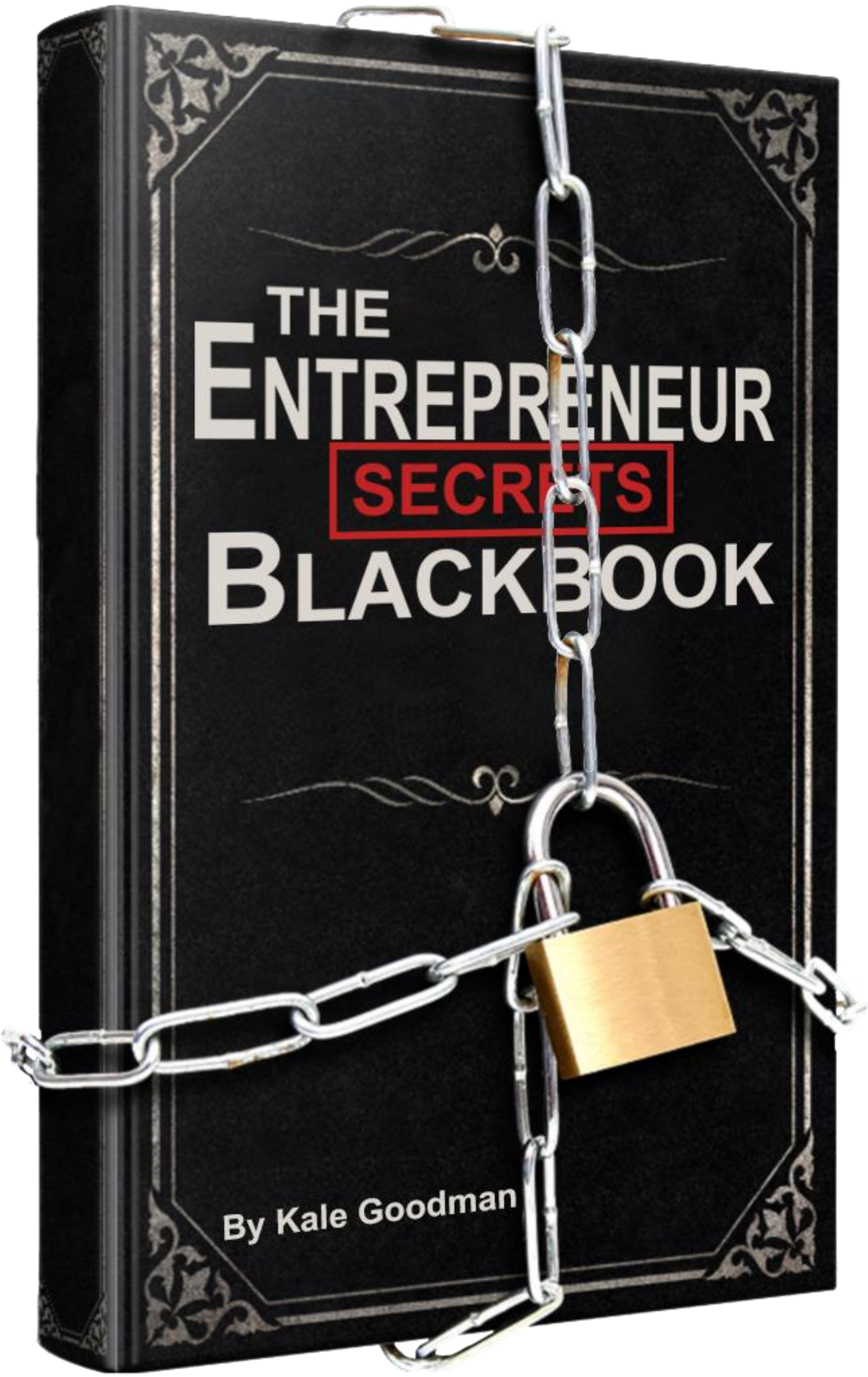
THE
ENTREPRENEUR
SECRETS
BLACKBOOK
By Kale Goodman

The six steps to business set up success

How to avoid the costly pitfalls of starting a new business

You will inevitably take some bad decisions on your business journey. However, you can easily avoid the crucial mistakes most other entrepreneurs make in the very early stages of setting up their business.

These initial oversights can be catastrophic for your new business – and they all stem for a lack of knowledge about money.

My name is Kale Goodman, and I wrote this eBook to help you prevent making these early foundational errors that seriously impact your business success. I'm one of the co-founders of Easier Accounting. Yes, my business is a tax and accounting firm, but I'm also an entrepreneur. I have consulted thousands of start-up owners over the last 15 years, helping them set up their ventures successfully and helping their businesses thrive.

The essential foundations you need to get right

The bottom line is there are a few very crucial steps you should take ***right now*** in the early stages of launching your new venture. The sooner you understand what I'm going to share with you - the more successful your business will be.

Most other entrepreneurs launching a business for the first - or even second - time simply fail to execute the setup of their business correctly. This could well be one of the main reasons why new ventures have such a high failure rate within their first five years.

95% of start-up businesses will fail in the first five years of being launched.

A lot of these failures are caused by how the entrepreneur set up their business at the very beginning - causing harm they don't even realize until years later. Unfortunately, this is often too late and they're unable to save their business.

This guide will teach you the simple steps you must take to start your business correctly and avoid being another entrepreneurial casualty.

Furthermore, I'll share:

- The top tips on choosing an accountant
- The story of a business owner who saved $50k per year
- The best tax deductions available to all business owners (worth over $1.1m.)

The three common mistakes entrepreneurs make

Before I share the smart steps you can take to set your business up successfully, let's be very clear why 95% of start-ups fail in the first five years. Knowing the key pitfalls to avoid will significantly reduce your chances of business failure. These are the three major oversights that are currently killing businesses in start-up mode:

1. Not understanding the different entity formation options

Entity formation might sound like technical jargon, but an entity is simply the type of business organization that you need to form to conduct business. The type of entity you choose will determine how your business is taxed and its exposure to liability.

It's crucial to make sure you create the right entity for your business at the very beginning.

This book has been written to help you form the proper business or entity structure - such as a corporation or a Limited Liability Company (LLC) - as soon as possible. Don't wait to do it later down the line like most other business owners.

If you get this critical stage wrong when you start, not only do you have to change it later, but you have to redo everything else within your business. So you'll have to set up new bank accounts, merchant accounts and vendor accounts - plus you'll have to recreate all your agreements with your entire business network. I cannot stress how costly this could be for your new venture.

Furthermore, not setting your business up correctly at the beginning opens the door for higher audit risks, less tax advantages, double taxation, and also obviously personal liability.

By the time you've finished this book, you'll have a great understanding of the different entity structures and clear guidance on which option to take.

2. Limited knowledge of the basic rules of the tax code

Everybody talks about how the rich continue to get wealthy and the poor continue to get worse off. Or how business owners and corporations get all the tax advantages, and other people do not. But the bottom line is that ***we're all eligible for the same tax incentives*** when we own a business - you just have to know how to play the game.

Instead, you hear constant complaining that Jeff Bezos or Elon Musk don't pay anything in taxes – but they didn't write the tax rules. They are brilliant at managing their levels of taxation because they have people in their teams who know how the tax laws work.

When it comes to taxes – a little knowledge can go a long way. You may be working desperately to increase your revenue by 30%. But knowing some basic rules of the tax code could save you 30% in costs.

Now, there's a lot to know when it comes to the tax code, especially for business owners – so this is where a good accountant can help. You'll be surprised how affordable tax plans can be, and there are companies (like my own) that specialize in supporting entrepreneurs. Then, as you grow your business, you will qualify for even more cool tax advantages that expert advice can unlock for you.

Keep reading to pick up some priceless basic tax tips that could save you tens or even hundreds of thousands of dollars. Also, check out the comprehensive list of essential tax deductions and the guide to choosing the right accountant later in this eBook.

I could discuss tax code all day long, but then this eBook would be as big as the tax code itself. Clearly, nobody has time to read all the rules, especially when you are in the early stages of starting a business. That's why this book will be so useful to you right now.

3. Not planning for the future enough

One very common issue we see with new business owners is they just want to get to the point of making money as quickly as possible - and I don't blame them.

You start a business, you take the risks and the leap of faith because you want a chance at a better life - a life of financial independence and financial freedom. But are you spending adequate time thinking about the future? ***It's essential to get some fundamentals in place before you start and take action in the right order.***

Don't jump the gun and make the financial investments required to launch a new business before putting a few essential steps in place. Doing so will immediately lower your chances of success.

Why? For the simple reason that most businesses starting out do not have unlimited capital. One of the biggest tools you need to guarantee business success these days is capital. So it is crucial to make sure the capital you have to work with can go as far as possible until you start turning a profit.

Let's be real. Revenue means nothing to your business if there's no profit involved. In order to get you to being profitable, we need to make sure you are not making poor decisions that will cost you now - and later.

What is the basic formula that most entrepreneurs follow? You're obviously going to start with knowledge and a product or service. Next, you need a website or storefront to make sales. You also require a way to accept money - so something like a merchant account. And in order to have a merchant account, you need to use your social security number or your Employee Identification Number (EIN).

Once your business is able to accept money, you need to have a place for that money to go like your bank account. Then you're going to need the necessary processes in place to deliver your product or services after you've received money from your customers. Maybe you will need employees, and eventually, you will have to set them up on payroll.

I could talk for days about what makes a great product or service and how to create an experience that really builds something great within your business. But that's not what this book is about.

Instead, I'll teach you the additional, less known vital activities you need to implement during this start-up phase – always with one eye on the future. Missing a step or getting them in the wrong order could be very costly and is the key reason behind the 95% new business failure rate.

Most entrepreneurs end up doing things backwards, and this creates an entire nightmare for them to restructure their business later. Plus it could cost you thousands of dollars in penalties and interest.

My six-step game plan will help you take the rights steps – at the right time - to avoid any nasty future shocks. I'm confident it will dramatically increase your level of success.

Getting your business off the ground.

So you're just starting with your new venture – congratulations!

At a very early stage, you have an idea. Next, you start to get serious about this idea and decide the time is right to take your business concept to the next level. Then you actually take the plunge and implement your venture to see if you can really make a successful living from your great idea or passion.

Your first steps to getting your business off the ground will naturally be focused on developing your knowledge. At this stage, a sensible approach for you would be to hire a coach or mentor – someone who already has the wisdom you need.

The coach could specialize in the product or service you're going to deliver. Or, if you're already an expert in this field, you could be looking for professional guidance around the marketing or sales of your chosen business offering. Either way, in order to get this advice or training, you're going to have to spend money to gain the required knowledge. You will need to pay to hire a coach or purchase a course.

After you've learned what you need to know to give you the confidence to launch your business, you will probably need to build a website. Again a sensible strategy is hiring an expert to help you – an experienced web developer. You could possibly spend thousands of dollars building and creating content for your website. It's also important not to overlook the additional costs associated with creating an online presence, such as hosting fees, SSL (Secure Sockets Layer) certificates and other measures to guarantee the security of your website.

Before you know it, you've spent tens of thousands of dollars, and you haven't even started generating any revenue.

What is the start-up phase?

When you are in these very beginning stages of your business, you're in what the Internal Revenue Service (IRS) calls the start-up phase. This means that the IRS views you and your business more like a hobby.

At this stage, you need to be aware of important IRS and tax code regulations that could affect you because of the Hobby Loss rule.

Basically, if you show a loss on a business for three years simultaneously without showing any level of revenue or sales coming in, the IRS deems you as a hobby. And this means ***they don't allow you to take any deductions on your business***.

But what you also need to know is if you are serious about this business and your plan is to turn some revenue and profit quickly, it's essential to come out of what the IRS considers as the start-up phase. Because when they deem you're in this phase, the IRS takes all the costs you've now incurred and doesn't allow you to classify this money you've spent as tax-deductible until you're out of the start-up phase. This is true even if your business is successful and starts creating sales or revenue and regardless of whether you're profitable or not.

This becomes very tricky because there are a few things you have to do for the IRS to view you as out of start-up phase. If you don't complete them to their satisfaction, the IRS basically says you cannot take the full deduction.

In fact, they make you break it up over five years - and they call that amortization. So, because you're trapped in this start-up phase, you have to amortize, or gradually write off, your business expenses incurred getting your venture off the ground over this 60-month period. This is just like if you bought a piece of equipment for your business, and the IRS makes you break that equipment up over a five-year amortization rather than letting you take it all in the immediate year.

Now, this is going to seriously harm you because we want your money to last as long as possible. So one of the best strategies that you can do for yourself in the early stages of your business is ***get out of this start-up phase as soon as possible*****.**

Why? Because we want that money to last, and you want it to be stretched out for as long as possible. One of the best ways to achieve this is to make sure that the money you're spending on your business is coming back into your pocket through tax deductions. Then you'll have more available capital to continue investing in your venture or recuperate the cost of starting the business through those tax incentives.

Don't worry, I'm now going to teach you how to get out of start-up phase as quickly as you can – along with the other crucial steps you need to take in the early stages of your business.

The game plan

Here is the six-step strategy I give to my clients who are starting a new venture. They've helped thousands of entrepreneurs avoid the crucial mistakes that most new business owners make when setting up their businesses.

Step 1: How to get out of the start-up phase

So firstly, I've got to help you get out of the situation where the IRS considers you to be in the start-up phase. There are three things you need to do to achieve this.

Firstly, you can do what we mentioned earlier and buy yourself some equipment for your business. This means you now already have something on your tax return that's going to be amortized or depreciated. From this point on, the start-up cost of your mentoring and web development will be more eligible to take as a 100% tax deduction this year.

The second thing to do is form a business entity, such as an LLC or corporation. As you may be aware, there is a lot to consider here - so we'll cover this crucial element fully in the next step.

The third essential action you must take to get out of the start-up phase is ***immediately getting your business available to market***. Once you can log the date your venture is eligible to take orders - it's open to the marketplace.

So launch a website that can take payments immediately or open a store with a grand opening. When you can document that your business is actually ready for sales, you can prove that you're out of the IRS start-up phase.

This is crucial because I see so many business owners spend all the money they get their hands on during their start-up phase. They use their credit cards, personal loans and Small Business Administration (SBA) loans to launch their business before it's actually available to take orders.

So these entrepreneurs are essentially doing things backwards, and then they get stuck amortizing these deductions over the next five years instead of being able to take them all in one year. This is potentially so harmful to you because it's causing your business to be starved of finance by the tax system. Your venture is producing money - but you can't fully take your deductions against that income. Basically, you are paying taxes on dollars that you shouldn't have to be paying taxes on.

Fortunately, this situation is easily avoidable as it nearly always stems from entrepreneurs receiving bad advice.

Building a cheap website is by far the most affordable way of helping you get out of the IRS start-up phase. Once it's complete, all you need to do is hook it up to Shopify or Paypal, and you can accept orders right away. Now we can build on things from this starting point. Your business is officially available to the marketplace, and we can log the date it is out of start-up phase.

Now, you can start taking all the expenses that you're going to incur. We can make sure that all the costs of getting knowledge, mentoring, contacts, resources, an improved custom-built website and products for inventory are 100% tax-deductible – from the very outset of your business.

The main rule is to spend as little money as possible until your business is out of the start-up phase.

Step 2: Choose the right entity formation

You need to know what the most appropriate option is for you - and this is where so many people make the crucial mistake of setting up the wrong business entity.

Typically inexperienced entrepreneurs reach out to Facebook, Instagram, or whatever community they are part of and say, "Hey, I just launched my business. I think I need to set up an LLC to be official. What should I do?"

Their well-meaning friends and connections might respond, "No, don't do that. I set up an S. corporation - that's what my accountant told me to do."

Or: "Set up an LLC or just stay as a sole proprietorship."

While you could get another response saying, “But my accountant told me I needed to be a C. corporation.”

The bottom line is nobody knows what’s going to be best for you out in these communities - because they’re not you. They don’t know your personal situation. They don’t know your business situation. And most importantly, they’re not experts in tax and accounting or starting a business.

So you need to get a proper consultation on what is best for you.

There are so many different choices, and it’s critical to make sure that we set you up with the most appropriate business formation from day one of your new venture. Let’s look more closely at your options and how entity formations work to help you with this vital decision to get your business off to the right start.

The multiple issues with sole proprietorships

This is you doing business solely in your name. You are basically using yourself and your social security number to get accounts with your vendors and set up bank and merchant accounts. And when you file your tax return, it’s all going to be filed under your name - personally.

Now here’s the problem with staying a sole proprietorship. It provides no separation between you and your business. So if something goes wrong, the buck stops with you - no matter what type of business you’re running. You could be a food truck owner, a plumber, or a marketing agency - the bottom line is all businesses hold a certain level of liability.

So, for example, let’s say you’re a sole proprietorship marketer, and you mess up your client’s all-important product launch. Because you own the marketing agency, and the firm was just in your name, there is no separation between you and your business if the client decides to sue you for negligence. So ***everything you’ve worked for throughout your entire life is up for grabs in a lawsuit***.

Similarly, you could be a plumber, and someone trips over the tools you left out. As you’re ultimately responsible, they could decide to sue you. Well, now they’re not just going after your plumbing business, including its assets and holdings. No - they'll be going after all your personal assets as well. Everything you've acquired - your family home, the equity you've built up over the years, any savings accounts, college funds for your children. All these personal assets are now up for grabs.

No separation between you and your business is the first big downfall to staying in a sole proprietorship. The second major disadvantage emerges later in your business journey.

If you opt for a sole proprietorship, all of your merchant accounts, bank accounts, and vendor accounts are underneath your social security number. After a few years of success, you may decide to change your business entity and form an LLC or corporation to separate yourself from your business and prevent your personal assets from being at risk.

But now you have to do the work all over again to get new merchant accounts, bank accounts, vendor accounts, and agreements because the venture isn't just you anymore. It's not under your social security number - an LLC or corporation has to be attached to your EIN Number. This is like a Social Security Number, but for your business.

Starting out as a sole proprietorship means you have to redo everything in your business if you later regret your earlier choice and decide to set yourself up as an LLC or corporation. This could cause you significant harm in multiple areas.

For example, you may have built an impressive history underneath a merchant account, so banks trust you enough to give you higher lines of availability to process charges. Well, now, if you have to restart all over again under a new entity, the banks will view you as a different business, and you'll lose your hard-earned credibility.

Staying in the wrong business entity for too long can cause many challenges like this. The risks of doing so are endless. So it's very rare that we ever advise clients to stay in a sole proprietorship when starting a business.

LLC or S-corp or C-corp?

In fact, we recommend that ***new entrepreneurs form some sort of entity or corporation immediately***. Here, you have three options: an LLC, an S. corporation or a C. corporation.

LLC

This is what the IRS calls a disregarded entity, meaning it's not a corporation but is a designated entity structure separate from you personally. Many people mistakenly think LLC stands for Limited Liability Corporation. However, the correct name is Limited Liability Company – which is a very important distinction because a Corporation is taxed differently.

A corporation has tax advantages that a sole proprietorship or an LLC (that is taxed as a sole proprietorship) does not have.

An LLC is actually a versatile option for you because once you are profitable, you have the flexibility to elect your business to be taxed as a C. corporation or an S. corporation. This allows you to take advantage of those corporate benefits.

S. corporation

This stands for Sub-chapter corporation.

C. corporation

This is a Chapter corporation. Now it's also very rare that we advise an entrepreneur to set up or establish their new business as a C. corporation because it's a non-pass-through entity. Now, this is significant if you were to show a loss in your business.

The benefits of pass-through entities

Let's use some easy math as an example. Let's say your business did $10k in sales, but you had $30k in expenses. This means you are $20k in the red. If your business is a non-pass-through entity, you will have to just let it go, let it sit there, or carry forward to future years when you can take those losses against your business income.

On the other hand, an LLC (taxed as an S. corporation or a sole proprietorship) is what the government calls a pass-through entity. This means you can carry those $20k losses onto your personal tax return and take them against other sources of income.

So if you or your spouse are still working regular jobs while you're trying to build your business, you could leverage those deductions against your employment income. Let's say you were in a 30% federal tax bracket at your jobs (or you and your spouse's combined income). In this scenario, your $20k in business losses used against your personal salary - which would have been taxed at 30% - equates to a tax refund of $6k!

This is extra cash to put back into your pocket. You can use it as money to recoup from the expenses you've put into your venture or as an investment to take your business to the next level. Because let's be real - all businesses start out losing money. We all show a loss until we're profitable.

LLC is a smart flexible choice

So to make this simple for you, an LLC is a disregarded entity. But a great place to start with your business.

An S. corporation is a good option for your business once you start showing a profit. This is because some funny tax rules come into play once you start profiting as a pass-through entity.

If you are an S corporation, the IRS have put tax rules in place for entrepreneurs and business owners that allow you to avoid paying self-employment taxes once you are profitable. These taxes are basically Social Security taxes. When you work every day at a regular job and get your paycheck on payday, you'll see Social Security taxes on your pay stubs. It usually equals about 7.5%, and your employer also contributes another 7.5% - so they're matching your social security.

Since you're self-employed, there is no self-employment taxes or Social Security taxes until you're profitable. But when you start turning a profit, the IRS just taxes you the full 15.3% on your tax return because you're not paying yourself payroll and you don’t have somebody matching it. They consider you to be the employee and the employer combined – so you’ve got to pay all of it.

But as an S-corp, you don’t have to pay these taxes. However, there are some rules that come into play that allow you to get out of paying the full self-employment taxes. You have to pay yourself what the IRS calls ‘fair and reasonable’ salary. So as long as you pay yourself this wage, you don’t have to pay the self-employment taxes.

As an example, let’s say your weekly profit from your business is $3,500. You do some math and consulting with an expert and determine that your fair and reasonable salary is only $500 a week for your role within the business. This means that you can take the remaining income as dividends or draws in your business. This $3,000 a week is not subject to the self-employment taxes - so your taxation on profit is reduced significantly.

But we don’t want you to do this until you get to the point where you are becoming profitable.

This is because an S corporation (along with a C corporation) involves other duties and requirements such as logging corporate minutes every year, keeping your corporate records properly, and filing more complex and costly corporate tax returns. These are additional commitments that you don’t really want to have to concern yourself with.

So to keep costs and maintenance low, ***the smartest route for you in the beginning stages of your business is to form an LLC - a single-member LLC taxed as a sole proprietorship.*** This separates you from the business and gives you that liability protection that you want first and foremost.

This is a very affordable process in most states. A filing fee will need to be paid, which varies according to the location you choose to set your business up in. For example, if you live in Colorado, It’s only $50 to form an LLC. But if you live in Massachusetts or Illinois, it’s upwards of $500. Even in Tennessee and Texas, it will cost you $300. Most people decide to set up their business in their home state, which is a smart option.

Now, so far, we are only talking about the state filing fee. That doesn't include any fees for the dock preparation of the LLC.

You can form an LLC on your own, but I recommend using a professional to help you with this legal process. Unfortunately, I've seen many occasions where entrepreneurs file their LLC incorrectly because they don't know what to pick when it comes to the election status. This is the important stage where you choose if your business is going to be elected as a sole proprietorship, a partnership, an S Corporation, or an S corporation.

If you choose the wrong one, it's going to cost you later down the road, and you're going to have to start over again. So I always recommend using a professional, and you've got two options here. Find a tax and accounting firm specializing in start-ups or use an attorney specializing in business who understands not only liability protection but also taxation.

Getting your all-important EIN number

Now you can use that LLC to establish your EIN number to apply for your vendor accounts, merchant accounts and bank accounts. All these accounts will then sit under this EIN Number that the IRS will assign to you. This is so important because the LLC can be changed into an S corporation or C corporation later by filing a simple form with the IRS. This is why an LLC is such a versatile engine for you in the beginning stages.

The S. corporation election is a 2553 form, and it's straightforward to file with the IRS. Now you can be taxed as a corporation without that EIN changing. So even when your business changes, once it becomes profitable, your EIN doesn't have to change.

So there are two huge benefits of setting up your LLC at the very beginning:

1. You are out start-up phase before you spend lots of money on website development, mentoring, establishing vendors and product development.

2. When your business becomes profitable, and you do want to be taxed as a corporation, you won’t have to go back and redo everything you did in the early stages. This saves you from needing to set up new bank accounts, new merchant accounts, new vendor accounts, new agreements and everything else all over again.

Out of all the entrepreneurs that ask us for advice on setting up their business, nine times out of ten (after conducting a thorough review of their financial situation), we recommend they form an LLC - that we can later elect to be a corporation for the tax advantages.

A quick recap of steps 1 and 2

We’ve covered a lot, so let’s summarise the steps you need to take in the very early stages of creating your business:

- Before you spend any significant money on your business, form the LLC
- Get the EIN established
- Make your product or idea available to the marketplace as soon as possible

The IRS will now deem you to be out of the start-up phase. So this means that the money you take to invest into your mentoring, web development and the structure of your business will all be tax deductible this year.

This is great news because you’ll be able to take these tax deductions and use them against your other income streams to lower your tax liability on them. As a result, you are now putting more money back in your pocket so you have more money to invest in your business.

Step 3: Maximise your tax deductions

But being an entrepreneur can bring you even more benefits. Once you set up the LLC, or even just become a business owner itself, you've now opened the door to over 350 different tax deductions.

These tax savings are going to serve you greatly. We discussed earlier how people complain about the rich continuing to get rich and the poor continuing to get poor. This is largely because the wealthy learn – at an early stage - how to benefit from all these business deductions available to them.

The IRS and our government have created the deductions and allow us to take advantage of them because they know that businesses starting out stimulate our economy when they become successful. That's what tax deductions are there for - to incentivize people to start businesses, which adds jobs to the marketplace and grows the economy. More people working ultimately results in more tax revenues rolling into the government.

As a business owner, you now get the ability to take advantage of all these tax deductions - even in the starting phases. So if you are creating your new venture at the moment, you are already able to benefit from significant tax savings.

Even if you're just establishing a home-based business, you have opened the door for home utilities being deductible (based on the square footage of your home office). Internet bills, cell phone bills, and your homeowners' insurance become tax-deductible. The automobile that you drive becomes tax-deductible for the percentage of time you use it for business. Even your vacations become tax-deductible as long as you're wrapping it into some business activities.

There are so many items used in your lifestyle that now become business deductions if you have access to appropriate accounting expertise.

So we highly recommend that you get some consulting or some planning in place around all those deductions.

In fact, I'm going to share with you some of the top home business deductions on the very last page of this eBook – giving you an idea of everything you're now eligible for as a new business owner. You could be entitled to over $1.1m worth!

This is so important because we want as many tax deductions as possible for you in the early stages of your business. You can then pass these through, use against other incomes and continue to put as much money back in your pocket from tax refund savings.

We’re talking additional money you probably wouldn’t have got if you had never started your business. So you’re recouping your costs. This is how we stretch your money out so we can get your business to become profitable.

Step 4: Don’t get burnt!

Now, once you’re in tax reduction mode, you need to make sure that you’re not putting yourself in a position where you’re going to get burnt.

I’m referring to the fact that business capital can become very valuable when you get to the point where you want to scale your venture. Now, if you’re taking so many tax deductions that it looks like your business is showing no profit at all - it’s just showing revenue and losses - it’s going to be hard to get banks to give you loans.

So once you do start getting to the profitable phase in your business, you need to get strategic. To secure additional business funding, you’ll need to carefully manage your accounts to show just enough profit to get access to the leverage required to take your venture to the next level.

Furthermore, taking too many deductions could also impact your personal finances. Making this mistake can also hold you back from personal loans such as auto or home loans.

If you’re taking so many tax deductions because of your small business, you will be offsetting the majority of your other income streams. So if you or your spouse have steady salaries from regular jobs while building this venture, it’s going to look on your tax returns like your income has been significantly decreased. Then when you apply for a home loan, even if you can show how much you earn from your job, an underwriter will look at how much money you are spending to start, run and operate your business.

I have to bring this up because I think it’s vitally important to be completely transparent with you at this stage. For example, suppose you are considering buying or establishing a loan for your personal home or any other major commitment like an automobile. If this is on your radar, you want to ***secure these deals now before you take this leap into starting your first business***.

But if that’s years down the road, then start the business as soon as possible, take advantage of every tax incentive you can and build yourself that financial freedom because you can always get loans for those things later.

Step 5: Push for a profit

This sounds like a business no-brainer because you’ll obviously be looking to make your business profitable as quickly as possible. But there are significant tax disadvantages if your new business stays in the red for too long.

Remember the Hobby Loss rule we discussed earlier? It’s very important to understand that you could fall under this rule if your LLC shows a negative loss for three consecutive years. This is where the IRS could come back to you and say you can’t take any tax deductions anymore because they’ve given you 36 months to turn a profit, and you haven’t met this requirement.

The IRS will judge that they are not going to accept deductions through this entity anymore. So the clock is ticking. Make sure you’re pushing for a profit after the first couple of years in your business.

Step 6: Get a tax plan

You won’t be alone if you only start thinking about filing your tax return as the annual deadline approaches. Inevitably, you’ll then spend the last week running around, stressing out, and busting a gut. Most new entrepreneurs are simply too focused on the day-to-day operations of their new business to give much attention to taxes throughout the year.

Without careful preparation and expert guidance, your final submission is usually just about fit for purpose to satisfy the IRS. However, a strategic plan that minimizes your tax liability could make a monumental difference to your bottom line.

Tax planning isn't just for the wealthy. In fact, tax planning is probably what helped them become wealthy in the first place. As a business owner, there are many potential tax advantages that you could be benefitting from right now. These could lead to serious savings – check out the free tax deduction resource at the end of this eBook if you don't believe me!

And the best thing about reducing your tax bill is that you can reinvest the money into your venture. This gives your business more chance to grow, which gives you more chance to become wealthy.

What is tax planning?

What we're talking about here is much more involved than estimating your annual tax liability and working out what you need to set aside. A strategic tax plan considers your total financial situation, bringing all your income streams and costs together to ensure you pay the least amount of taxes possible.

Here's a quick summary of the three major benefits of getting a tax plan:

1. **It will seriously lower your tax bill**

A tax plan will not only result in the most cost-effective categorization of your revenue and expenditure, but it will also help you plan the size and timings of purchases to minimize your tax liability. ***It is amazing how many tax benefits exist for small business owners***. You just need the right expertise to access them.

Most entrepreneurs are shocked when they discover all the tax deductions, credits, and other provisions they can take advantage of. They had no idea these incentives were available or would make so much difference to their bottom line. Expert guidance and a tailored tax plan help you benefit from every opportunity from day one of your business.

Furthermore, filing your taxes incorrectly could result in expensive fees and other negative consequences of noncompliance. Having a tax plan in place ensures you remain compliant with the IRS and the government, and you avoid any hefty fines for regulation breaches.

2. It will save you time, energy and unnecessary stress

Putting a tax plan in place may not seem like a priority when you have to deal with so many other urgent business tasks. But implementing an effective tax strategy as early as possible will actually create extra time for you to manage more pressing day-to-day activities. A tax plan, instead of the usual inefficient panic as deadlines approach, will save you so much time throughout the year, and especially during tax season.

As the year progresses, your plan will guide your key purchases and keep your numbers up-to-date. This will significantly reduce the number of hours you formerly spent making financial decisions. And as the tax deadline approaches, preparing your books will be a breeze compared to the previous years.

Additionally, appropriate tax planning dramatically reduces the likelihood of you making errors while filing your returns. Mistakes could not only prove to be costly in terms of fines, but they can also require significant energy to correct. ***The last thing you want is the stress of an IRS audit!***

3. It will help you grow your business

You've already seen that a tax plan leads to quicker business decisions. But perhaps the more important benefit is they support better business decisions. A tax strategy allows you to plan long-term with up-to-date and accurate profit and loss numbers. As a result, you'll have a clear view of exactly where you could be in the future and what your tax obligations will be. This level of foresight means you can ***accurately plan your business investments to maximize your growth potential***.

The main advantage of a tax plan is the tax deductions. However, the crucial additional benefit here is you can plow these savings back into further expanding your business. You can hire an even better mentor, buy equipment to double your production, or build a store to turbo-charge your sales. Reinvesting the massive amounts of money you save on taxes could be the difference between your business succeeding or failing.

Get the right financial support on your team

When you start a business, one of the best investments is gaining early access to the appropriate level of financial expertise. There’s too much to learn and do by yourself, so get the right accountancy support from day one. You’ll be pleasantly surprised to discover that many accounting firms out there like working with start-ups, including my firm, Easier Accounting.

We love helping business owners like you get started on the right foot – and for the right price. As entrepreneurs ourselves, we understand your challenges and have created affordable solutions to meet your needs.

Many of our clients see us almost like insurance. After we create a bespoke tax plan for your company, it will greatly benefit you regardless of how your business performs. If you spend lots of money launching your venture and it doesn’t meet your financial goals, we can help you put as much of that money back in your pocket as possible. On the other hand, if your business is a success and you turn a healthy profit, we’re here to help you keep as much of this income as possible.

This is really the essence of how the wealthy get wealthy. They are not only extremely good at making money, but they have the right people helping them keep their earnings as well. And when you’re able to keep that money, you move into what we call investor status. So at this point in your financial journey, we can strategically show you how to invest your funds to grow continuously, compounding and creating actual wealth for you.

But before we get to that stage, you need to have a good plan in place to make sure your business is set up correctly. You need the peace of mind to know that nothing is going to come back and bite you in the butt later, causing you to start over again or spend thousands of dollars learning from these harsh mistakes.

Remember, most entrepreneurs make the same fundamental errors in the very early stages of setting up their business. You can now be confident that you won't join them.

Summary of the 6 Steps to setting up your business successfully

I cannot stress how important it is to start your venture off on the right foot. It will make everything so much easier for you as your business grows.

If everything I've shared with you in this eBook makes sense, then you have all the information you need to avoid these mistakes and give your business a much higher chance of success.

Here's a high-level recap of what you need to do:

1. Form an LLC immediately

You can always dissolve it later, and it's not going to harm you if you don't get anything off the ground. But the second you start considering starting a business, taking action and spending money, the first thing you should do is form an LLC.

2. Build a cheap website as soon as possible

Before you start spending any money on high-end coaching, advanced web development, or sophisticated sales and marketing activity, make sure you get something built that makes you available to the public. This shows the IRS that potential customers can find your business and order your services or products, allowing us to document the day you're out of the start-up phase.

3. Take every tax deduction when you are setting up your venture

While you are in the early stages of your business (even though you're out of what the IRS calls the start-up phase), take every available tax deduction to make sure your money is stretched out as long as possible.

4. **Manage your accounts more carefully when you want to scale your business**

As your business becomes more successful, you may seek additional funding to accelerate the growth of your business. However, taking too many tax deductions could inadvertently conceal your profitability and reduce your chances of acquiring bank loans. Therefore, when your business starts to grow, it's crucial to strategically manage your accounts to balance tax deductions with future leverage opportunities.

5. **Push for a profit in the first three years**

Sounds obvious because clearly, you are in business to make money. However, it's important to remember that you don't want to make a loss for more than three years because the IRS will deem that your business is a hobby, and you won't be able to take any deductions.

6. **Get a tax plan**

If you're failing to plan, then you're essentially planning to fail. Remember that 95% of start-ups do not make it past the first five years. A tax plan saves you tens of thousands in tax deductions and gives you loads more time to focus on day-to-day operations. Reinvesting the money you save dramatically increases your odds of success – especially as your tax plan will help you make the right strategic financial decisions to take your business to the next level.

Here’s to your business success

I hope this eBook has provided you with invaluable information that will go a long way to helping you start your business on the right foot. It has been written because ***I’m passionate about supporting entrepreneurs*** take that big leap of faith and launch their first venture. Following the six steps - and avoiding the three most common mistakes made by 95% of new business owners - will save you thousands and thousands of dollars.

Even if you’ve already been in business for a couple of years, it’s not too late to get back on the right track. Find an entrepreneur-friendly accountant (like Easier Accounting) and get an amended review. They’ll look at what’s been going on with your taxes over the last couple of years, identify and correct any mistakes, then help you execute a better plan moving forward.

Whatever stage your business is at - the right financial support is crucial. It’s not your fault you don’t know everything you need to know about money. It’s complicated, and you’ve got so many other challenges on your plate. Expert knowledge is the solution – and ***I’m here to help you with every phase of your business journey***.

Congratulations on making the first step towards building your financial independence and being totally free as an entrepreneur. You now have all the knowledge you need to set up your business properly. As a result, you’ve massively improved your chances of becoming one of the 5% of successful start-ups!

Five amazing tax deductions available to business owners

Now, on this last page, I'm going to share the most common tax deductions as promised.

This is a brilliant free resource as it gives you an idea of everything that's tax-deductible for you now, as a new business owner - and will save you heaps of money. In fact, the total value of these deductions exceeds $1.1m

1. The Section 179 Deduction and bonus expense for vehicles over 6,000lbs = Potential annual tax saving of $1.05m

- Allows businesses to take an immediate deduction for business expenses related to depreciable assets such as equipment, vehicles, and software
- Bonus depreciation for up to 100% in the year the equipment was purchased
- Section 179 is limited to a maximum deduction of $1,050,000 for the year 2021

2. Hiring your kids = Potential annual tax saving of $12k per child

- Must be for actual work and must follow federal and state child labor laws
- Children of business owners can opt-out of Payroll Taxes
- Can be paid up to $12,000 gross wages per year income tax-free per child, per 2019 standard deduction
- Open up checking accounts for each child or sub-accounts of the custodial main account
- Issue W2s (Wage and Tax Statements) for each child at the end of the year
- Only available to schedule C's (self-employed taxpayers who are just getting their businesses started) and partnerships owned by solely you and/or your spouse.

3. Renting your house to your business for monthly meetings = Potential annual tax saving of $10-15k
   - Individuals can rent personal property for up to 14 days per year, not necessarily consecutive, and are not required to report that income on their personal income tax returns (Augusta Rule)
   - No maximum dollar amount. The rental fee must be reasonable with the time/duration/location of the rental. Compare your home to similar homes on Airbnb or VRBO
   - Must be a legitimate business meeting and business minutes must be recorded
   - This only applies if your business is taxed as a Partnership, S-corporation, or a C-corporation. Sole-proprietors and Single Member LLC's do not qualify because, from a federal tax perspective, their business is not a separate entity

4. Pay your holding company as a consultant to your main business = Potential annual tax saving of $?
   - Create a new entity to be a holding or family company
   - Pay a fair and reasonable management fee from the main business to the holding company for legitimate work completed (Make sure that the work performed is documented)
   - This shifts income from one company to another to take advantage of tax savings and deductions
   - The holding or family company can take advantage of other legitimate business expenses

5. **Home office deductions = Potential annual tax saving of $1500**
   - $5/per sq foot up to 300 square feet (max $1500) or use the percent business method to deduct actual costs for maintaining the home
   - Applies to both homeowners and renters but must be documented
   - Must be the principal place of business and used regularly and exclusively for a single business

*****Please consult with our tax professionals for more details*****