



NECOG Development Corporation

RLF Quarterly Newsletter
July 2016

Should I Incorporate My Business?

by Steve D. Strauss, www.MrAllBiz.com, as printed in the *SDRA Retail Prophet*

There are many reasons to incorporate your business, but the best thing about forming your business as a corporation is that it limits your personal liability, which is not true for partnerships and sole proprietorships. A corporation creates a firewall between you and your business. Business debts remain business debts and not personal debts.

There are several different sorts of corporations to choose from, and that then begs the question: Which type is right for you?

The Limited Liability Company

Like a corporation, an LLC provides the limited personal liability that is so attractive, along with being a separate legal entity that can sue and be sued, as well as being an entity that can buy and own property in its own name. What is nice about an LLC, and why so many entrepreneurs like them, is that they are more casual than a corporation in terms of nuts-and-bolts. It might help to think of an LLC as a partnership where the members have limited liability.

S and C Corporations

S and C corps are the sorts of corporations people generally think of when they think about incorporating.

S corporations are intended for smaller businesses and are a very common legal structure for many small businesses. Like an LLC, S corps are informal enough to allow you to run your business like a sole proprietorship or partnership, while still giving you the protection of the corporate shield (aka, limited personal liability.)

C corporations are your basic, standard issue, large corporations.

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4 Tips for Improving Your Credit Score

Many people want to know how they can improve their credit scores. It's important to know that scores are derived using a formula based on your payment history.

There is no magic answer or third party that can increase your score for you. So your actions and your actions only can improve your credit history and thus, your credit score.

1. Clean up any collections or judgements against you

Any negative history can negatively affect your credit score. Even after paying them off, they may remain on your credit history; however, it will show potential creditors that you have made an effort to pay off those balances.

2. Pay bills on time

Paying your bills on time is the single most important thing you can do to improve your credit history. It may sound simple, but it's a tried-and-true method.

3. Leave old debt on your report

Old debt (especially debt with a positive repayment history) shows that you can manage credit responsibly, a plus for any potential creditors reviewing your credit history.

4. Manage your credit card balances

Keep balances low on credit cards and other "revolving" credit. One of the big factors in your score is how much credit you have vs. how much you are using. A good rule of thumb is to keep that credit utilization at 30% or lower.

Be patient. Improving your credit history and credit score isn't something that can happen overnight. But taking some of these steps can improve your credit history in the long run.

Finally, you can review your credit history for free at www.annualcreditreport.com.

Social Media Tips That Can Actually Grow Your Business

Have you been wondering if you could grow your business through social media? Is it worth the time and effort you have to put into it?

According to Constant Contact, about 90% of businesses do see increased exposure and improved sales from social media.

If you aren't on social media or aren't consistently as active as you'd like to be, a great tip is to pick one platform (such as Facebook, Instagram, etc.) and get good at it before you add any more platforms.

It's also important to post regularly and have fresh content on your social media platforms. For Facebook, that's posting 1 – 3 times/day. There are management tools out there that can schedule your posts and even provide analytics on your social media engagement.

While you may find it difficult to come up with enough fresh content, at least ½ of your content can be from other sources, such as sharing someone else's post or sharing content you found somewhere else online.

You'll need to find the right balance between keeping your posts professional yet sharing enough personal content that your customers or potential customers get a feel for the people behind your business.

If someone posts a comment or question, be responsive and answer their question or try to solve their problem. This will not only develop your relationship with that customer but also help others see how you deal with any potential questions or problems they may have.

Finally, Be Curious and Have Fun!

Breaking The Myths of Small Business Funding

by Kelly Weaver, Small Business Development Center Regional Director

Over the years I have worked with hundreds of existing and prospective business owners. There are some common myths that I hear, particularly from those new to small business financing.

Grant Money – In general, there is NOT grant money to fund for-profit business activities. Two exceptions exist in very niche areas: persons with a qualified disability and businesses doing research focused on Federal agency priorities. Beyond this, “free” money may come in the form of prizes for business plan competitions or other contests offered randomly by private organizations.

Personal Credit – Your personal credit score DOES affect your ability to get money for your business. Funders view your credit score as a reflection of how well you manage money. Those habits will flow over into your business operation where cash flow management is critical. If there are extenuating circumstances for a low credit score, tell your story. Also be sure to review your credit history to confirm there are no errors adversely affecting your score. Free credit reports can be obtained at www.annualcreditreport.com.

Down Payment – Funders expect you to bring something to the table. Cash is preferred but assets to be used in the business (equipment, inventory, vehicle, etc.) can also be considered part of your down payment. Generally speaking, traditional lenders would expect 20% or more of the business to be funded by the owners. Public lenders may be willing to accept as little as 10%. The exact amount is dependent on the specifics of each project.

Equity vs. Collateral – These terms are often confused. Equity is the cash or assets the owner(s) is investing in the business, i.e., the down payment discussed above. Collateral is the assets that are pledged to your

loan. Business assets will be used as collateral but often personal assets must also be offered as collateral. Owners are also expected to sign a personal guarantee. Lenders want you to pay back their loan with profits you make from the business. If that does not happen, however, they will look to the collateral as the second way to recover their funds.

Beyond these myths, there can also be confusion about funding options for your business. There are many funding sources that are available but not all sources fit every project and some sources are more expensive than others. Helping business owners figure out these options is one of the valuable resources that the Small Business Development Center can offer. We can help explain what programs are a match and help brainstorm other options to consider. Understanding the basic tenets of business financing and options available is critical to providing a solid foundation for your business.

Kelly Weaver is the Regional Director of the Small Business Development Center in Aberdeen which offers free, confidential business consulting to start up and existing businesses. She can be reached at (605) 626-2565 or kweaver@midco.net. The Center is hosted by GROW South Dakota.

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The distinguishing characteristic, and the reason you might want to pick this entity, is that shares of its stock are easily transferred. The bad news about C corps is with regard to taxation. They are taxed twice: Once when profits are realized, and a second time when those profits are passed on to the shareholders.

One advantage S corporations have is that they avoid the double taxation whammy. Profits are only taxed once, and in fact, S corps pay no corporate tax at all. Instead, its shareholders report company profits and losses on their personal tax returns.

Generally speaking, LLCs and S corps are best for smaller start-ups and C corps are best for larger ones.

Business Startup Packets Available

The Governor's Office of Economic Development has a business startup packet available online. This is a great resource for those considering a business, new business owners or existing businesses who are looking to expand.

The packet has information about starting a business, business structure, business plans, financing, registering your business, licenses, permits, and business taxes, marketing and recordkeeping.

This packet has (almost) everything you need to know to start a business in South Dakota. They have compiled resources from many state agencies and other organizations to help get you started.

The packet can found online at <http://www.sdreadytowork.com/Build-Your-Business/Start-Your-Business.aspx>.

UPCOMING EVENTS

New Overtime Rule Seminar | July 27 | 8—10 am | Best Western—Aberdeen | \$20 for Chamber members/\$25 for non-members | Call Chamber of Commerce at 225-2860 to register.

QuickBooks Workshops | August 3 | The Basics 9:00 am—12:00 pm | Inventory & Payroll 1:30—4:00 pm | Aberdeen | \$65/each or \$120/both | Aberdeen | Call Jill at 725-1833

Basic Tax Seminar—Sales Tax | September 22 | 9:00 am—12:00 pm | SD Dept. of Revenue Office, 14 S Main St, Suite 1-C, Aberdeen | Register at 773-5445 or business.education@state.sd.us

Employment Law Workshop | September 27 | Watertown Event Center

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