

TRANSITIONING FROM EMPLOYEE TO ENTREPRENEUR



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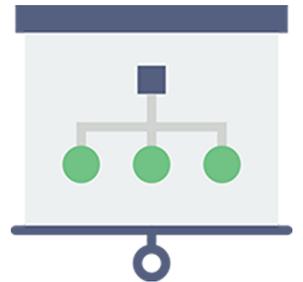
STEPS YOU NEED TO TAKE BEFORE THE LEAP!

As an entrepreneur, you wear many hats - visionary, technician, and manager. Although you wear many hats, you must not let the hustle and bustle of your business steer you away from having a solid financial foundation. You have to make sure your financial household is in order. If your household is in disarray, your business will be in disarray. Having discipline with your personal finances will strengthen your success with your business finances.

1

CREATE A BUSINESS PLAN

The first thing you need to do is write down your business plan; [free templates](#) from sites like SCORE can simplify this process. This will give you an opportunity to find your strengths, weaknesses and gaps in your knowledge. This is also a great time to test the minimum viable product (MVP) before jumping ship. Put your idea out there and test the market. Are people going to buy what you want to sell? Do people need the services you are offering? If there are very low or no sells, you may want to keep your 9 to 5 and put more time into your idea. After you have tested waters, and people want what you are selling, hone in on your target market and provide specific language that is attractive to your audience.



ESTIMATE THE STARTUP COSTS

2

Every business will have different start-up costs depending on what field you are in, however, there are some common expenses for which you can prepare.



Make it official - Consult a business lawyer and find out which entity structure is best suited for your company. Fees for incorporating your business will vary from state to state, but be careful of filing outside of your home state, this may come with other financial repercussions.



EIN - Apply for an [Employer Identification Number \(EIN\)](#) which is a separate tax filing number acting as your business' social security number; it is important not to have your social security number floating around out there as you are conducting business.



Get organized - Think about free or cheap bookkeeping software; Quickbooks may be the go-to for most small businesses, but look into software such as [Freshbooks](#) and [Wave Apps](#) to see if they will work for you.

COMPANY

Business name - Claim your business name before someone else does! Buy and register your domain name and hosting for a website.



Business cards - Check out [moo.com](#) or [vistaprint.com](#). There are a ton of other cost-friendly business card sites

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CREATE YOUR SPENDING PLANS

Create two **spending plans**: What your expenses and cash flow look like today, versus what your expenses may look like when you start your company and are living off reduced income and savings. When all your expenses are tabulated, figure out what you can eliminate.



PAY OFF DEBT

4

Eliminate or paydown as much consumer debt as possible before taking the leap such as credit cards. Keep overhead (expenses) as little as possible. You need to start this new phase of your professional life with a clean slate.

5

BUILD YOUR EMERGENCY FUND

It's great to be optimistic and confident in your business' potential for success, however, you still need to plan for months with little to no income. Have at least three to six months worth of fixed living expenses in place before fully transitioning to a full time entrepreneur.

Ask yourself: Will I be able to survive with no income? How long? Do I have a contingency plan if I do not see a profit for a year?



REVIEW YOUR RETIREMENT ACCOUNTS

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Before leaving your company to start your adventure, look at your retirement account and see if you are fully vested. Every company has different schedules, find out how long it will take to be fully vested. Any money you have contributed is yours; your company match may or may not come with you depending on your length of service at your job. For example, if it is only seven months until you are fully vested, wait it out; you may be leaving a lot of money on the table. You can use that additional time to continue to test the market for your product or service.

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PROTECT WHAT YOU ARE BUILDING

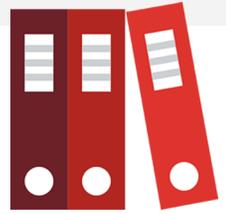
Most employees have group coverage at work that typically does not follow you when you leave. As a business owner, you may have new expenses like health insurance, disability insurance, life insurance, and professional liability insurance. A non-profit organization like [The Freelancers Union](#) could be a good option for securing coverage when you lose company health insurance.



8

CREATE BUSINESS ACCOUNTS

Start your company off on the right track, open a business savings and checking account. Do not mix personal and business expenses. If you already have a side hustle, separate your personal accounts from your business accounts. Also, apply for a credit card specifically for the business.



BUILD OUT YOUR TEAM

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Even though it may be a little early in the game to think of hiring employees, you still need to think about building out a team of personal and professional support.

Pick-me-ups

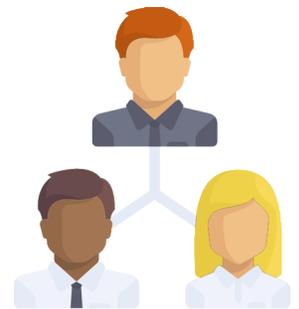
As the owner of your own small business, you will have the highest of highs and the lows of lows... all in the same day. Every entrepreneur needs is a solid support system, made of family, friends, or former classmates and colleagues; people who know you and who you can trust. When you are doubting yourself and your choices, they will remind you of how this started and the energy you had; they will help you tap into your "why."

Sage advice

Mentors are another must for entrepreneurs, and [SCORE](#) can be a good source if you haven't found the right one yet. SCORE members are trained to serve as counselors, advisors, and mentors to aspiring business owners.

The experts

For professional advice, be sure to have a good CPA or tax professional and a certified financial planner to help walk you through this process.



10 TAX PLANNING



Plan ahead

As an example, for every dollar you earn, set aside 25 cents in a savings account; that way, when tax time comes around, you can be prepared to pay Uncle Sam.



Keep everything

Most entrepreneurs do not know whether an expense is eligible for tax deduction. Always keep meticulous records of all of your expenses throughout the year. During the preparation of your taxes, your tax professional may ask you questions that could uncover areas where you can save on taxes through expenses specifically for your type of business.



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