SIMPLE STARTUPS

DISCOVER THE SECRETS TO BOOTSTRAPPING SUCCESS!

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Introduction

Starting a business can be costly, especially in certain fields such as brick-and-mortar and retail. But there are ways to drastically reduce your startup costs, and to secure funding without giving away the rights to your company, or going into serious debt.

I can't tell you how many times I've heard entrepreneurs lamenting over the fact that they gave a huge percentage of their company equity away to get angel investors or venture capital, and realized later they could have done it on their own without giving up so much equity.

Let's say you secure $100,000 from an angel investor in exchange for a 25% stake in your company. (Realistically, most investors ask for higher amounts, but we'll use 25% for easier math.)

Now let's say your company makes $1,000,000 in profit in its first year. This means your angel investor would receive $250,000 for that initial $100,000 investment, and that's just in the first year! Over the years, this could add up to millions of dollars!

This is why it’s important to avoid seeking investors whenever possible, or to delay seeking funding as long as possible. (We’ll talk about the reasons for that later.)

In this guide, we’re going to talk about some of the best ways to save money, get profitable faster, and avoid having to seek funding before your company is truly ready. You’re going to learn how to start your business with the least possible investment, and how to manage your money until your company becomes profitable.

So, let’s get started.

Setting a Budget

According to a 2009 survey by the Ewing Marion Kauffman Foundation, the average startup cost for a business was around $30,000. It might be a bit higher now, given inflation, but you can expect the average is still somewhere in that ballpark.

Of course, startup costs can vary dramatically depending on the type of business you're trying to start.

Opening a retail business or a restaurant, for example, might cost a minimum of $50,000 or more, because you have to pay for the physical space, fixtures, product, licensing, employee salaries, and more.

But starting an online business focusing on digital products, affiliate marketing, drop shipping, or something similar might require as little as $25 to start. This is one big reason so many people start these types of businesses. There's a lower barrier to entry.

Even $25 can be a significant investment for some people. If you're already living on next to nothing, even such a small amount can seem like a fortune, especially when it comes to risking it with a potential for failure.

But entrepreneurs know that there's no reward without risk, and only you know how much risk you're willing to take.

So, the first thing you need to do (after you make the major decisions regarding the type of business you want to create and such) is figure out exactly how much you're prepared to spend starting your business.

A lot of this will probably depend on how much you have to spend. If you don't have very deep pockets, and most of us don't, you will be limited in the amount of money you have available to start your business.

Some people don't mind risk, and they're willing to put more of their available funds into their business in order to try to extract profit more quickly. Others prefer to risk a bit less and grow more slowly. Either way is fine. It's up to you to decide how much risk you're willing to take.

This is why it's important to set a budget and stick to it as much as you possibly can. If you have $20,000 in your savings account and you're willing to risk half, then you need to set a budget that falls within the $10,000 you have available.

If you have no money available, and you're starting with nothing, budgeting becomes even more important. You'll have to find money somehow, and that's not easy if you have no experience to prove your ability.

Determine exactly how much money you have to invest, and how much you're willing to risk. Then sit down and total up every single expense you can possibly think of with regards to opening your business.

Don't forget things such as:

- Product (either buying or developing it)
- Location (either a physical location or a website)
- Marketing expenses
- Employees or outsourcing expenses
- Office supplies and utilities
- Six to twelve months of operating capital

Take note of that last one. Many businesses don't become profitable for at least the first 6-12 months, so it's important not only to ensure you have enough capital to start your business initially, but also to run it until it becomes profitable.

Determine how much you are likely to need to run your business until it becomes profitable, and try to pad that number as much as you can in order to account for unexpected expenses.

Once you've determined your budget, you can start purchasing the things you need to open your business.

Sticking to Your Budget

Let’s talk about a few things you can do to make sure you stick to your budget once you have developed it. After all, a budget won’t make a difference if you don’t stick to it!

Using Credit

There may be times when using credit is absolutely necessary, but try not to use it unless you have to. Interest rates vary based on the type of loan/credit and your credit history, and can be as much as 30% or even higher for some types of high-risk loans. This kind of expense can destroy a brand-new company if it’s not managed carefully, so it’s wise to avoid using credit if at all possible.

The only thing you should use credit for is to obtain inventory, because it’s something you can sell for a profit, and then only if necessary.

For example, if you find a good price on inventory that is a limited time offer, or if you run out of stock of your best-selling item and you need to get it back in stock urgently and you are waiting for payments to come in, then you can float with credit.

If you do this, be sure to pay back the entirety of the loan as quickly as possible, ideally within 30 days in order to avoid interest. Most credit cards will not charge interest until they generate a statement, so if you can pay off the balance before your statement is generated, you probably won't have to pay interest.

This isn't true for loans, however, so be sure to check the terms of any loan to see just how much you're going to have to pay back.

Remember, if you end up paying high interest on something, even product you intend to sell, you eat into your profits. This is especially notable if you're in a field that operates on razor-thin profit margins, such as consumer electronics. Such interest payments could erase your profits completely.

You may also occasionally have emergency expenses that you must use credit to cover—such as an unexpectedly high utility bill or some other expense you couldn't have anticipated. This is another valid reason to use credit, but try to avoid doing so if you can find any other option.

Don’t forget that you can often transfer balances from one card to another, so if you have a balance on a card and you know you can’t pay it off in time to avoid interest, you could transfer the balance to another card with a lower interest rate or to buy time to pay it off.

Also, consider getting business credit instead of using your personal credit. Some types of business credit can be obtained without risking your own personal credit score or your personal income, instead being opened in the name of the company using the company’s Federal tax ID number instead of a social security number.

Be sure to ask if the creditor requires a personal guarantee, also called a PG. If so, it means you could be sued directly if you default, and it can be reported to your personal credit report.

Keep An Eye On Cash Flow

In the early stages of a startup, cash is king. Cash flow is something that can easily get away from you if you’re not careful.

Be sure you carefully document your business expenses, including noting the date, amount, items purchased, where they were purchased, and keep receipts.

Not only will this help you stick to your budget, but you will need this information for taxes, because you will pay a huge amount of money in taxes if you aren't able to claim deductions for your expenses!

Some expenses can't be written off on your taxes, but save the receipts anyway. You never know when you may need them.

Tax laws can and do change sometimes, and not only that, you may need to prove expense figures if you later decide to sell your company.

If you have employees, be sure that anyone who has access to petty cash or to company funds knows they must clear purchases with you first. One of the biggest reasons companies go over budget is through employees spending money on items that aren't in the budget.

It's always difficult when you don't want to micromanage employees. Just be sure to let them know that cash flow is tight, and that's the reason they are being asked to clear purchases with you first. You don't want them thinking you don't trust them.

Saving Money

Now let's take a look at a few ways you can save money on those things you *do* need to buy.

1. **Don't buy anything you don't need.** It seems simple enough, but you'd be surprised how many people waste money on things they don't really need, such as decorative things for their office or renting a fancy space for their company. Buy those things once your company is profitable. Don't buy them in the beginning!

2. **Always shop around.** Prices can vary from vendor to vendor, and from day to day, so take the time to do some comparison shopping. Even saving a few dollars here and there can add up. Before you buy anything that costs more than a few bucks, look for a coupon, discount, or better price. For example, you can search Google for "NameCheap coupon June 2018" to find a coupon for a discount off the purchase of a domain name for that month. And many hosting companies have deals where you can

get your first month of web hosting for free or cheap with a coupon code.

3. **Buy used whenever possible.** A lot of people make the mistake of thinking they need to buy everything brand new, but sometimes gently used items make more sense. Why pay $500 for a brand-new desk for your office when you can get a very nice used one for $100? Sand it down and paint it, and it might look brand new at a fraction of the price.

4. **Don’t be extravagant.** It might be a nice gesture to hold a Christmas party for your employees, but wouldn’t it be much better to invest in additional marketing that will help increase your bottom line, so you can offer your loyal employees with regular pay increases?

   If it doesn’t directly drive the company toward profitability, it can wait! Or you can make do with a cheaper alternative. For example, if you feel you must hold a party for employees, plan some inexpensive activities that can build team spirit rather than splurging on expensive food or renting a space for the party.

5. **Don’t take a salary.** I know it’s painful to hear, but one of the biggest mistakes startup founders make is taking a salary for themselves right from the beginning. I get it. We’re all in business to make money. Otherwise, why start a business at all? But when you’re just getting started, you need every dime you can get for startup expenses. Unless you’re incredibly lucky and achieve profitability overnight, hold off on taking any money for yourself.

6. **Don’t outsource anything you can do yourself.** You can learn to do most things on your own, such as setting up a basic website with WordPress and even designing your first logo. If it’s something you can do, you should do it yourself unless it’s so inexpensive to have it done that it wouldn’t be worth the time and effort it would take to learn how to do it yourself.

These are just a few ideas of ways you can save money, and you don’t have to use them only when you’re getting started! It never hurts to stay frugal, even when your company is making a good profit.

Reach Profitability Quickly

Everyone wants their company to become profitable as quickly as possible, but few actually do what it takes to make that happen.

One major reason companies take so long to become profitable is getting caught up in analysis paralysis. They spend so much time debating over this decision and that decision, and quibbling over tiny details that don’t really matter, that they fail to launch or expand quickly enough.

Yes, it’s important to make decisions carefully, but you also need to take action, and if you don’t, it will take you a lot longer to become profitable.

If you spend an extra three months agonizing over decisions instead of just getting your business open and making money, that’s three months of potential profit you lose, and three months of additional operating expenses you can’t recoup with profit.

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Hiring vs. Outsourcing

In the beginning, you will probably be doing all or most of the work yourself. That's one of the mantras of a shoestring startup. Don't outsource a job you can do yourself, especially if you can do it relatively well.

Eventually, though, you're going to come to a point where you need help. This means either hiring someone to help you on a regular basis, or outsourcing tasks on a job-by-job basis.

Hiring employees may seem like the right step, but it's not always the best option. Remember, an employee must be paid whether or not the company is profitable, whether or not there is work for that employee to perform at a give time, etc. Once hired, they must be paid, period.

Instead of hiring a full-time or part-time employee to handle certain tasks, you might consider outsourcing the work instead, especially if you don't believe you have enough work to keep an employee busy during their workday. Because many freelancers work on a per-job basis rather than hourly, you don't have to worry about paying minimum wage or higher, or offering benefits, or filing tax forms. This can save you a lot of money when you're just getting started.

In order to decide if you should hire an employee or freelancer for a particular task, as yourself these questions:

1. **Can I handle the task myself?** If you have the **skills** to do the task, and the **time** to do the task, you might as well do it yourself. Otherwise, you should hire someone or outsource.

2. **Would it be more profitable for me to do the task myself?** If the task can be outsourced so cheaply that you wouldn't do the work yourself at that price, you probably want to hire someone else to do it.

3. **Can someone else do it better?** If your skill level isn't up to par, it's probably a good idea to get someone else to do it, especially once you reach the point where you can afford to invest a little more in quality. Just because you can do something, doesn't always mean you should.

4. **Is the task really necessary?** If you think about it, you may realize it's not even necessary.

Obtaining Capital

The purpose of this guide is to help you start your business with as little capital as possible, but there may be times when you need a little boost—just a little extra cash for something like buying extra stock, paying off an unexpected bill, or taking advantage of a really good price on something you need.

Remember, the longer you wait to obtain funding, the better position you will be in not only to get approval, but to get terms that will be more favorable.

If you're a startup entrepreneur with no proven history or track record in business, you'll find it nearly impossible to get funding. Even if you have a killer idea, investors aren't likely to take a risk on you if you haven't proven yourself.

Let's take a look at some ways you can obtain funding for your business.

Angel Investors

Angel investors are more likely to invest in unproven startups than venture capital firms, as they are usually individuals, and they are usually investing not only for profit, but to help other entrepreneurs like themselves get started.

Angel investors typically invest smaller amounts of money than venture capital firms, as they are individuals and not companies or organizations. Investments are usually under a million dollars.

Most angel investors do want you to have a very solid idea, as well as a solid business plan, so be sure you have all your ducks in a row before seeking appointments with potential investors.

Venture Capital

Venture capital firms typically prefer to invest **<u>over</u>** a million dollars in companies, but they are much stricter on the companies they invest in. They want to see things such as a proven track record, profit and loss statements, and solid revenue before they will invest.

While it may be possible to secure funding with a venture capital company without all of this, it would be incredibly difficult. You'd need a big name and proven track record in business before your idea would even be considered.

For this reason, it's advisable to wait until you have solid figures to show them before considering this type of funding.

Loans

Loans are a bit easier to get than investments, so if you aren't at a stage where you can visit angel investors or venture capital firms, a loan can be a good option.

Keep in mind that loans do require good credit and/or collateral to obtain, and if you don't have either you probably won't have much luck obtaining one.

If you're in the United States, consider checking out the small business loans from the SBA (Small Business Administration). They have connections that can help people get loans with less strict criteria than traditional loans.

>> https://www.sba.gov/funding-programs/loans

You might be able to secure a second mortgage to get your financing, but keep in mind that if you default, it puts your home in danger. A lot of entrepreneurs do go this route as a last resort, but I wouldn't recommend it unless you are very confident that your business will succeed.

Conclusion

Don’t forget that bootstrapping is all about saving money, so be sure to use the strategies in this guide to pinch pennies and get great deals that will help you avoid financing—at least until you’re ready.

If you want to learn more in-depth information about bootstrapping from some of the world’s most successful entrepreneurs, I highly recommend Shoestring Startups:

>> https://promotelabs.com/downloads/startups/

This guide is an invaluable resource for cutting corners, saving money, and bringing in the capital you need to grow your revenue quickly!

This concludes our guide on bootstrapping your startup. I hope you’ve learned a lot, and that you will apply what you have learned to start your own incredibly successful and profitable business.

Good luck!

Resources

For your convenience, here are links to the resources mentioned in this guide.

SBA Loans

>> https://www.sba.gov/funding-programs/loans

Shoestring Startups

Ingenious Secrets for Launching Lean and Growing Any Business Fast!

>> https://promotelabs.com/downloads/startups/

Million Dollar Brainstorm

Discover your next million-dollar business idea with this fully loaded course!

>> https://promotelabs.com/downloads/brainstorm/

Bulletproof Branding

Set yourself apart from the competition and create lifelong, loyal customers!

>> https://promotelabs.com/downloads/branding/