Business Outlook

11 rules for success

There are three ways to go into business — starting from scratch, buying an existing business or acquiring a franchise.

Whatever the way, there are 11 basic rules to follow to make that business successful.

By Doug Robbins

GOING INTO BUSINESS

Do you need to be a special kind of person to succeed in your own business?

Usually that person is a self-starter, reasonably well educated, willing to put time and energy into the business and has a supportive spouse, persistence, self-confidence and plenty of ego.

That person should also have an aptitude for business and be able to handle risks well.

If you've never been in business for yourself I usually recommend that you seriously consider going to an industrial psychologist and have a psychological profile done on youself.

In most cases, if you go to an industrial psychologist and tell him or her what business you're thinking of starting, they can usually give you an idea of your chances of success.

There are some people who should not start their own business — people who can't make decisions and lean on other people to make decisions for them.

A person who is inherently afraid of risk should not be in business for themselves. In many cases you've got to be prepared to risk everything.

It also means working long hours. If you do not want to work more than 40 hours a week or your spouse does not want you to work 60 to 70 hours a week, then you'll have problems.

Know the business you're going *into. If you don't know the busiess,* don't go into that business

Always incorporate. If anyone tells you not to, get a second opinion. In general, a corporation has significant advantages. It restricts your liability and reduces income taxes substantially. You get better carry loss-forward positions in start-up situations and surprisingly, it's easier to borrow money than it is with a proprietorship. So always incorporate.

Develop a business plan. A business plan is a financial forecast of how you're going to operate your business. Don't go in without enough capital. If your plan says you need $100,000, don't try to start with $50,000. You'll fail.

Don't start off borrowing to your limit. Try to borrow two-thirds. You'll still have a cushion in the event of an emergency and besides, it's simply good management.

Monitor and control the business with financial reports — profit and loss statements on a monthly basis during the first year of the business; quarterly profit and loss statements during the second year; and profit and loss statements on a semi-annual basis in the third year and thereafter.

These should be supported with monthly reports on sales, inventories, payables and receivables. With this kind of information, you'll have a good handle on whether it's running the way it should but most importantly, you'll also have the time to do something about it before it becomes a major problem.

If you go into a partnership, always have a way out. I make a lot of money, terminating partnerships. I do it on a straight hourly basis.

Don't give away your company, whether in the form of free shares to employees or a percentage of the business to a key employee.

If you want an employee to have it, then sell him or her the shares Don't give them the shares. People never appreciate what they don't have to pay for.

Don't forget that you'll be locked into an 80-hour work week. You'll have to learn to manage, not just work. Most people work 80 hours a week but don't manage.

Never have less than two suppliers for any source of product. If there's a strike at the plant of your main supplier or the plant has burned down, it could cost you your business.

Use your lawyer, accountant, banker, outside business consultants in making your decision to get into the business and consider setting up an advisory board of five or six people, including your accountant, lawyer and a couple of outside people who have knowledge in that business. And meet regularly.

Pay them $500 to sit on your board. Keep them abreast of what you're doing. You're not asking them to run your business but you are asking them to stop you from making a major mistake. They may only make one small contribution a year but it may make you thousands.

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What is the best "kind" of RSP?

10-288

IT'S YOUR MONEY

Paul J. Rockel

(NC)—"I've got the 'best' RSP plan' your friend says.

"What is the 'best' plan?" you ask?

And...you are then told what your friend believes to be the 'best'. I'm sure all of us have our opinions, everyone believing their plan is 'best'.

Let's examine some of the 'best' plans. Many are offered by the savings institutions, such as banks, trust companies, credit unions, etc. Others are offered by Life Insurance Companies, and still others by mutual fund companies, as well as stock brokers.

The 'best' may be the savings institu*tion type,* because we feel safe in that our monies are "secure", because the principal amount (not the rate of return) are guaranteed by CDIC (Canada Deposit Insurance Corporation) up to $60,000.

The 'best' may be from a stock broker, if you are the type who is an excellent investor, knowing what to do, and when, and are usually right. You can have dozens of stocks in your RSP.

The 'best' may be a mutual fund RSP, where the past has shown you should average at least 15% per year (and more) over 10 and 15-year periods and longer (short-term 1, 2, 3, or 4-year periods may be very lucrative, or they may not, because equity funds do fluctuate up and down, short term).

This writer's opinion is that the 'best' RSP is the one that gives you the greatest rate of return, with the element of safety you desire.

And...the one that fit's that description (we believe) is the self-administered mutual fund RSP program.

Why do we believe it to be best? Let's examine some of the advantages:

1) There is a self-administered RSP program run by a company called M.R.S. (Multiple Retirement Savings) It allows you to have up to 10 DIFFERENT mutual funds in the one program, with only the one trustee fee.

2) There are over 50 DIFFERENT mutual funds that you can choose from.

3) You can change the fund(s) you have amongst the 50 different funds, (but limited to only 10 at any one time).

4) You can have money market funds (earning interest daily, usually paying much more than the savings institutions). You can have Bond Funds (investing in Government Bonds), resource funds, gold funds, mortgage funds, real estate funds, and the good old equity funds (that have averaged over 15% over the past 10 years).

5) You can have a mix of all types of funds (limited to 10) to meet your needs.

6) There is no "lock-up" in that your monies are tied up at a fixed-rate for up to 5-years (as they are with many RSP's).

7) You will usually be working with an "independent" advisor whose firm has no product of it's own, but advises you as to what mutual fund(s) meet your particular needs and goals.

What is YOUR favorite RSP investment program? Does it have additional, or better features?

And...what rate of return does it have? After all, the person who sets aside $2,000 per year in an RSP, for 20 years, at 10% rate of return, will have a value of $126,000. If the mutual fund program averages 15% (as they have in the past) you'll have $235,000.

Almost twice as much!

Which would you rather have to retire with?

PAUL J. ROCKEL is the author of the book "Why I Invest In Mutual Funds" and President of Regal Capital Planners Ltd.
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