

Exercise 5b: Make sure you can pay start-up costs

It has been proven over and over again that most businesses fail in their first two years. The main reason is that the entrepreneur didn't know how much money it would really take to get the business up and running. The first two years are the hardest since costs to get started are higher and your income could be low until people get to know about your business.

Don't become one of the statistics. Take your time and do this exercise well.

The best way to figure out what it is going to cost to start your business is to find out what it cost people who have already started similar businesses. And the best way to find that out is to talk to actual entrepreneurs who've done it before. You'll do this as part of Step 6.

Go online, make a call

For now though, go online to see if there is a trade association connected to the industry your business fits into. Contact them and ask if they have a start-up kit.

If you aren't sure if there's a trade association connected to your business idea, you can start by looking in the Resource section of the Self Employment Explorer. Under resources "National/Western Canada" link to "Industry Canada – Directory of Business and Trade Associations".

Once you find the trade association connected to your business, give them a call and ask for whatever start-up information they have.

Make your best guess

You'll have many costs starting your business that you may not be aware of if this is your first time. Using the following list, check all of the costs you think you might have to pay for. You don't need to put numbers in yet, if you can't find them, but you will have to find those amounts by Step 7.

From the list below, figure out which items you think will apply to your business and fill in as many details as you can.

Equipment and machinery (vehicles, tools, include installation costs)

- 1.
- 2.
- 3.
- 4.

Furniture and fixtures (shelves, tables, chairs, cabinets, etc)

- 1.
- 2.
- 3.
- 4.

Legal and professional fees (hiring lawyers or accountants to help with contracts like leases, or setting up an accounting system)

- 1.
- 2.
- 3.
- 4.

Licenses and permits

- 1.
- 2.
- 3.
- 4.

Office supplies (your business cards, letterhead for invoices, etc)

- 1.
- 2.
- 3.
- 4.

Opening inventory (any materials you need to make products you're going to sell)

- 1.
- 2.
- 3.
- 4.

Pre-opening marketing (logo design, designing and printing flyers, newspaper ads, brochures, signage, website, etc)

- 1.
- 2.
- 3.
- 4.

Repairs, remodelling and decorating your business site

- 1.
- 2.
- 3.
- 4.

Security deposits (money for rent, utilities, telephone)

- 1.
- 2.
- 3.
- 4.

Other costs

- 1.
- 2.

Add some numbers to your list

Now that you have a good list of all the tools and materials you'll need to start your business, try to figure out how much money you'll need to start.

- Visit local stores and businesses or go online to find out how much it will cost you to purchase what you need to start your business (don't forget to add GST and provincial sales tax to your amounts).
- Add up all your start-up costs to get a sense of how much money you'll need to launch your business.

Make sure you have the money to get started

If you have money in the bank or from family to pay for all you need to get started, great. Move on to Step 6.

If you'll need to borrow money to get started, start with a visit to your local bank, credit union, Community Futures office to find out how to apply for a small business loan for entrepreneurs with disabilities.

If the start-up costs are simply too high for now, think about how you could start a similar business without the high investment of money.

1. Could you cut costs by moving some things to later, like building a website or renting an office?
2. Could you find a job working for someone who does similar work? This way you could earn money to invest in your business and learn valuable skills to run your business.
3. Could you scale back your business and start with fewer services or products?
4. Could you partner with another business that has the tools you need and rent them when you need to until you have enough profit from your business to buy the tools?
5. Instead of buying the tools outright, could you lease them?