



4th Edition

Canadian Small Business Kit

for
dummies[®]
A Wiley Brand



Navigate the
latest tax laws

Start, build, staff, and
run your own business

Establish a prominent
online presence

Andrew Dagys, CPA, CMA
Margaret Kerr
JoAnn Kurtz

Canadian Small Business Kit

for
dummies[®]
A Wiley Brand



Canadian Small Business Kit

4th Edition

by Andrew Dagys, Margaret Kerr,
and JoAnn Kurtz

for
dummies[®]
A Wiley Brand

Canadian Small Business Kit For Dummies®, 4th Edition

Published by: **John Wiley & Sons, Inc.**, 111 River Street, Hoboken, NJ 07030-5774, www.wiley.com

Copyright © 2019 by John Wiley & Sons, Inc., Hoboken, New Jersey

Published simultaneously in Canada

No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning or otherwise, except as permitted under Sections 107 or 108 of the 1976 United States Copyright Act, without the prior written permission of the Publisher. Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, (201) 748-6011, fax (201) 748-6008, or online at <http://www.wiley.com/go/permissions>.

Trademarks: Wiley, For Dummies, the Dummies Man logo, Dummies.com, Making Everything Easier, and related trade dress are trademarks or registered trademarks of John Wiley & Sons, Inc., and may not be used without written permission. All other trademarks are the property of their respective owners. John Wiley & Sons, Inc., is not associated with any product or vendor mentioned in this book.

LIMIT OF LIABILITY/DISCLAIMER OF WARRANTY: THE PUBLISHER AND THE AUTHOR MAKE NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE CONTENTS OF THIS WORK AND SPECIFICALLY DISCLAIM ALL WARRANTIES, INCLUDING WITHOUT LIMITATION WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE. NO WARRANTY MAY BE CREATED OR EXTENDED BY SALES OR PROMOTIONAL MATERIALS. THE ADVICE AND STRATEGIES CONTAINED HEREIN MAY NOT BE SUITABLE FOR EVERY SITUATION. THIS WORK IS SOLD WITH THE UNDERSTANDING THAT THE PUBLISHER IS NOT ENGAGED IN RENDERING LEGAL, ACCOUNTING, OR OTHER PROFESSIONAL SERVICES. IF PROFESSIONAL ASSISTANCE IS REQUIRED, THE SERVICES OF A COMPETENT PROFESSIONAL PERSON SHOULD BE SOUGHT. NEITHER THE PUBLISHER NOR THE AUTHOR SHALL BE LIABLE FOR DAMAGES ARISING HEREFROM. THE FACT THAT AN ORGANIZATION OR WEBSITE IS REFERRED TO IN THIS WORK AS A CITATION AND/OR A POTENTIAL SOURCE OF FURTHER INFORMATION DOES NOT MEAN THAT THE AUTHOR OR THE PUBLISHER ENDORSES THE INFORMATION THE ORGANIZATION OR WEBSITE MAY PROVIDE OR RECOMMENDATIONS IT MAY MAKE. FURTHER, READERS SHOULD BE AWARE THAT INTERNET WEBSITES LISTED IN THIS WORK MAY HAVE CHANGED OR DISAPPEARED BETWEEN WHEN THIS WORK WAS WRITTEN AND WHEN IT IS READ.

For general information on our other products and services, please contact our Customer Care Department within the U.S. at 877-762-2974, outside the U.S. at 317-572-3993, or fax 317-572-4002. For technical support, please visit <https://hub.wiley.com/community/support/dummies>.

Wiley publishes in a variety of print and electronic formats and by print-on-demand. Some material included with standard print versions of this book may not be included in e-books or in print-on-demand. If this book refers to media such as a CD or DVD that is not included in the version you purchased, you may download this material at <http://booksupport.wiley.com>. For more information about Wiley products, visit www.wiley.com.

Library of Congress Control Number: 2019939298

ISBN 978-1-119-57589-4 (pbk); ISBN 978-1-119-57584-9 (ebk); ISBN 978-1-119-57587-0 (ebk)

Manufactured in the United States of America

10 9 8 7 6 5 4 3 2 1

Contents at a Glance

Introduction	1
Part 1: Small Business Essentials	5
CHAPTER 1: Do You Have the Right Stuff?	7
CHAPTER 2: Seeking Out Helpful Business Information	25
CHAPTER 3: What's the Big Idea? Intellectual Property and You	41
CHAPTER 4: Choosing a Product or Service	63
Part 2: Getting Started	75
CHAPTER 5: Custom-Made Business — or Off-the-Shelf?	77
CHAPTER 6: Ownership Issues	101
CHAPTER 7: Getting Your Gear Together	121
CHAPTER 8: Your Business Coordinates	145
CHAPTER 9: Figuring Out Finances	163
CHAPTER 10: Writing a Business Plan That Gets You Money	183
CHAPTER 11: Making a Marketing Buzz	203
Part 3: Operating Your Small Business	231
CHAPTER 12: Managing Risk	233
CHAPTER 13: Working with Customers and Clients	261
CHAPTER 14: Dealing with Suppliers and Advisors	285
CHAPTER 15: Beam Up the Crew	305
CHAPTER 16: Tax Attacks!	327
CHAPTER 17: Close Encounters with Accounting	347
Part 4: What Does the Future Hold?	369
CHAPTER 18: Getting Bigger	371
CHAPTER 19: Starting a Cannabusiness	391
CHAPTER 20: Anticipating Problems	421
CHAPTER 21: Closing Up Shop	443
Part 5: The Part of Tens	461
CHAPTER 22: Ten Questions Every Prospective Small Business Owner Should Ask	463
CHAPTER 23: Ten Key Documents for a Small Business	471
CHAPTER 24: Ten Internet Resources You May Find Useful	479
Index	485

Table of Contents

INTRODUCTION	1
About This Book.....	1
Foolish Assumptions.....	2
Icons Used in This Book	2
Beyond the Book.....	2
Where to Go from Here	3
PART 1: SMALL BUSINESS ESSENTIALS.....	5
CHAPTER 1: Do You Have the Right Stuff?.....	7
Weighing the Pros and the Cons of Small Business Ownership.....	8
The pros	8
The cons	9
Choosing Your Business.....	10
Those who have a clue	11
Those who are clueless.....	12
Determining If You Have the Small Business Personality	15
The small business personality aptitude test	18
Considering Other Factors Before Starting Your Business.....	18
Your personal life	19
Your practical resources.....	19
The broader economy, the industry, and the specific market	22
Easing into It: Knowing If and When to Give Up Your Day Job	22
CHAPTER 2: Seeking Out Helpful Business Information	25
Getting Started.....	26
The Government of Canada: Core resources for entrepreneurs	26
Provincial/territorial government websites.....	28
Bank and trust company websites	29
Small business or entrepreneurship centres	29
Business incubators	30
Getting Information Geared to Your Specific Business	31
Innovation, Science, and Economic Development Canada.....	31
Trade and professional associations	32
Obtaining Essential Business Skills.....	34
Skills for your particular business.....	34
General business skills	35

Finding Professional and Other Help	35
Determining whom you need to help you.....	35
Identifying the right people	38
Finding peer support.	38
Getting the Scoop on Customers and Suppliers.....	39
Customers	39
Suppliers.....	40
CHAPTER 3: What's the Big Idea? Intellectual Property and You	41
What a Fine Idea	42
Investigating the value of an idea	42
Determining who owns an idea.....	43
Protecting ideas from unauthorized use	44
Manufacturing or Selling a Product in Your Business	44
Manufacturing or selling a product from a design.....	45
Manufacturing a product that you've invented.....	46
Manufacturing or selling a product that someone else has invented.....	49
Using a Name or Word in Your Business	51
Naming your business	51
Selecting a name, slogan, or logo that identifies your business or product.....	53
Using Written Materials in Your Business	57
Understanding copyright	57
Using someone else's written material	58
Using someone else's confidential materials	59
Using your own written materials.....	60
Using Pictures and Drawings in Your Business.....	60
Using Music in Your Business	61
CHAPTER 4: Choosing a Product or Service.....	63
Developing Your Product or Service with a Market in Mind	63
Eureka!	64
Asking yourself some sobering questions.....	64
Tinker with your idea	68
Finding the Best Route to Your Target Market	69
From your business directly to your customer	69
From your business to another business to your target customer.....	70
Pricing Your Product or Service.....	70
Deciding on the minimum price you can charge	70
Deciding on the maximum price you can charge.....	71
Setting your price	73

PART 2: GETTING STARTED	75
CHAPTER 5: Custom-Made Business — or Off-the-Shelf?	77
Why Buy an Existing Business?	78
Shopping for a Business.....	79
Looking Carefully at Potential Existing Businesses.....	80
Why is the owner selling the business?	80
What is the reputation of the business?	81
What is the reason for the success of the business?	81
How's the neighbourhood?	82
What do the financial statements tell you?.....	82
What is the "corporate culture"?	86
Deciding on a Price for a Business	86
What's a business worth?.....	86
Sources of information for valuing a business	88
Putting the Deal Together	89
Buy assets or buy shares?	90
Deciding between a share purchase and an asset purchase	90
Allocation of the purchase price in an asset purchase	92
The dear departed — can you control the former owner?.....	92
Considering a Franchise.....	95
Checking out the advantages of a franchise	95
Investigating the disadvantages of a franchise.....	95
Finding a franchise	96
Evaluating the franchises you find	97
Doing due diligence before you sign	99
CHAPTER 6: Ownership Issues.....	101
Should You Go Alone or Take on a Co-Pilot?.....	101
Should You Incorporate?	102
What are your options?	103
What's the difference?	103
The Corporation — A Form of Business with a Life All Its Own	104
Understanding corporations	104
Setting up a corporation.....	105
Running a corporation	106
Reviewing the advantages of incorporation	107
Delving into the disadvantages of incorporation	110
Protecting Your Assets without Incorporating	110
Your Choices If You're the Only Owner	111
Sole proprietorship	111
A solely owned corporation.....	112

Your Choices If the Business Has Multiple Owners	113
Partnership.....	113
A multi-shareholder corporation	116
So How Do You Choose?	117
Other Start-Up Issues	118
Investigating permits, licences, and other government requirements.....	118
Registering for payroll taxes and GST or HST	118
CHAPTER 7: Getting Your Gear Together	121
Setting Up Your Business Office	121
Choosing between functional and fancy	122
Finding furniture	122
Finding furnishings	123
Stocking survival equipment	124
Getting low-tech hardware.....	125
Getting high-tech hardware.....	125
Getting software and services.....	128
Establishing an online presence	134
Getting remote access to your data and colleagues	134
Specific Equipment for Your Business	135
Buying Equipment versus Leasing Equipment	136
Buying	136
Leasing	137
Looking for help?.....	138
Getting Business Stationery and Printed Materials	138
Well-managed	139
Successful.....	140
Putting It All Together.....	143
CHAPTER 8: Your Business Coordinates	145
Working from Home	145
Should you have a home-based business?	146
Tips for working at home successfully.....	150
Working from Real Business Premises.....	154
Premises available, apply within.....	154
Space-sharing arrangements.....	154
Renting Business Premises	156
Knowing what you're looking for.....	156
Finding what you're looking for.....	157
Determining the cost of your space	158
Exploring commercial leases	159
Buying Business Premises	161

CHAPTER 9: Figuring Out Finances.....	163
Your Business Needs Capital.....	163
Forecasting How Much Your Business Will Need to Operate.....	165
Projecting your expenses and revenues	165
Preparing a forecast of revenue and expenses	166
Projected cash flow.....	167
Locating Sources of Financing for a Start-Up Operation.....	169
Mix-and-match financing	170
Personal assets	170
Money from family and friends.....	171
Money borrowed from commercial lenders.....	171
Micro-credit funds.....	175
Credit from suppliers and clients	176
Sale of accounts receivable	176
Government loans and grants.....	177
Arm's-length investment	177
Crowdfunding	181
Applying for Money.....	181
CHAPTER 10: Writing a Business Plan That Gets You Money.....	183
Don't Panic!.....	183
First reason not to panic.....	183
Second reason not to panic.....	184
Third reason not to panic.....	184
First Step.....	184
Filling Out an Application Form.....	185
Preparing a Business Plan	186
Checking Out What Goes into a Business Plan.....	187
A full-scale business plan	187
A mini business plan.....	188
Stating How Much You Want (Your Objective)	188
Describing Your Business.....	188
Your product or service	189
The goals of your business.....	189
Your business within the industry.....	190
Why your business can compete successfully	191
Your market	192
Your competitors.....	194
Explaining How Your Business Runs.....	195
Business info and history.....	196
Business managers.....	196
Business operations	197

Supplying Financial Information	197
Capital requirements of your business	198
Assets and liabilities of your business	198
Projected revenue and expenses of your business	198
Your personal capital	198
Providing References	199
Pulling the Final Product Together	200
Cover	200
Executive summary	201
Getting Help with Your Business Plan	201
CHAPTER 11: Making a Marketing Buzz	203
Finding Customers or Clients	204
Promotion	204
Advertising	205
Publicity	206
Professional help	206
Don't get discouraged	207
Establishing a Web Presence for Your Business	207
Getting a Website of Your Own	208
Understanding the importance of a website	208
Deciding between a server of your own or a web host	209
Claiming your domain name	209
Putting content on your website	211
Attracting visitors	214
Marketing with Email	214
Developing and maintaining a permission-based email list	215
Maximizing deliverability of your emails	216
Creating an email newsletter	217
Getting help	218
Blogging	219
Understanding the importance of blogging	219
Adding a blog to your website	220
Putting content on your blog	220
Using Social Media to Market Your Business	221
Getting to know the major social media sites	221
Telling your business story with Instagram	224
Managing your social media marketing time	227
Monitoring the Web	227
Now Get Out There and Sell!	228

PART 3: OPERATING YOUR SMALL BUSINESS.....	231
CHAPTER 12: Managing Risk.....	233
What Kind of Risks Does a Business Face?	234
Strategic risk.....	235
Growth and expansion risks	235
Financial risk.....	236
Organizational risk	237
Operational risk.....	238
External risk	239
Reputational risk	240
Recognizing the Risk of Not Seizing Opportunities	240
Paying Extra Attention to Legal and Regulatory Risks	241
Injury to others	241
Injury to your business	242
Injury to you and your business associates.....	243
Minimizing Your Legal, Regulatory, and Similar Risks	243
Injury to others due to safety, legal, and contractual issues.....	243
Mitigating physical, financial, information technology, and business resilience risks	246
Transferring Your Risks to Somebody Else	253
Have you already got insurance?	253
Do you really need insurance?	254
Examining Different Insurance Policies	255
Insurance in case your business causes damage.....	255
Insurance against damage to your business, staff, and data	257
Insurance to protect the people working in your business.....	259
CHAPTER 13: Working with Customers and Clients.....	261
Recognizing What You Want from Your Customers or Clients.....	262
Reviewing What Happens in the Usual Business Transaction	262
Making the Sale	263
The pitch and the close.....	263
First impressions	263
Documenting Your Agreement	264
Contracts for the sale of goods.....	264
Contracts for services	267
Speak to your lawyer.....	268
Doing the Work	269
Happy customers	269
Unhappy customers	270
Getting Paid	271
Planning to get paid	271
Collecting your accounts receivable.....	273

Getting Paid Online.....	274
Merchant account	274
Third-party processor	274
Apple Pay	274
Addressing Customer Privacy	275
Getting Repeat Business and Referrals	277
When Peaceful Coexistence Is Shattered.....	279
If you get fired for no good reason.....	280
If you really screw up	280
CHAPTER 14: Dealing with Suppliers and Advisors.....	285
So Now You're the Customer.....	286
Determining what goods and services you need	286
Finding suppliers	288
Choosing a supplier.....	289
Establishing Credit with Your Suppliers.....	291
Entering into Contracts with Your Suppliers.....	291
Contracts for goods.....	292
Contracts for services	293
Speak to your lawyer.....	295
Establishing a Good Relationship with Your Suppliers	296
Problems with Suppliers.....	297
Avoiding problems in the first place.....	297
Considering some problems that can arise.....	298
Knowing what to do if you suffer loss or damage because of your supplier	299
Using Suppliers of Professional Services.....	300
Finding professional help.....	301
Entering into contracts with professional advisors	301
Working with professional advisors	302
Dealing with problems with professional advisors	303
CHAPTER 15: Beam Up the Crew.....	305
What Are You Getting Yourself Into?	305
Paying wages	306
Providing paid vacation and statutory holidays	306
Paying taxes	307
Providing a safe workplace	307
Taking responsibility for your employees' actions	308
Hiring an Employee.....	309
Drafting a job description and qualifications	309
Funding an employee	310
Finding job candidates	311
Reviewing the job applications	312
Interviewing the most promising candidates	312
Checking out the candidates	314

Making an offer	316
Contacting the unsuccessful candidates	319
Being an Employer	319
Being a manager	319
Complying with government requirements	320
Maintaining records	321
Establishing policies	322
Firing an Employee	323
Firing for just cause.....	323
Firing without just cause.....	324
Examining wrongful dismissal.....	325
Addressing human rights concerns	325
When Your Employee Is Gone.....	326
CHAPTER 16: Tax Attacks!	327
Choosing Your Tax Tactics	328
Doing your own taxes.....	328
Enlisting cyber help.....	329
Recruiting a Certified Public Accountant	329
Income Taxes	329
Understanding what income a business is taxed on	330
Defining business income	330
Discovering what legitimate business expenses are	331
Assessing how much tax you will pay.....	335
Determining when and how you have to pay.....	338
Being penalized	340
Keeping the proper records.....	341
Dealing with an audit	341
Sales Taxes	342
Provincial sales tax	343
Goods and Services Tax	343
Harmonized Sales Tax	345
Payroll Taxes	346
Business Taxes	346
CHAPTER 17: Close Encounters with Accounting	347
What's Accounting and Why Is It Important?.....	348
Bookkeeping	348
Creating and saving source documents.....	349
Recording your transactions	350
Sorting your revenue and expenses by category	351
Handling the bookkeeping burden.....	354
Inventory Accounting	356
Internal Controls	357

Preparing Financial Documents	358
Tax and related returns	358
Financial statements.....	359
Historical Financial Statements.....	359
Creating financial statements	360
The income statement	360
The balance sheet.....	362
Case Study: E.T.&T. Telecommunications Inc.....	364
Cash-Flow Projections.....	366
Hiring an Accountant	367
Considering what an accountant does.....	367
Determining what kind of accountant you need	367
PART 4: WHAT DOES THE FUTURE HOLD?	369
CHAPTER 18: Getting Bigger	371
What “Doing More Business” Means	371
Don’t Do More Business If.....	373
Lowering expenses	373
Raising prices	375
How Do You Find More Business?	375
See if you can do more of the same work for existing customers	376
Find more customers for the same work.....	378
Do new and additional work for existing customers	378
Find new customers for new products or services.....	379
How Do You Finance Your Expansion?.....	379
Sale or sale and leaseback of equipment	379
Retained earnings	380
Equity investment	380
How Do You Manage a Bigger Business?.....	382
Learning personal management techniques	382
Learning business management techniques	387
CHAPTER 19: Starting a Cannabusiness	391
Determining If You Have What It Takes	392
Seeking Out Helpful Business Information	393
Industry information.....	393
Legal and regulatory information	396
Getting Clear on Your Big Product or Service Idea.....	402
Generating a unique cannabusiness idea	403
Considering start-up and ongoing costs	404
Understanding your consumer base	405
Exploring the Opportunities	405
Producing, cultivating, or growing cannabis	407
Exploring cannabis processing	411

Selling cannabis as a legal retailer or dispensary.....	415
Running a cannabis delivery service.....	417
Providing advertising, public relations, marketing, and branding services.....	417
Offering security services.....	418
Considering ancillary products and services.....	418
CHAPTER 20: Anticipating Problems.....	421
No Money.....	422
Your business can't make a payment that's due.....	422
You've personally guaranteed a debt for your business and your business can't pay	426
Your business can't pay its rent.....	426
Your business can't pay a mortgage on real property.....	427
Your business can't pay its taxes.....	428
Your business is insolvent	428
Bankruptcy	430
Disputes	431
Negotiation of a settlement.....	432
Alternative dispute resolution (ADR)	437
Litigation	439
CHAPTER 21: Closing Up Shop.....	443
Parting from Your Business May Be a Joint Venture	444
Tax Considerations When You Get Out of Business	445
Taxation of capital gains.....	445
Calculation of capital gains	445
Dealing with the tax bill	446
Selling Your Business as a Going Concern.....	446
Knowing what your business is worth	447
Finding a buyer	447
Dealing with prospective buyers.....	447
Putting the deal together	448
Going Out of Business	452
Finding buyers for your business's assets	452
Unloading leased equipment.....	453
Paying off your debts	454
Notifying your clients or customers	454
Notifying your suppliers.....	454
Negotiating with your landlord	455
Being Put Out of Business	455
How your secured creditors can put you out of business.....	456
How your unsecured creditors can put you out of business	456

Dying to Get Out of Business.....	457
Short-term planning versus long-term planning	458
Keeping it in the family.....	459
Selling to an outsider	460
PART 5: THE PART OF TENS.....	461
CHAPTER 22: Ten Questions Every Prospective Small Business Owner Should Ask	463
Do I Have the Right Personality to Run My Own Business?	463
What Should My Business Produce or Sell?.....	464
Should I Buy an Existing Business or Start from Scratch?.....	465
Should I Incorporate My Business?.....	466
How Will I Finance My Business?.....	466
Should I Work from Home?	467
What's the Best Way to Market My Business?.....	467
How Can I Keep My Customers Happy?.....	468
When Should I Take On Employees?	469
What Professional Help Do I Need?	470
CHAPTER 23: Ten Key Documents for a Small Business	471
Partnership Agreement or Shareholder Agreement	471
Lease for Your Business Premises	472
Insurance Policy.....	473
Business Plan.....	474
Loan Documents	474
Standard Customer Contract.....	475
Employment Contract.....	476
Confidential Disclosure Agreement	477
Non-Competition Agreement	477
Privacy Policy	478
CHAPTER 24: Ten Internet Resources You May Find Useful	479
The Government of Canada.....	479
Provincial/Territorial Government Websites.....	480
Innovation, Science, and Economic Development Canada	481
Business Development Bank of Canada	482
Canada Revenue Agency	482
Bank and Trust Company Websites	482
The Yellow Pages.....	482
Top Ten Reviews	483
HowStuffWorks	483
Mashable	483
INDEX.....	485

Introduction

Starting a business is an exciting — and often frightening — adventure. Who knows where you may end up? To keep from getting lost on your journey exploring business opportunities, you need help setting up your business — choosing the right vehicle, charting the right course, and heading out with the right equipment. This book gives you a head start on your voyage.

About This Book

According to Industry Canada's recent *Key Small Business Statistics*, the Canadian economy totalled 1.17 million businesses. Of these, 1.14 million (97.9 percent) were small businesses — namely, enterprises with fewer than 100 employees. But for just about every one of the 100,000 new businesses created each year, there are others that no longer operate due to bankruptcy, insolvency, retirement, or other reasons. In fact, these statistics also show that about 85 percent of small businesses survive for three years, and 70 percent survive for five years. That's a pretty high failure rate.

In addition to external circumstances beyond anyone's control, exits from small businesses are commonly driven by the fact that many small business owners are poorly prepared to go into business. They don't know the things they need to know that will allow their businesses to succeed. This book isn't long enough to tell you everything you need to know about going into business for yourself, but it gives you a really good head start and addresses many of the root cause "knowledge gaps" often attributed to business failures.

Within this book, you may note that some web addresses break across two lines of text. If you're reading this book in print and want to visit one of these web pages, simply key in the web address exactly as it's noted in the text, pretending as though the line break doesn't exist. If you're reading this as an e-book, you've got it easy — just click the web address to be taken directly to the web page.

Foolish Assumptions

We wrote this book for people who want to go into business for themselves. You have aspirations of being an entrepreneur, but that's all we know about you. We don't assume that you know where your business will be located, or even what it will be. We don't assume that you have any background knowledge about law or risk management or insurance or accounting or marketing or anything else for that matter. We do assume that you have a computer with Internet access, although we don't assume that you're a techno-nerd. We assume that you are intelligent and self-motivated. And we assume that you're aware that this book is just the start of a long journey that will entail a lot of work but will hopefully confer great rewards, too.

Icons Used in This Book

Scattered along the left-hand side of this book are little icons. Here's a guide to what they mean:



REMEMBER

This icon draws your attention to important information you've probably already forgotten if we've told you about it before, or to information that we want you to remember in the future.



TECHNICAL STUFF

This icon suggests that we're going to say something that will make your eyes glaze over. But we use it sparingly — instead we try to make sure to cover technical points in understandable language, so you hardly know you've hit a technical bump at all.



TIP

This icon tells you to sit up and pay attention. We're telling you something that's worth acting on or keeping in mind.



WARNING

This icon says that you're heading for trouble and should reconsider your flight path!

Beyond the Book

In addition to the material in the print or e-book you're reading right now, this product also comes with some access-anywhere goodies on the web.

Check out the free Cheat Sheet for help on determining whether you have a small business personality, a list of five great websites for setting up a Canadian small business, and five reasons why small businesses fail. To get the Cheat Sheet, just go to www.dummies.com and type **Canadian Small Business Kit For Dummies Cheat Sheet** in the Search box.

This book includes companion downloadable content. You can find just about every form, table, questionnaire, and contract that we mention in this book on the Downloads tab at www.dummies.com/go/csbkfd4e.

Where to Go from Here

You don't have to read this book in order. Each chapter is self-contained, so you can pick up some information here and some information there about a topic that's of particular interest to you. For example, if you're interested in buying a franchise, have a look at Chapter 5. If you're keen to incorporate, take a peek at Chapter 6. Worried about where you're going to get the money for everything you need to run your business? Check out Chapters 9 and 10. If you're forward-thinking, and you're already envisioning how your business will expand, go to Chapter 18.

But if you're really thinking of starting a business and you haven't been in business before, we recommend that you begin at the beginning and read until you reach the end.

1 **Small Business Essentials**

IN THIS PART . . .

Figure out whether you've got the right stuff to go into business for yourself in the first place.

Find information about starting and carrying on a business.

Decide what ideas you'll want to use in your business and whether you can get the legal right to use them.

Choose which product or service you want to offer.

IN THIS CHAPTER

- » Knowing the upsides and downsides of small business ownership
- » Identifying a good idea and business opportunity
- » Assessing your true entrepreneurial spirit
- » Looking at timing and resources
- » Deciding if you should keep your day job

Chapter **1**

Do You Have the Right Stuff?

So you're thinking of starting your own business! Every year, lots of Canadians of all ages and backgrounds get the entrepreneurial urge and take the leap to start businesses. Some of those businesses become very successful, and some of them fail.

Business success or failure isn't the result of fate, or random chance. A business does well for good reasons — like providing a great product or service, having a solid marketing plan, and having an owner with good management skills.

Likewise, when a business goes under, you can often identify the reasons — lack of money to get properly started, poor timing or location for entering the market, or a wipeout on the customer service front. Whatever the reason for a business failure, it usually boils down to this: The business owner didn't look carefully before leaping into a new business frontier.

This chapter and the others in this section of the book help you think about going into business before you hit the ignition button and blast off. Think of this first section as "countdown."

Weighing the Pros and the Cons of Small Business Ownership

People start up their own businesses for different reasons. One of the best reasons is that they've found a business opportunity and idea that are just too attractive to pass up. A good reason is that they want to work for themselves rather than for someone else. A discouraging — but still valid — reason is that their other job options are poor (the number of small business start-ups always rises when the economy sinks or stinks).

Whatever your reason is for wanting to become an entrepreneur, you should know that life as an entrepreneur is a bit of a mixed bag. Don't say we didn't warn you! Running your own business has some great advantages, but it also has its share of disadvantages.

The pros

Here are some of the good things about going into business for yourself:

» **You're free!** You'll have the freedom to

- Make your own decisions — you're in charge now. Only investors (see Chapter 9), customers and clients (see Chapter 13), government regulators (see Chapter 6), and so on will tell you what to do.
- Choose your own work hours — in theory, anyway. You may not be able to get away with sleeping in until noon or concentrating your productive hours around 3 a.m. But you're more likely to be able to pick up the kids from school at 3 p.m., or exercise from 10 a.m. to 11 a.m., or grocery shop during normal office hours.
- Create your own work environment (see Chapters 7 and 8) — surround yourself with dirty coffee cups and empty candy wrappers if you feel like it.

» **You can be creative!** You can build your business from scratch following your own ideas rather than following someone else's master plan. (See Chapter 3.)

» **You'll face new challenges!** Every day. And twice as many on days that end in a y. You'll never be able to say that work is always the same old boring routine.

» **Your job will be secure . . . as long as you have a business!** Your business may fail — but no one can fire you. You can ask yourself to resign, though. (See Chapter 20 for information about the depressing prospect of running out of money.)

- » **You'll have increased financial opportunities!** If your business is successful, you have the potential to make more than you could as an employee.
- » **You'll have tax advantages!** This is especially true if your business is not incorporated (a sole proprietorship or a partnership), but it's also true in a different way if your business is incorporated (see Chapter 6).

The cons

Do you think we used enough exclamation marks in the exuberant section just before this one? Bet they got you all enthused and excited about entrepreneurship. But calm down for a minute — being an entrepreneur has plenty of disadvantages, too. For some people, they outweigh the advantages. For example:

- » **You may not make a lot of money.** You may make enough money to live on, but it may not come in regularly like an employment paycheque, so you'll have cash flow predictability and budgeting problems. Or you may not make enough money to live on. You may not even make any money at all. You may go bankrupt and lose not only your business, but most of your personal possessions as well. See Chapter 20 for comfort (or failing comfort, at least for information).
- » **You lose easy and inexpensive access to employment benefits if you don't hang on to employment elsewhere.** These may be benefits that you have come to count on — extended health and dental benefits, disability insurance, life insurance, a pension plan, and so on.
- » **You'll have to work really hard.** That is, if you want to succeed — and you won't just be working at the business your business is about. You'll also have to do stuff you may not be trained to do, such as accounting, sales, and collection work. (But see Chapters 13 and 17 for some help.)
- » **You may not have a lot of free time.** You may see less of your friends, family, and pets (even if you're working at home) and have less time for your favourite activities. Getting a business up and running takes more than hard work; it also takes your time and commitment. Don't scoff that you won't let that happen to you, at least not until you've put in hours filling out government paperwork (GST/HST for example — see Chapter 16) on a beautiful sunny day that would be perfect for, well, almost anything else. By the way, you don't get paid for your sacrificed time, either.
- » **You may have to put a lot of your own money into starting up the business.** And even if you can borrow the money, unless the lender is The Bank of Mom and Dad, you'll have to give personal guarantees that the money will be repaid (with interest) within a certain time. The pressure is

building! (For more on borrowing, see Chapter 9.) By the way, not to add to the pressure or anything, but you should know that you might lose your own money or not be able to repay borrowed money because of factors beyond your control. You could get sick (and now you probably don't have disability insurance), be flattened by a competitor, squashed by a nose-diving economy, or whacked by a partner who pulls out on you. (See Chapter 20 for advice on how to deal with some of these problems).

- » **You are the bottom line.** No excuses — success is up to you, and failure is your fault. You'll have to keep on top of changes in your field, the impact of new technology, economic fluctuations. . . .
- » **Your personal life can stick its nose into your business life in a major way.** If you and your spouse split up, your spouse may be able to claim a share of your business under equalization provisions in the family law of some provinces. You might have to sell your home, your business, or your business assets (business property) to pay off your spouse. (Chapter 21 looks at selling your business.)

Choosing Your Business

After you're aware of the upside and the downside to running your own business, start considering how people choose a business to go into.

Five main kinds of businesses exist:

- » **Service:** Doing things for others, including the professions (doctors, engineers, lawyers, dentists, architects, accountants, pilots); skilled trades (plumbers, electricians, carpet installers, bookkeepers, renovators, truckers, carpenters, landscapers); and a huge range of other things for which you might need a lot of training and skill, or at least some talent and willingness. We're talking about teachers, data scientists, financial planners, real estate agents, painters, insurance brokers, management consultants, taxi and Uber drivers, travel agents, dry cleaners, caterers, event planners, hairdressers, equipment repairers, commercial printers, photographers, gardeners, snow removers . . . this list could go on.
- » **Retail:** Selling things to the general public, such as jewellery, groceries, clothing, appliances, books, furniture, antiques and collectibles, toys, hardware, cards and knick-knacks, garden accessories, plants, cars . . . this list could also go on.