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Don't rush into starting up

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We're in November, time to get cracking on the startup you plan to start up when 2017 becomes 2018.

But maybe not.

In both written materials and conversation, Leif Jensen offers some cautionary words intended to give entrepreneurs enough pause so their fledgling businesses will be stronger when they do start up. Jensen, a CPA, is president of Leif Jensen and Associates Ltd., Elk Grove Village.

My initial questions for startup hopefuls tend toward "Who's going to buy your widget (or whatever the business will sell)? Why?" and "How do you know?" Jensen goes more directly to pocketbook issues.

"Is your idea feasible?" he asks. "Can you make enough money? How much must you sell to cover the rent?

"What are your financial resources? How are you going to finance your business?"

Startup funding typically includes "Some savings you are willing to invest or loans from family or friends," Jensen says, but he warns that tapping retirement funds, an often favored startup funding mechanism, "has tax consequences" while credit cards, another favorite startup tool, "have ridiculous interest rates."

Consequently, Jensen says, it helps to have "someone to talk with about these options."

Your spouse should be part of your typically informal Someone Group. In fact, Jensen says flatly, "Your startup won't work if there's no spousal support." He also suggests having a banker, an attorney, a financial adviser and, of course, a CPA on your team -- and, he emphasizes, establishing comfortable relationships with each.

"If you're afraid to answer their calls," Jensen says, "you have the wrong team in place."

At least where your CPA is concerned, Jensen suggests that "You should interview a few to find the one you're most comfortable with."

The same process likely is true for bankers -- though most of us will begin with our current banker -- and other advisers. All, Jensen says, should be "people interested in helping you get your business off the ground."

What should you discuss with a someone or two? Plenty.

• Corporate structure. Although each impacts your taxes differently, the S Corp., an LLC (limited liability company) or a C Corporation all work. Operating as a sole proprietorship provides less of a legal shield, but many startups start up with this structure.

Which option best fits your needs is a discussion topic for someone in your someone group.
Partnerships can be viable -- although "I discourage partnerships," Jensen says. "You're responsible when your partner talks."

• Your budget. "It is crucial to know where your money will be coming from and where it will be going," Jensen says.

• Taxes, of course. That's where business structure plays a role.

• Location, including parking if clients will come to your business.

• Perhaps most important, however, is your business' value proposition. "What will make you different from all the existing businesses?" Jensen asks. The answer matters -- and therefore is a good topic to chew over with a someone or two.