Business Development Journal II
December 23, 2022

How Much Will It Cost to Start My Business?

When you are starting your business, it can be difficult to account for all the costs associated with starting and operating a business. For example, a prospective restaurant owner will consider the costs of food and a building but may forget to include the cost of buying office supplies and plastic drinking straws. It is very important to consider every capital need your new business will have, so that you will not find yourself running out of startup money before you break even. Texas Main Street managers cite a lack of sufficient capital as the top reason for failed new businesses.

Startup Costs

The following are common startup costs for small businesses in Texas:

Legal

Your first likely startup cost is legal advice and paperwork to make your new business official.

The actual legal costs you experience will be different depending on what kind of legal structure you decided on in your business plan. If you decided to operate as a sole proprietorship, there may be no paperwork necessary. If you decided to operate as any kind of corporation or partnership, some kind of legal paperwork will be necessary to create the corporation or initiate the partnership.

Talk with an experienced attorney to explore what you need to do. An ounce of money spent on legal advice early on can save you a pound of trouble later.

Personnel

Another important startup cost is the amount of money needed to hire help. This could be high-school students who need work after school or seasoned professionals who command a high salary. Even if you do not expect to hire any help for your business right away, consider that you may need to budget for an employee if your business expands quickly.

Inventory

If you are starting a retail or wholesale business, you will need to plan for startup inventory. Remember that your startup inventory may not last long if you are successful, and it may take a while before your business generates more cash than it uses. Therefore, your startup budget should include cash to replace sold or spoiled inventory.

Space
Next, your startup budget must include a place for you to do business. Consider carefully before you cut costs in this area. For many types of businesses, the keys are "location, location, location." A desirable business space will cost you more money, but it may pay dividends in both the short and long runs.

Utilities
Utilities are difficult to estimate, since the costs and usages of commodity items like gas, water, and electricity vary from month to month. To get an idea of how much utilities will be, ask the owner of a business in your chosen location that has similar utility requirements. Remember that your startup budget must be able to fund utility payments for as long as it takes your business to break even.

Supplies
Most businesses need significant business supplies, even if they are not primarily offices. Your business will likely need pens, paper, staplers, paper clips, letterhead, and perhaps a computer and printer, among other things.

Advertising
Small business owners often fail because they did not market their business through advertising. Advertising does not have to be expensive to be effective. Create a marketing plan that describes what you will do to market your business and account for reasonable marketing costs in your startup budget.

Ongoing Capital Needs
Your startup budget must include enough money to support the ongoing capital needs of your business until it can support itself. This ongoing capital must take into account the possibility of increasing business over time. If your number of customers triples in your first six months, you must have the startup budget to hire more help, buy more inventory, and provide more customer service. Otherwise, you risk under-serving your customers and losing them forever.

Conclusions
Even the best business plan will fail if you run out of money before your business breaks even. Careful planning early in the startup process will help ensure that your young business is never strapped for cash.

Other Resources

Business Startup Checklist:
http://www.businessknowhow.com/Startup/checklist.htm

Please send comments or questions to rjohnson@freeport.tx.us