

LEARNING MADE EASY



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[®]
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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

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Published simultaneously in Canada

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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

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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/csbf4e.

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 paycheck, 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.