

# Common Start-up Costs for Small Businesses

From Intuit

The initial period of planning your new business can be both exciting and overwhelming. There are so many factors to think about. How will you fund your new firm? Who are your customers and competitors? Which small business software package is best for you?

During this eventful time, it makes sense to sit down and make a list of the various costs you are likely to incur while setting up your business, along with an estimation of how much you plan to spend in each area. You can keep track of spending using your small business software.

Remember that some of the initial costs of starting your business will only be paid once - such as ordering signage - while others are recurring, such as rent and utilities. Here are some of the most common start-up expenses, to help you along:

## **Space and equipment**

**Office space.** If you work from home, your expenses may be minimal. However, those who rent outside office, retail or warehouse space should be prepared to meet higher costs - and provide a sizable deposit.

When looking for a location for your business, consider factors such as size of the building, how close you are to competitors (proximity may work for or against you, depending on your situation) and whether there is room for future expansion.

**Improvements.** Not every building is perfect and ready for your business to move in. Will you have to make any improvements, add an extension on to what is already there or redecorate the interior? Also budget for outdoor signage to display your business' name.

**Equipment and supplies.** The number and type of equipment and supplies you purchase depends on your business. Most owners will want a desk, chair, lamp, filing cabinet, printer, scanner, fax machine, copier, and - of course - a computer.

You can lease your equipment, search out used machinery or buy all of it new. Keep in mind that if you are leasing, you will probably need to put down a security deposit.

When estimating spending in this area, also factor in the cost of cleaning and office supplies, including paper clips, printer paper, staples, pens, folders and any other essential you can think of.

**Communications.** Think about the cost of phone lines, internet access and cell phone plans at minimum for estimating how much you will spend on communications.

**Utilities.** Once you have a location for your business, you will have to think about heating, electricity, water and garbage. Utilities may also require a deposit.

## **Legal matters**

**Licenses and permits.** Small businesses are liable for local, state and federal fees related to licenses and permits. To find out what you need, first investigate whether your area has a central office that provides such information for entrepreneurs. If not, check with the city and county clerk and the local chamber of commerce for more information.

**Insurance.** Start by investigating the types of insurance that would be most useful for your particular business. Many owners have liability and property insurance, but other possibilities include business vehicle and workers' compensation insurance.

**Lawyer and accountant.** You may want some help sorting out all of the issues involved with getting your new firm off the ground, so don't forget to calculate lawyer's fees and accountant's expenses.

## **Products and people**

**Inventory.** This is likely to be one of the most substantial costs faced by a start-up. Retail enterprises need initial stock before they can begin doing business, while manufacturers should make sure they have access to a sufficient amount of raw materials to keep pace with orders. You can use small business software to help keep track of inventory and orders.

**Employee salaries.** Although you will not have to pay employees until your business is off the ground and running, you should be prepared ahead of time to cover these salaries. You also may hire someone early on to help you organize your company before it launches.

## **Advertising and marketing**

You may have your entire business plan ready and all products available, but how will people know you're open for business? Don't forget to factor in all costs related to marketing your new company, which often starts before the business even opens its doors.

**Market research.** If you do this yourself, your costs may be considerably less. However, many small firms choose to hire an outside firm to help them get the inside scoop on their competitors and on the overall industry landscape.

**Printed marketing materials.** This category includes items such as brochures and business cards, as well as costs associated with designing a logo and other branding initiatives.

**Creating a website.** Even brick-and-mortar businesses benefit from an online presence these days. Associated costs may include website design, web-hosting fees, implementing ecommerce software, registering a domain name and setting up a merchant account.