle Public Library card, and you can do that under, if you live in Bellevue, under this reciprocal agreement. And so talk to the folks out at the desk in the front if you, if you're under that situation. And we have also agreements with like the Sno-Isle system to the north of us, down in Olympia, Timberland, some other of the library systems around.

[01:05:47] So great question. Anybody else before we go back to to Jeff? Yes. (unintelligible)

[01:05:59] We have, we have librarians who are staffing our desk and the level seven desk any hour that we're open. And so they'd be a good place to start. But we don't have a way to schedule appointments at this point. But start at the level seven desk and then we can work on like, how can we best meet your needs from there? Good question (unintelligible)

[01:06:33] So the question was, do we have other sources of company information? Yes, we do. So another one would be that I would go back to, so for bigger companies, I would look in *Business Insights: Global*. The nice thing about *Reference USA* is that it has the big and small companies in it. And so they, if we're looking, it depends on the company. Depends on the industry before some of those bigger companies or even mid-sized companies. We can look in *Business Insights: Global*. We can even go down into some of our investing databases like *Morningstar* and *Standard and Poor's*, and for public companies that will give you really good financial information.

[01:07:16] Oh, OK. So legal structure, this is not a hobby. First of all, glad to be back talking to you guys. Thank you for for showing up again. Appreciate it. If you're going to start a business and it's not a hobby, you're going to be generating money and having to account for it. You're going to have to pay taxes, etcetera and you need to have a legal structure that is set up. Today

[01:07:43] there are several things. Several legal structures that are available to you. Most people do an LLC or an S-Corp. And the reason they do that is because it is the simplest form of incorporation

[01:07:58] and when you do your tax returns, it gets attached to your personal return. So if you have a mortgage that you're paying with interest expense, it actually all washes out and you get the maximum tax benefit. I probably should address the fundamental misperception, though, that people have of regarding incorporation.

[01:08:21] There's a fundamental misperception, and that is that if you incorporate and things don't go well, you can walk away and just move on to your next gig and leave the pile of poop with the bank or lessor. It doesn't work that way.

[01:08:39] The reason people incorporate today, the most important reason, is there's something called the "protection of the corporate veil". And have any of you ever heard that term before?

[01:08:52] Some of you could. I remember when I was in college, I took a business class. Somebody said that, and I just thought it was the most exotic term I had ever heard in my life, the protection of the corporate veil. Well, basically, and I didn't realize later on in my life it actually would be a lifesaver because I was in the construction business

[01:09:09] and when things went wrong, people would sue you personally. They'd sue the board of directors, they'd sue all the shareholders of the company. If you are a legally incorporated entity and someone sues your company, and that might happen, if you, and they sue you as an individual, if you acted as an officer of that company, as a duly registered officer of the company, it's likely the court will throw out quickly anything against you personally because you you're protected by the corporate veil. What the corporate veil does not protect you is if you do something illegal.

[01:09:52] That's a problem that's going to pierce the corporate veil. If you have personally guaranteed a debt to a bank or to a lessor for property, if you owe people money for work they did, you do not get the protection of the corporate veil. But there's compelling reasons to incorporate. Most people do LLCs or S-corporation. My J.L Consulting Services, which is the business I do consulting under, coaching under, is an S-corp and my book writing business, Jaffey Publishing is an LLC. Yes. (unintelligible) A little bit. The question was B-corporations and B-corporations, to my limited knowledge have a social purpose. And they get registered as a for-profit business with a social purpose. I don't believe that that replaces the requirement to be an LLC or a C-corporation. I think it's almost like if you build a building, it's sort of like,

[01:11:00] Michael, can you add something to that? (unintelligible) Yeah, yeah.. It's not been overly popular and I probably do need to refresh myself a little bit. Terms of some of the information I have in terms of the different corporations, it hasn't even been updated yet to be a corporation. But it's definitely if you can do something with a social venture element of it, you definitely want to look into it. Some people today will do a C-corp, and a C-corp is the original form of a corporate entity.

[01:11:31] And that's when the business actually is an entity of itself. It stands alone. You could be the majority shareholder, but it files its own taxes. Sometimes people think there's a double taxation, which there actually is in a C-corp. The only reason it's popular is there's a couple of reasons. If you're going to have more than 36 shareholders, you likely will have to be a C-Corp. If you're planning on taking the company public, you want it to be separate from your personal taxes.

[01:12:05] But if you're going to use any money in a 401K that you might have and you're going to invest that in the business instead of liquidating your 401K there's a method where you can set up a C-Corp. and roll the money into the C-Corp.

[01:12:22] If anybody wants more information about it, I've bought some cards from one of my colleagues that does that kind of work, and you can find out more about how those things are done. Or you can email me, and I'm happy to give you more detail. But those are basically the different corporate entities. Don't memorize this slide. [laughter] I'm warning you right now. But be aware that it's in the slide pack because this is really all you need to know to have an intelligent conversation

with an accountant or an attorney. And if I was starting a new company today, I would think about what is this company going to look like in three to five years? What kind of revenues am I going to have? How many people are going to own it? And what my exit plan is. How am I going to fund it? And then I would sit down with an accountant, answer those questions, and they'll tell you whether you'll be an S-Corp., LLC, C-Corp.

[01:13:19] And I wouldn't get a master's thesis in tax accounting. An attorney or accountant will give you the best advice. Any questions on this? Important, (unintelligible)

[01:13:30] Yes, you can. Your sole proprietorship that basically you just go online with the state. You get a UBI number, uniform business identification number. You also get an EIN employer identification number. And you may call the company John Smith Company. But if you want it to be separate to a degree, that doesn't give you any protections of the corporate veil. But it does allow you to account for your business. If you want to get in trouble. I know there's some risk takers here.

[01:14:01] If you want to get in trouble with the IRS, just have no gray line between your personal and your business expenses. That's so that's the reason why you set up the EIN and you set up a sole proprietorship and keep them separate. OK. So how do you finance a business today? If you have a rich uncle, and you might sort of snicker about that, but the majority of business today, small businesses are funded by friends and family.

[01:14:36] And and if you have a friend or a family member that did you think might be interested, I would approach it as a business discussion and say I'm starting a business. I'm I need some capital. I understand you invest in different things. What are your investment criteria? Here's what I'm looking for. And don't be surprised if they don't find an interest in helping you. Or be surprised, I guess, if they do. But make sure that it's a business arrangement. And one bit of personal advice. If you're going to lend money or borrow money from a family member, have a very good agreement that if things don't go the way they are planned, that it's not going to affect the relationship. We lent money to one of our sons. And it was just, it was not the right time. And we lost the money and we were very committed to the fact that this was not going to affect our relationship with him, at all,

[01:15:36] and it was painful, but a lesson for both of us. If you own a home, if the home has equity, home equity is a great, inexpensive place to get capital to start a business. You can structure the loan repayment on your own schedule. You can write off the interest. It's a very attractive way to generate some some capital for a business. If you have good credit, you can get a signature loan today. That sort of like, almost like a credit card, a little bit less interest. But between twenty and eighty thousand dollars, there are people today that would help you with what's called unsecured signature loans.

[01:16:23] The entrepreneur pension is what I talked about on this this idea of rolling over 401K money if you're under 60. Fifty nine and a half and you try to take money out of that 401K, you will have to pay taxes and a penalty. If you use this structure of this entrepreneur pension, you actually can use the money with no penalty.

[01:16:47] And got those who are interested, I have some cards here from a company that does that and they're very good.

[01:16:53] The founder, that company is my co-author, and they're extremely ethical, and they'd be happy to educate you on those kind of financing. I'm not going to spend time on angel and venture capitalist unless there's people here that absolutely want to talk about that. That's a fairly broad topic. Venture capital,

[01:17:13] when I was raising money, we used to call venture capital, vulture capital because they really don't care about you. The reason I do these talks is because I really care about people trying to figure out a way to get control of their life and get out of that corporate side of things. The venture capital people really don't care. They want your idea, though, they ride you as long as they can. And if they feel somebody else should run the company, they will make sure somebody else runs the company. So I'm not gonna spent a lot of time on that. However, we do have a great resource called the Small Business Administration, who has a program that will work with banks and will provide the banks and insurance program that encourages banks to lend money to small businesses. Now, I'm making it sound easier than it actually is because there's a process. However, if you work with SCORE, if you work with the SBA, go to their free briefings, you can apply for SBA loans. If you're a veteran, there are VetFran loans. It's a tremendously beneficial program. And one of the good things about the program, candidly, is they won't lend you the money unless they feel you have a viable business, unless they feel that your business plan makes sense. So it's a very substantial validation to what you're doing. And there is something called SBA Broker. So you have you have banks around the country that have the ability to provide SBA loans and then you have people that are brokers who know which banks are interested in specific industries. So you can you can hook up with these SBA brokers who will look look a broad brush through a number of banks. When my partners and I did our first financing in 2002, we bought one of the companies. We couldn't get a loan. There was nobody interested in Seattle in our deal. The SBA broker found somebody in Philadelphia and, you know, their money over there was as green as the money here,

[01:19:22] so we we took the deal. Any question on financing?

[01:19:30] So one thing I really believe in, is do seek out mentors, do seek out, you know, a mentor is someone who you don't pay typically. I've been this will be my 20th year mentoring at Seattle University's business school. My mentor with about 200 other business executives working with a with MBA students. You'll find that a mentor, somebody who knows something about your industry. They care. We work for food. Basically, find a mentor that knows something about your industry. Seek them out and get the guidance and get the help. Some people need a coach. There are people that you can pay to actually be a business coach to keep you accountable. If you don't want to pay for a coach, find somebody who's at the same stage of developing their business as you are and hold each other accountable. As human beings, we tend to get sort of, you know, our ships tend to go with the wind depending on the day, and we, if we agree, to do certain things. Sometimes we need a second person who could look at us and say, hey, you said you're going to do this. Why did you do it? So those coaches are valuable. And look at attorneys and insurance agents and bankers as a part of

your team. If you were in business today, and you are not nurturing a relationship with a bank, you're missing something and you always go to a bank when you don't need the money. I know that sounds odd, but when you rush in and say, oh, my goodness, I'm ten thousand dollars short on a payroll this month. It's, you're not going to get the help you need. You need to nurture the relationship with a banker. Commercial insurance agents are part of your team. They will help you evaluate the risk in your business. Every business has some risk. And a commercial insurance agent will look at your industry and say, this industry has these particular risks and here's how you avoid them. Here's the insurance you need. Here's what language you put in your contract so that you're not getting yourself in trouble. OK?

[01:21:40] And attorneys, hopefully you have an attorney you trust, but you don't want to talk to them a lot

[01:21:45] because every time you do, their meter just goes, click, click, click. And they do very well, but you don't need to put their kids through college. OK. Business plan.

[01:21:59] Every business needs a plan. It does not have to be this master's thesis.

[01:22:04] You do not have to have a a gold embossed, leather covered business plan. It does have to cover some key points, though. If you are going to go to a bank at some point, they're going to require the plan. If you go to a friend for money, they're going to want a plan. You're going to need to have some way of rationalizing your business. If you have employees or you've trying to build a team, having them all read and participate in the plan is going to be very critical. And the most important reason for the plan is for you, is for you to be able to rationalize this business on paper before you start implementing, before you start spending money. I mentioned earlier when we got started that that that business has a risk to it. You want to develop assumptions about who your customers are when they buy, how they buy and put them down on paper. What are the expenses you need to put in to keep this business running? How much capital do you need to get you through the lumpiness of a startup? So the business plan is very important. And even franchises require you to have a business plan even though you're using an existing system. It's what are you going to do with the toolkit? So I want to cover, at least at one level, the elements of a business plan. And the first things you want to do is work on the financial side of it. And for most of us, that's like bad news. I know for me, I'm a math phobic person. That's why I married a mathematician. It makes my life a lot easier because my wife can look at numbers, names. They speak to her. I look at numbers and they vault. They move around the page. But the the financial side of a business plan gives you the ability to start predicting when the sales will come in, when the expenses have to be made.

[01:24:04] What the balance sheet looks like, how much capital the company has to invest in the business and what commitments it has to to pay back loans or pay back money to shareholder.

[01:24:17] And also on that financial document is the cash flow. Sales are not cash. You have to be able to think about when is the cash coming in and when is the cash going out, inflow and outflow of cash. And it's really important. Good business people can predict the future based on their experience

and their knowledge. You need to do that. And again, don't be overly hard on yourself to work, make this plan bulletproof and perfect. They never are. They are just works in progress. Your best thinking and when it makes sense to start the business that you started and you you start taking actuals and compare it to what is your projections, and over time, you get better at projecting. After you do the executives, the financials, I would go to the executive summary and cover three points.

[01:25:16] First point is, what problem are you fixing? In other words, what is? Why does the world want your business to exist? Answer that question. Secondly, what is the team that you're bringing to bear? What are the special qualities? And why can you bring that business effectively to the market? And thirdly, and very importantly, is what's the what's in it for the investors? What's in it for you? What's the business proposition? So if you invest fifty thousand dollars, what is that going to look like in one year, three years, five years? That has to be in the executive summary because somebody looking to invest in your company, or you thinking about investing in your company, is going to first look at those financials.

[01:26:01] And if they don't make sense, they're not going to look any further. And an astute investor will actually look at industry. They'll go and call the library and say, what are the ratios in this business? What's the relationship to marketing, to sales? And if you're if you're not in line with those ratios, they going to throw it away. If you are, then they'll look at the executive summary and if the executive summary makes sense, if they like your background, if they feel there's a there's a market potential, then they're going to read the rest of the stuff. And things like your products and services, a complete description is important. Who's your competition? What is your marketing strategy? And I know I'm not really answering your your question about the marketing. How do you do the marketing? But I'm just telling you, you've got to have a marketing strategy and it's got to have things like pricing and definition of who the customer is. How do you reach them? Et cetera. The other thing that has to be in your plan, is risks. The 'what can go wrong' scenario? And oftentimes we miss that.

[01:27:14] We just believe so much that we ignore that things can go wrong. But I would tell you, there are there are legislative things. There are there are changes in trends of of customers. It shouldn't stop you from being in your own business. But you need to think of what could go wrong. And if those things happen. What would I do? How would I react? And smart business people are prepared for the things that don't happen today, but that might happen in the future.

[01:27:44] Any questions about that?

[01:27:46] People like SCORE, Women's Business Center, great places to go to flesh out your business plan. One are the books we have out today, I happen to know Professor Rogoff, good book. I'm not saying it's the only book. In fact today, If I was doing a business plan, I would download the template from the SBA website. I would look at a, there's a couple of websites where you can actually buy business plans. So business plan software, that's really quite good. Again, it's not so much the format or the skeleton of the plan.

[01:28:21] It's what you put into it.

[01:28:23] That's most important.

[01:28:26] And I promise a discussion with you guys about resources.

[01:28:31] And these are sort of in a random order. And one of these days, I'm going to take the time to put them in a logical order.

[01:28:40] But the information is still good. If you want to learn something about franchising, you can go to one of my websites and click on Learn More. I don't suggest you try to reach me through that website because candidly, my my coaching business in that area is all by referrals. So the people that come in through the website, I give to an associate. But you can do some learning about franchises on that website. Seattle.SCORE.org is probably one of the finest resources in terms of giving you help if you want help with business planning. If you want help with how to buy insurance. If you want help on how to approach a bank and raise money. If you want help in a specialty area like your social media. They're going to have programs that are going. Wonderful resource.

[01:29:34] If you, Mimi mentioned the the *SBA Resource Guide*. Yeah.

[01:29:40] You can you actually can go to that website and download it as a PDF and it tells you everything you need to know about doing business in the state of Washington. There's a group called the well, Five Mountain Press is a, is basically a publishing company.

[01:29:59] And one of the books they have is *How to Research Any Market for Under a Hundred Dollars*.

[01:30:05] And so that's a reasonable book. I was sort of suggesting that to people before I became familiar with the library. Zero is a, much better you know, for those of you who aren't proficient in math take my word for it. Zero is better than a hundred dollars. [laughter]

[01:30:23] There is something called the SBDC, another affiliate of the Small Business Administration.

[01:30:29] They tend to look at people that are actually in business so if you've got some traction already going, they will supply a free counselor to you. And they're excellent. I've used them myself. [unintelligible] There's something called the International Franchise Association called Franchise.org. You can see what's going on in terms of the franchise world. One caveat though, if you're trying to learn about franchising, be very careful about leaving your name or email on the web because you will be inundated with people from around the country trying to call you or actually selling your name to other people who want to call you. So be cautious. Do get involved in the local community. We have Eastside entrepreneurs, we have info at Meetup.com. I'll give you some other references in a minute that you can track the local entrepreneurial activity that's going on.

[01:31:29] Mosaic Hub, as it is a, is one of my favorite online resources for entrepreneurial learning. And if you get this, when you get this presentation, apparently you going to get it whether you want it or not.

[01:31:44] If you click on SBA newsletter, it'll take you right to the newsletter. The SBA office information is is just click on it will take you to their website. If you want to learn about the Women's Business Center, which is sort of unique in that they're one of the SBA affiliates that's also associated with a community bank.

[01:32:06] So they basically sort of dress you up, help you get your business plan ready and hand you over to the people next door. And they can do some funding for you.

[01:32:16] Yes. Any other questions, thank you. I thought you were gonna say, Jeff, you got a typo in there. I've done it.

[01:32:26] Let's see. Seattle Public library. Ask a librarian. Those are a couple of websites you can use.

[01:32:32] You can also ask me, as I offered to anybody before. And again, I'm not going to be spending hours with you, but I likely will direct you where I think you can get the most help. You can also read my book, which I'll tell you a little bit about before we leave. And you can get online to get it from the library, but it may take six weeks, maybe maybe four weeks.

[01:32:58] Ok. And I'll just tell you a little bit about the book myself and a 31-year old guy who wrote it.

[01:33:04] We felt that we had interesting perspective from his generation and my generation and we wanted to just deal with, you know, not so much people that are running a business or a how to. It's those people that dream about being in their own business and never ever get there because they don't they don't know where to start.

[01:33:22] So the book actually in 2013 was rated one of the top six business books in the US by this one reviewer. So it's a good book. And if you like audio books, it's actually for if you can't wait for the library, for five dollars you can download it. There's a mobile app as well. Audio book. And I like to end.

[01:33:44] We're running a little ahead of schedule, which is good since the bathroom close at 7:45. [laughter] And I know all of you are going to go out drinking in Seattle and you want to have an empty bladder before you do. But this actually this is my favorite quote of all time. And I like to end the presentation with it that the best years of your life. And when you decide that your problems are your own and you realize that you control your own destiny, that others, don't put your destiny in the hands of other people, when you realize you control your own destiny you can really do so much. And you might start at a minimal level. But it's amazing if you take those baby steps, how far you can go.

[01:34:22] And I think, yeah, I'm going, the question marks, actually is your point of the presentation. So we have to have a question for each question mark. [laughter] Otherwise they fit, otherwise they don't open the doors. I'm only kidding. What question would you have of me? Jay, Mimi, how can we help you guys move to the next level with your business?

[01:34:48] Yes, it actually interestingly enough, I compressed the 168 pages down to roughly an hour and 45 minutes.

[01:35:02] That is the things I talk about are really expanded in the book. And we actually took it. And Seattle Central Community College asked me to develop a course called the *The Entrepreneurial Toolkit*. So we've taken the book and expanded it into an 11-week credit course at the community college. So you can get the one and a half hour version, the 11-week version, or read it over a weekend. Wait six weeks to get it in the library. Four weeks you get. We give you plenty of choices on it. Yeah, it's actually we're very proud of it. People ask me, Jeff, is this your first book? And I say, no, it's my last book because it was a real long labor of love. Took two years to to write. It's now in its fourth printing.

[01:35:50] Yeah. Yeah, I, I, you know, I, I don't think I have any I mean if it's something that was that great, if I jump into it myself. But all right. So I can't think of anything I will tell you.

[01:36:03] So some of the franchise stuff that I'm very involved in and I've seen a lot of growth and in cell phone repair franchises of interest. People are, there are so many iPhones are out there people are dropping that that's become a big market.

[01:36:20] But, yeah, I don't, there's nothing that I can think of. I mean, I would look at just general demographic trends. You know, we have things like, you know, the aging population today, 10,000 people a day turn 65. So there's opportunities there to service that growing community. Things in early childhood education, where schools aren't spending as much money and some of the tutoring type programs that you might see. But that's a I don't don't have a list off the top of my head. But thanks for asking. Makes me think a little bit.

[01:36:57] I should have mentioned when I started this too is that as I've evaluated myself and been self-critical over my career. I am not a visionary. I'm more of a tactical implementer. So maybe we can get a visionary in here one day and then ask him the same question. So you're the you basically are the independent business person that wears all the hats. And how do you do it? You know, that's that's a really important question. And I think the way you do is is it certainly going to challenge your management skills. And I would start taking a list of what are the mission critical items that the company needs and attach the timeframe to them that they need to be done. And then I would look at the available time that you have and just be realistic. And you may not be able to do everything. But do the things that are mission critical and then start to do to identify the ability to offload. You know, one of the problems with entrepreneurs is if we want it done right, we have to do it ourselves. And that becomes self-limiting. So my suggestion is I start with that list. Prioritize them. Add a timeframe

to them, when they need to be done. Look at your available time and do the things that are most critical to your business. And then look at you may have to staff up at some point. Yes, sir.

[01:38:21] Did you enjoy writing rather than starting businesses? No.

[01:38:28] No, I didn't. The starting of the businesses were always fun. They were invigorating. They were challenging. I could tell you some great stories of things that we had to overcome that that we just felt that without some real creativity and hard work, we'd never overcome. The book was it was a drudge. I tell you, it was really hard, especially with a co-author, to be able to get the book to the point that it read like one person to put the time to it. And, you know, it's so significant that when you actually print them and we have, we print. Our first run was 2500 books. They're like written in concrete. It has to be good. So it was a, it was actually.

[01:39:13] I think if I look at the accomplishments of my life, getting the book done is really a highlight. And it's opened a lot of doors. But that's why I say it's my last book, not my first book, although my wife's encouraging me to write another book.

[01:39:28] Maybe I've got a couple of things I want to do first.

[01:39:33] Sure. Yeah. That question is very close to my heart because I live there.

[01:39:38] I live right where South Lake Union and Denny Triangle come together and the population is growing significantly and people need basic services. So I'm not sure, you know, if you're thinking about technology solutions or selling to places like Fred Hutch. But but basically, whenever you have a community that has a high economics for these people there, they have disposable income. They need services. I would start thinking of any kind of business that that that people need. It could be dry cleaner. It could be residential cleaning. Could be window washing. It could be a babysitting service. Dog walking services. It could be over. I mean, it could be any number of things. So I'm not sure if I'm helping you with your question. It's really broad, but I certainly love that South Lake Union area. I think it's dynamic and we're going to see a lot of businesses being attracted to that. Yeah. Boy, that's a great question. I think this question was how do you build up a network of advisors and trusted people? I think you have to be, you have to participate in the industry that you're in. And if there's trade associations, if there's networking groups, if there's conventions, you sort of go to them and you participate and you sort of identify people that you feel can be beneficial to you. So that's that's one way. And don't be afraid to to, firstly, you have to be seen as someone who's a giving person. So you're not only looking to take from the organization, but you want to give and you can start getting known and then people will naturally want to help you. The other thing I would do, is I'm really a big fan of the academic world.

[01:41:29] And there is you can find a lot of good resources in in colleges today. If you want to have a marketing study done on your industry, some of the undergraduate business classes will actually do it for you as a school project. But just be present in the industry that you're in and keep your eye out for what you're looking for in terms of a mentor or a coach.

[01:41:53] Yeah.

[01:41:56] Anybody else? No. You guys have been. Yes.

[01:42:04] Oh, wow. Yeah. Well, I will tell you learn. How do you bounce back from failure?

[01:42:13] And, you know, I will tell you today, you learn more from the heart, from the, from the bumps we take in life.

[01:42:21] So. So even though it just might not be pleasant, you probably will have learned more from that failure. And you want to not lose that experience. You want to use that as experience. So you have to keep the faith in yourself, that successful people who have a failure mean it's just something didn't turn out the way you planned it. So that means you've got to go back and rethink it and try again. When I came out to Seattle, 1984, my wife didn't have a college education. We had two kids. We wanted to start a business with some crazy guys. I've lived in Mukilteo. And we went out and we we raised two million dollars.

[01:43:02] And for reasons outside of our control, we lost the two million bucks and had to close the business.

[01:43:12] And my mother-in-law said she'll buy a ticket to send us back to New York. And so we bounced back and said, no, we weren't going to take this. And so because of of of our commitment to this area and the region, we just sort of found other connections and we just never gave up. We. So my simple answer is, don't give up.

[01:43:35] What's the alternative? And you know, the old story, I'm sure you've heard a million times Babe Ruth not only was the home run king, but he also was the strikeout king. So what do we know him for? Hitting home runs,

[01:43:48] not strikeouts. OK. Thank you very much for coming. It was a great gig. [applause]

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