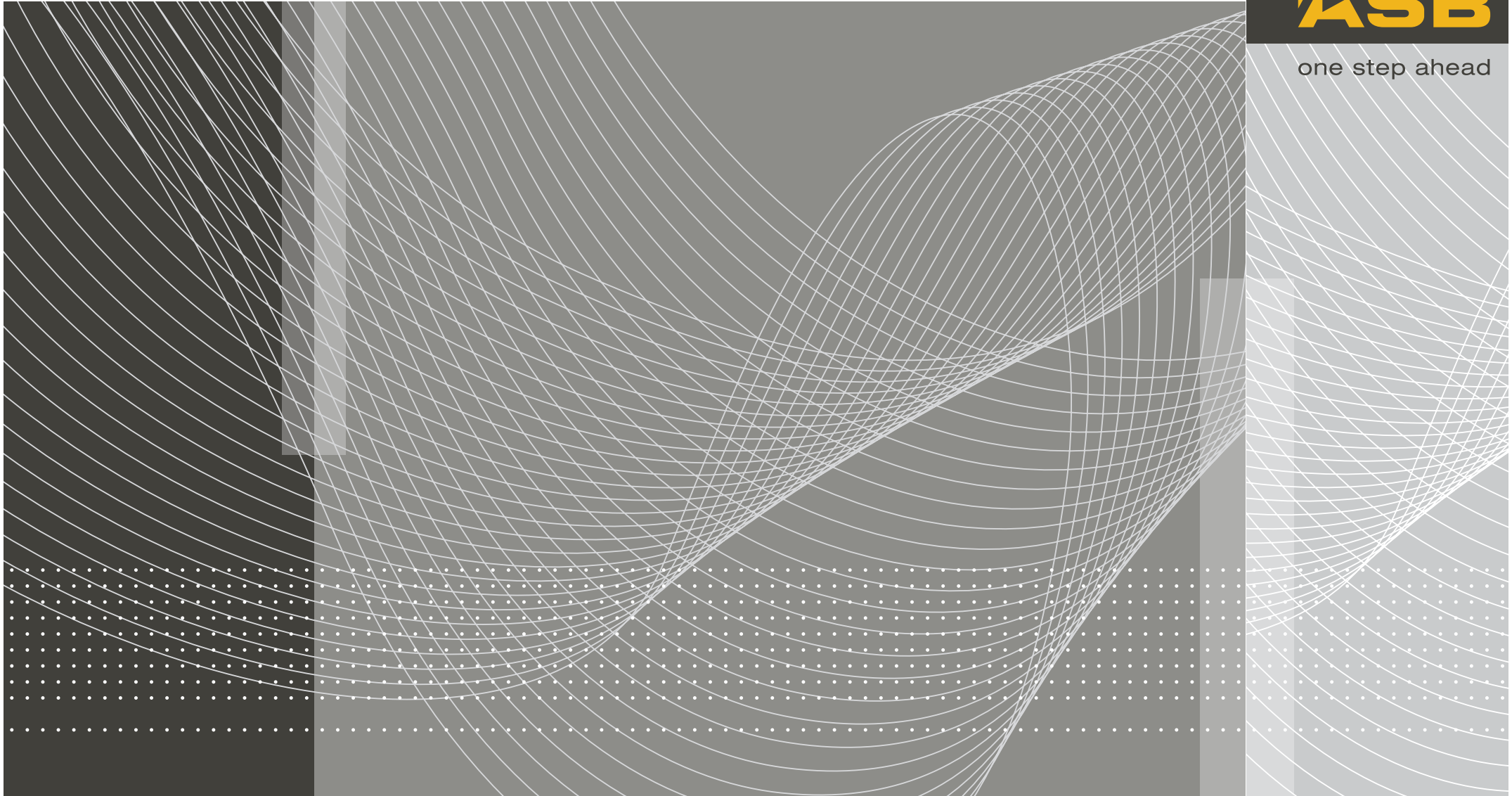


Starting your own business

ASB

one step ahead



It all begins with you

You've got a great business idea and you're thinking about starting a business and you're determined to bring your ideas to life. So where do you start? Your first steps are about collecting information and becoming well informed. So we've put together this guide outlining the elements you need to consider, along with a list of useful resources to set your business journey on a good start.

Are you prepared for the challenge?

There are a few practical skills like accounting, marketing, time management and organisational skills that will help you in business. That said, simply having the right frame of mind will prove to be one of your greatest assets. Here are a few characteristics you need to get a business up and running:

- > Passion – you believe in your business, and you're prepared to stick with it through the rough and the smooth.
- > Drive – you thrive on challenges, and you're determined to give it all you've got.
- > Vision – you have a clear idea of where you want to be.
- > Leadership – you like making decisions, and you're happy to hold yourself accountable for them.
- > Objectivity – while you're confident in your strengths, you're able to acknowledge your weaknesses.

On another practical point, it's a rare case that a business makes a profit straight away, so it helps to have sufficient savings or alternative income to live off during the start up period.

Starting your own business section by section

It all begins with you	>	Are you prepared for the challenge?
Alternatives to starting your own business	>	Buying an existing business. Buying a franchise.
Your business idea	>	Does it have potential?
Writing a business plan	>	What is a business plan? Your business plan, section by section.
Formalities to consider	>	What kind of business structures are there?
Naming your business	>	Do you need to register it? How do you avoid naming conflicts?
Setting up the business	>	What do you need to organise?
Tax	>	Should you register for GST?
Finances	>	How much do you need and how do you get it?
Help and funding available	>	Could you be eligible for a government grant?
Key advisors	>	Who should you talk to?

Not keen on starting from scratch?

If you want to run your own business, you don't necessarily have to start from scratch. You have the option of buying into an existing business or a franchise. Of course, there are pros and cons you will need to think about.

Buying an existing business

Pros

- > Big savings on start-up costs – since your products, markets, customers etc. are already established, you'll save time and money not having to develop these.
- > Immediate cash flow – although this will depend on the financial state of the business you buy, it should have a cash flow that's up and running.

Cons

- > The initial purchasing cost – even though you won't need to invest as much in the start-up, the costs will be included in the price tag, which will be much greater than starting one from scratch.
- > Hidden problems – you'll need to consider the reasons why the business is being sold, and do some research into its finances, sales, customers, competition and recent investments to avoid buying into a bad business.

Buying into a franchise

Pros

- > Lower failure rate – the business has already been trialled and tested, so most of the kinks will have been worked out.
- > Support and buying power – this can help you against larger competitors, as you'll have the entire network as your resource for proven marketing methods and purchasing equipment, stock, etc.

Cons

- > Being more of a manager than a boss – even though you own the business, how you run it will be strictly dictated by the terms of the franchise agreement. That's why you should get your lawyer and/or accountant to look over the agreement and make sure you're happy with the terms.
- > Costs – there are initial set-up costs and on-going licensing costs involved in buying into a franchise.

If you'd like more information on whether or not franchising is for you, and how to pick the right one, call 0800 272 476 or [click here](#) for your franchising handbook.

Does it have what it takes to make it?

Consider these five questions to gauge whether or not you've got an idea that has potential. Either way, these questions will let you identify the strengths and weaknesses to help refine your idea.

- > What's your point of difference? – Is there a gap in the market for your business, or does your business have something to set it apart from the competition? What we're trying to establish here is whether or not people will have a strong enough reason to buy your products or services.
- > Who will your customers be? – Think about the different kinds of people your business will appeal to, and where they currently buy their products, if at all. Conduct some objective research with a few people to find out whether your business idea appeals to them and whether they'd use your products or services. Then ask yourself whether or not there will be enough potential customers amongst all your target markets.
- > Is your idea already patented? – You can look into this by doing a search in the [Intellectual Property Office](#) website. Consult your lawyer for assistance as conducting a patent search can be a complicated process.
- > Can you break even? – Do a simple analysis: add up the costs you'll have for rent, overheads, wages, advertising etc., then figure out how much money you'll make for each product or service you sell after its specific costs, and calculate how much you need to sell to break even.
- > What do your peers think? – Talk through your idea with people working in the same sector or industry associations. Do they think it has potential? Have you overlooked anything important? How would they go about developing the idea?

If you're looking for how to source advice or support for your start-up, visit www.business.govt.nz for information on Business Advisers, Business Groups and networks and mentors who may be able to help.

What is a business plan?

It's the first thing you should prepare once you're confident about your business idea. In a nutshell, it's a document that sets out the essence of your business, what your goals are and what you'll need to achieve them. Having this document will also mean that potential investors and banks will take you more seriously when you approach them for business finance. Writing a business plan can be an intensive process, but it's worth doing it right.

For more in-depth information, visit "[Your guide to writing a business plan](#)".

Your business plan section by section

Overview > Summarise the essence of your business.

Business profile > Give an overall description of what your business is and where you want it to go.

Your market > Your assessment of the market you're in, your customers and competitors.

Sales and marketing > Give details of your sales and marketing strategy with details of your product/service, promotion, distribution and pricing.

Management and staff > Show how your business will be managed and staffed – give details of the responsibilities of key staff.

Operational plan > Detail how your business will operate. Include information about premises, equipment, materials, licences, consents, insurance, suppliers and systems.

Finances and forecasting > Give information that shows your business is viable. Profit and loss forecasting, cash flow, capital expenditure and information on how loans and investors will be repaid and when.

Succession planning > Show that you have thought about how your business will work well into the future.

What kind of business structures are there?

There are many different ways to structure your business. If you're trading on your own, you can run your business as a sole trader, or you can form a partnership if you're running the business with others. Alternatively, whether you're on your own or with partners, you can incorporate your business and form a Limited Liability Company. It's important to get legal and tax advice to help determine which structure will best suit your business requirements. The table gives you a summary of three common structures.

Other structures

Here are other structures that you may like to investigate:

- > LAQC – a Loss Attributing Qualifying Company (LACQ) is a company that has elected with the IRD to have LAQC status and then any tax losses can be attributed or allocated to individual shareholders in proportion to their shareholding to offset against their personal income. An LAQC can be a useful way to make use of any expected start up losses. There are specific tax requirements for LAQC and you should discuss these with your advisor.
- > Trading Trust – a trust which trades or is in business.

You can read up on more information about any of these business structures through the Ministry of Economic Development site. [Click here.](#)

Business Structures

Partnership

> A partnership arrangement is where two or more people run a business together and in return share any profit or loss made and are liable for any debt within the partnership. So that everyone is clear on how things are divided up, it's important to get legal advice on setting up a written partnership agreement.

Sole trader

> A sole trader is a person trading on their own who controls, manages and owns the business. As an individual, you control your own business and are entitled to all the profits. You also have "unlimited liability", meaning you're solely liable for all business debts.

Limited liability company

> An incorporated registered company is a separate legal entity independent of its directors and shareholders. This comes with an overhead, but in most cases, it's considered to be the best structure for offering you the most protection and credibility.

You can incorporate your company online at www.companies.govt.nz

Do you need to register it?

If you're forming a company, you need to reserve and then register your business name as part of the process.

You must register your name at the Companies Office, through their website www.companies.govt.nz

If you're a business that isn't incorporated as a company (like sole traders and partnerships), there's no central register for business names in New Zealand.

You should still check that the name you propose to use isn't already in use or prohibited for some reason. Some places to look include:

- > [Companies Office](#)
- > [Intellectual Property of New Zealand \(IPONZ\)](#)
- > [UBD Directories](#)
- > [Yellow Pages](#)
- > [White Pages](#)
- > [Google](#)

If in doubt, talk to your lawyer to make sure there are no issues with your chosen name and that you have done everything needed to protect it before you launch your business.

Setting up the business

What do you need to organise?

Once you have your business plan and your business name carefully picked out, you're ready to set up the business. Below is a checklist of items to help you get a bearing of some things you'll need to organise:

- > Phone number/contact details e.g email
- > Business cards and letterheads
- > Your premises (secure a lease/purchase)
- > Obtain furniture and equipment
- > Get necessary licences, permits and resource consents
- > Get in touch with the IRD (if you need to register for tax)
- > Set up business insurance
- > EFTPOS facilities
- > Develop a website
- > Understanding your KiwiSaver obligations as an employer
- > Join a professional organisation (such as your local chamber of commerce, your industry association)
- > Arrange suppliers
- > Staffing/Payroll
- > Set up a book keeping and accounting system
- > Set a starting date
- > Bank accounts, credit cards and internet banking.
- > Get professional advice, e.g lawyer, accountant
- > Understanding your ACC cover

For more information about our insurance services call an ASB Business Manager on 0800 272 222.

Should you register for GST?

It's not compulsory to register for GST until your turnover is expected to be more than \$40,000 in a twelve month period. Even if you expect your business to make less than the threshold, you may want to register anyway. Here are some points you should weigh up when making that call:

- > As soon as you register, you can claim back GST paid on your business expenses and purchases. So it's a good idea to register early if you have a lot of expenses and little profit.
- > It makes your business look more professional. Other businesses often prefer to work with GST-registered suppliers.
- > You will need to complete GST returns on a regular basis so it helps to keep your records up-to-date and accurate.
- > We recommend that you talk to your accountant for tax advice for your business. Contact the [New Zealand Institute of Chartered Accountants](#) for information on how to find an accountant.

GST periods

You can choose to register for 1-month, 2-month or 6-month GST periods subject to some restrictions (e.g you can choose 6-month GST periods if your turnover is \$250,000 or less per annum). If you're expecting your costs to be greater than your profits when you first start out, you're better off claiming a refund from the IRD each month. If you're projected to make a large profit, it's better to choose the 6-month option.

Other taxes

- > You may need to register for other taxes including income tax, fringe benefit tax and PAYE. More information on tax requirements for new businesses can be found on the [IRD website](#).
- > Choices you make in setting up your business, such as your business structure and funding arrangements, may impact on the tax treatment of your business. We recommend you talk with your tax advisor at an early stage to help you make the right choices.

Look into getting an accounting software package, as it will be much easier when you're making GST returns.

How much do you need and how do you get it?

Initial capital

This is the sum of money you need to set up your business. A common set-back for people is to underestimate their initial funding requirements. To avoid this, write out a detailed estimate of all the costs you'll need to cover. It's a good idea to be conservative, and allow plenty for unforeseen costs and cost overruns.

Your estimate list may include:

- > Rent/building/property
- > Phone, power, other bills
- > Stock, storage, freighting
- > Business vehicles
- > General/office equipment
- > Business/office stationery
- > Furniture
- > Interest on loans/hire purchases
- > Wages
- > Marketing, insurance and other business services
- > Legal expenses
- > Product development
- > Branding
- > Website/IT set up

Business finance

- > This option is cheaper in the long-run. Once the debt has been repaid, all of the profit is yours as opposed to sharing profit with an investment partner.
- > You may be able to borrow against your home or business assets, which gives you more control and allows to you retain ownership of your business.

Investors

You could also consider your family and friends as the prospective investors in your business. However, they may expect an equity stake in the business, in exchange for any long term investment.

To get business finance, you need to write an application. There's an art to writing one, and we have a guide to compiling a successful application with helpful hints.

For more information, visit ["Your guide to applying for business finance."](#)

Could you be eligible for a Government grant?

You may be able to get some financial assistance from the Government provided you have a viable business idea. In most cases you'll need to be willing to work full time in the business. Here are some examples of Government grant schemes currently available to businesses:

- > **Technology New Zealand** – The Technology New Zealand suite of schemes is designed to support companies undertaking research and development projects that result in new products, processes or services. For more information about their funding schemes, visit [Technology New Zealand](#).
- > **New Zealand Trade & Enterprise** – Businesses can apply to the Enterprise Development Grants (EDG) programme for assistance with developing additional skills and abilities to pursue their business development goals. For more information about the EDG programme, visit [New Zealand Trade & Enterprise](#).

Other funding options

There may be other funding options available to established businesses who want to grow:

- > **Angel Investors** – Angel investors are private individuals who invest their own money in start up businesses. Here are some of the associations you can get in touch with:
[ICE Angels](#)
[bizAngels](#)
- > **Venture Capital** – Firms that have dedicated capital to invest in high-growth businesses in exchange for a share of the company. You could research venture capital firms that specialise in your type of business. For more information visit www.vcapital.co.nz

Who should you talk to?

Whoever you bring onboard as part of your team of advisors, it's important that they understand your business, and you share the same business philosophies. It's also a good sign if they are able to respond to your calls quickly, and they're always available when you need to talk to them.

Feel free to call the ASB Business Banking team on **0800 272 222** if you'd like to talk to anyone about starting up your business, or if you'd like to know more about anything that's mentioned in this guide. You can also email us at businessbanking@asb.co.nz

Useful Links

- > [New Zealand Companies Office](#)
- > [New Zealand Trade & Enterprise](#)
- > [Immigration New Zealand](#)
- > [Inland Revenue](#)
- > [Business Mentors New Zealand](#)
- > [New Zealand Chamber of Commerce](#)
- > [Business Information New Zealand Government](#)
- > [Statistics New Zealand](#)
- > [New Zealand Venture Investment Fund](#)
- > [ICEHOUSE](#)
- > [Franchise Association of NZ](#)
- > [ACC](#)

All lending is subject to ASB Lending Criteria.

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