

How to Start a Small Business on a Shoestring Budget

*Strategies and tips to turn your
business dream into a working reality*

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Introduction to Small Business Budgeting

One of the major reasons many people do not venture out on their own to start a business is a lack of funds. While some businesses may require hundreds of thousands of dollars to start, there are many others that can be started for a relatively small investment. With proper budgeting and smart financial decisions, a lack of funds does not have to keep you from stepping into the world of self-employment.

Keep in mind there are many sources of funds for your start-up business:

- Friends and family
- Personal savings
- Credit cards
- Loans through local lender
- Small Business Administration backed loans
- Angel investors

A great way to save for your new business venture while testing out its viability is to work your business on the side while you are still employed. Save as much extra money as possible during this six-month time period while cutting expenses to the bare minimum. This can provide a cushion of savings when you first start out on your own full-time.

Advantages of a Small Budget

One thing that I have heard repeatedly from venture capitalists is that low budget businesses often have an advantage. When you are faced with a small checking account to fund purchases and expand your business, you often do so with much planning and forethought. Those who suddenly find themselves with millions in funding may make unwise decisions as they seemingly have an endless cash flow to work with to expand.

Having a budget can make you think more creatively in order to solve your problems without the use of the almighty dollar. It will enable you to act in a way that requires preparation, planning and prudence. In the long run, this can create a better business person than having millions sitting in a bank account will.

When you start your business, do so frugally. Only spend on those things that will improve your productivity and your profitability in the long run. While the saying you have to spend money to make money may be true, you don't have to throw it all away. Spend wisely and follow your business plan. As your business begins to become more profitable, you can sink some of those profits into nicer furniture and equipment all while continuing to expand.

Determine the Type of Business to Start

A business that you can operate from your home may be your best bet when funds are limited. You can avoid many expensive costs such as securing real estate, equipment and fixtures. There are quite a few multi-million (and billion) dollar businesses that have been started from an entrepreneur's dorm room or garage. Do not let the fact that you are starting small keep you from starting at all.

If you are interested in a brick and mortar retail store, consider starting online first. Not only will this expand your market place, it can make it easier to test market products without the overhead of a retail storefront.

If you feel you must have an office presence with a secretary in order to appear professional to your clientele (you don't!), consider utilizing a service that provides your business with a real street address rather than a P.O. Box and an answering service or virtual assistant service.

Set-Up Your Office Space

Of course, it would be great to start a business on a top level floor of a high rise with sweeping views of the city, mahogany office furniture, the latest and greatest in equipment and an assistant that is waiting to cater to your every business whim. But is it realistic? Or even smart? Probably not. Let's take a look at what you need versus what you want.

Office Equipment

While you may want a brand new computer, iPad, scanner, printer, fax machine and phone, are these expenses really necessary in order for you to be able to accomplish your business tasks? Think about how often you would most likely use that piece of equipment before you invest in it.

For instance, how often do you anticipate that you will need to fax documents? I personally bought a fax machine in the beginning and it has been fairly useless for me. So much is done over the internet now, I have found the fax machine to be obsolete. Not to mention, you can also fax documents directly from your computer with an internet connection.

Compile a list of equipment that you will need on a daily basis. Evaluate the equipment you currently have and how it will meet those needs. Consider dealing with what you have for the first month and only invest if you discover after that timeframe that it is an absolute necessity and will improve productivity and profitability.

Office Space

Depending on the type of business you will be engaged in, it may be imperative that you have a quiet and professional work environment. If you will be spending a large amount of time on the phone, the kitchen table may not work well as a temporary office space to save money. However, there are still alternatives that can save on leasing a professional office space:

- **Guest bedroom** – There's no reason to convert the entire guest bedroom. Just rearrange the furniture to fit a small desk and chair. There's no reason to keep a guest bedroom

that's used a few times a year off limits and pay for office space.

- **Master bedroom** – Many master bedrooms have enough additional room for a desk and chair. In addition, it has a door that can be shut to make the space quieter.
- **Local retailers** – If you only need a laptop and internet connection to work, a local coffee shop, bookstore or library may be a perfect place to work. If outside noise is a distraction for you, consider wearing noise canceling headphones while you work.
- **Co-working** – If you must have office space, consider a co-working arrangement. These places are popping up everywhere, especially in metropolitan areas. These spaces are shared by a wide variety of entrepreneurs who pay a monthly membership fee to use the space. Most offer private office spaces, board rooms and other amenities. This is still a much less expensive option than traditional office space and you will not have additional bills for phone, internet, etc. Most also provide basic office furniture and office equipment such as copiers and fax machines.

If you are working from a space inside your home, it is imperative that a few ground rules are set up in order to make it a productive environment:

- Close the door if others are home when you are working. This can be your signal to them that you are not to be disturbed unless it is an emergency. This also prevents you from seeing tasks around the house that need attention.
- Turn off the television and avoid working in an area with one.
- Post office hours on your day and stick to them. Your family and friends are less likely interrupt if they know you will be available after a certain time each day.
- If you are using your home phone as your business phone, ensure that no one else in the home answers the phone during your business hours. You always want to present a professional presence.
 - Consider a separate phone line for your business if you will be using the phone quite a lot to converse with clients and customers. Another alternative that

may be less expensive is adding an additional line to your current cell phone plan.

- Learn to say no. Some will want to take advantage of you working from home by asking you to run errands or complete other tasks. If you wouldn't leave a traditional job in the middle of the day to do it, don't start doing it now. You still have a job, the location is just different.

Office Furniture

In all likelihood, you will need a tabletop of some sort along with a place to sit. Do you have a dining room table that is sitting unused 90% of the time? Is there a small desk that can hold your laptop while you sit in a kitchen chair? Even if you do not have any of these items in your home to use, there are still ways to save money when acquiring office furniture.

- Check with thrift stores, garage sales, Goodwill and Salvation Army for pieces of furniture that will serve as a desk.
- Buy the raw materials and have a handy family member or friend build a simple tabletop for you.
- Browse used office furniture stores for desks, filing cabinets and chairs.
- Check with local businesses that are closing.
- Buy a desk that you put together yourself from a large retailer. It may not be the best quality but it will serve its purpose until you are able to upgrade.

Save Money on Branding

Marketing Materials

Business owners fall under the mistaken idea that they must have four-color brochures, business cards and other marketing material to give to their clients. Before you hire a graphic designer and pay a printing press thousands of dollars, consider how often you will use these materials.

How often will you be face-to-face to distribute these materials? Can you save on the mailing costs by directing potential customers to your website instead? Will the materials actually be used or will they simply take up space in your office and look pretty? Just because Company ABC has an impressive print brochure doesn't mean you have to have one in order to compete.

Free Publicity

When you start a new business, you must get the word out about your business. The best possible way to do this for free is through word of mouth which can be generated through publicity. Get people talking about your business and give them a reason to talk about it.

- **Write a press release about your business start-up to be distributed to local media outlets.** However, know that a new business opening is not necessarily news. A business that is donating 15% of its profits to charitable organizations in the area while providing training for homeless women to help get them back on their feet financially is definitely news. Look for ways to spin what you are doing into an interesting story.
- **Join the local Chamber of Commerce, business organizations or civic clubs.** These organizations will typically promote new business openings all while introducing you to their membership. In addition, some may provide the opportunity to provide presentations at monthly meetings. Sign up and deliver informational content that can apply to your audience.
- **Participate in charity events.** Even though you may not have money to donate, you do have time. Exchange your time for being named as an event sponsor and the

opportunity to network with others. If your specialty is business newsletters, consider offering your services to the publicity committee in exchange for a small business ad in the newsletter.

- **Give people the chance to connect with you by setting up pages on social media networks** such as Twitter, Facebook and LinkedIn. Connect to those within your niche and engage in conversations with them. Encourage current customers and clients to connect to you through these avenues.

Online Presence

In this day and time, it is necessary for a business to have a presence on the web. In addition to having profiles on the social media networks, it is also important to have a website where potential customers can go for additional information about your business or even to purchase products and services.

Developing a static website from scratch can be very expensive when a web designer and copyeditor must be hired for the task. Frequent updates to the site can easily turn into quite the monthly bill. But rest assured, you can get a presence on the web while sticking to your budget. The answer is to build it based on a blog format.

Wordpress.org offers a blogging platform that is free. The only cost involved will be in securing [monthly web hosting](#) which can run less than \$10 per month. There are thousands of Wordpress themes available which can give your site a professional look with the click of a button. If you choose to upgrade to a premium theme, these are available as well for a small investment.

The versatility of Wordpress allows you to create a site that appears to be a static website with a blog attached for frequent updates with your target market. The interface is very user friendly and will allow you to make any necessary changes to the site rather than having to contact a web designer to make every single change needed. The site also offers thousands of plug-ins which can make optimizing the site for search engines, engaging with visitors through comments and RSS feeds a breeze to set up.

Setting up your site on a Wordpress platform can save you thousands in design fees as well as hundreds, if not thousands, in monthly maintenance and update fees. Even if you choose to [use a professional to set up the site for you](#), it will be less expensive than contracting with a web designer to create your site from scratch.

Explore Employee Issues

When you hire employees for your business, you have entered an entirely new territory. Suddenly, there are additional tax laws, legal considerations and financial responsibilities. There are several ways to lessen these issues:

- **Outsource.** Do not hire a full-time (or even part-time) employee for a job that can easily be outsourced to a freelancer or independent contractor. In doing this, your responsibility in providing a regular salary, handling employment taxes, providing benefits and abiding by labor laws disappears. You can [outsource virtually any business task](#) from setting appointments to writing your business plan.
- **Hire interns.** Work with local colleges to hire summer interns for college credit. Not only will you most likely get an enthusiastic student who is willing to learn, you will also avoid some of the tax and benefit implications involved with a full-time employee.
- **Barter with other business providers.** If your accountant needs a virtual assistant and you need accounting services, consider working out an equal trade for those services. This eliminates all of the risks of hiring an employee.

Don't Scrimp on These Expenses

While this guide is to help you start your business on a shoestring budget, there are some areas of your business start-up where you should not skimp. Not spending the money necessary to set these things up correctly can cost you much more in the long run so it is a wise business investment to make in the beginning.

Hire an Attorney

If you are considering setting up an actual business through the state (LLC, partnership, corporation, etc), it is wise to consult an attorney. Legal counsel can guide you through the process as well as advise the best business structure based on your individual situation. This should only be one meeting but it will be well worth it to gain the advice of a professional.

Meet with an Accountant

If you are setting up a business that will employ others, it is wise to meet with an accountant to get all of the tax forms necessary for local, state and federal purposes straight. The IRS will not care that you are a new business owner who simply didn't know. Any mistakes can cost you heavily in fines and penalties. Even if you don't use an accountant on an ongoing basis, an initial meeting can make sure you are starting out on the right track.

Less Expensive Alternatives

An alternative to meeting with the lawyer and accountant is taking advantage of the services offered through the Small Business Administration (SBA). The SBA has professionals and retired executives who can answer many of your business related questions at no charge. In addition, they often put on seminars about different aspects of starting and running a business for minimal charges.

A final alternative is meeting with a professor at a local college or university in the business department of the school. These professors are experts in their fields and may be able to offer some advice to you on getting started in business as well as resources that are available through the school and open to the public.

Additional Resources

Business Advice:

[Small Business Administration](#)

[Federal Grant Sources](#)

[Business Use of Your Home](#)

Web Hosting:

[Host Gator](#)

Writing Services:

[Top Business Writer](#)

About the Author

Stacey Abler is a professional writer and marketer with more than ten years of experience in providing expertise to small business owners and corporate clients. With an MBA focused on marketing and entrepreneurship, she possesses the necessary skills and experience to catapult your business to the next level. Contact her today at [Top Business Writer](#) to discuss your business needs.

In addition to Top Business Writer, she also owns and manages a group of websites for Army spouses and families ([Married to the Army](#), [Army Wife Blog](#), [Ask an Army Spouse](#) and [Army Wife Chat](#)).