

RESOURCES

As you know, to start a business you'll need several forms and worksheets. If you've read this far, you've already come across some of these items, like the income statement and ledger. This Resources section contains all the other paperwork you'll need to start running your business. It even contains an entire business plan that you can use as a guide when you write your plan! Visit the book's Web sites, quickcashforteens.com to find other useful business forms and information.

Sample Press Release

FOR IMMEDIATE RELEASE [1]

Today's date

Contact:

Peter Bielagus

Phone XXX-XXX-XXXX

**America's top expert on young people and their money
offers \$1,000 in venture capital to Young Entrepreneurs [2]**

Bedford, N.H., February 3, 2009, Financial author and speaker Peter Bielagus is offering \$1,000 in venture capital to the young entrepreneur with the most interesting tale to tell. [3]

In preparation for his upcoming book *Quick Cash for Teens*, which is an entrepreneurship guide for students ages 12 to 21, Bielagus is collecting stories from young entrepreneurs all over the country. In return for their efforts, he is offering 100 free books to people who write the 100 top stories and a \$1,000 grand prize to the entrepreneur with the best tale to tell.

That lucky grand prize winner will also receive a full day of entrepreneurship coaching from Bielagus.

“In writing this book, I really wanted to hear from the front lines,” says Bielagus. “What are the actual problems that actual young entrepreneurs face? What was the smartest thing they did? What was the dumbest?” Bielagus’s publisher, Sterling Publishing Co., Inc., expects the book to be out in 2009. [4]

To enter, participants must be between the ages of 12 and 21. Simply send a 250-word essay describing your business (either one that is up and running or one that is still in the planning stages) to peter@peterbspeaks.com with the word *Contest* in the subject line. [5]

Please include a description of how you came up with your business idea, how you got started (or plan to get started), what obstacles you faced, and what you would do with the \$1,000.

Entries are due no later than April 28, 2009. Entries can also be mailed to Peter Bielagus, 123 Happy Street, Anywhere, NH USA 00000

Bielagus is available for interviews as an expert on young people and their money. To arrange an interview with Bielagus, please call him at 603-555-1234; he welcomes calls during weekends and holidays. For more information, visit www.peterbspeaks.com. [6]

[7]

Key to Press Release

Now, let’s take a closer look at the press release. The numbers below correspond to the numbers at the end of entries in the press release:

1. This section states that this is an urgent press release. It’s not about a story happening four months from now. It also shows the reporter how to get in touch with me.
2. This is the headline. The headline has one purpose: to get people to read on. It should be short, catchy, and in bold, large print.
3. The body of the press release should always begin with a place and time. Newspapers pay very close attention to local stories, so be sure to remind them that yours is a local story.
4. Be sure to include some live quotes in your press release. Remember, your job is to make it easy for reporters to write a story, and reporters love quotes.
5. Include an action item in your press release. Do you want people to show up to a certain place at a certain time? Do you want people to e-mail you or to send you their story via regular mail? Whatever it is you want, ask for it!

6. Most press releases are about a specific event. For example, your hat-making company is giving away 1,000 free hats to charity. However, feel free to include a little bit of information about your business in general in the press release. I have sent out well over 100 press releases. Often, reporters will call me not because they are interested in what the release said, but because they are doing a story on young people and money management.
7. What are those three number symbols for? They are just a journalistic code to signal that the press release is done! Don't forget them.

Sample Loan Agreement

CREDITOR:

BORROWER:

Loan Amount: _____

Interest Rate: _____

Repayment Period: _____

Repayment Terms:

Borrower agrees to pay back Creditor the Loan Amount at the above Interest Rate, over the above stated Repayment Period. Borrower will make payments on a _____ basis (monthly, yearly, etc.).

If any loan payment is more than _____ days late, Borrower shall be assessed a late fee of _____.

In the event Borrower cannot make the payments, Borrower agrees to perform household chores for Creditor at a pre-agreed rate of \$ _____ per hour until the loan is paid off in full.

Agreed upon this _____ day of _____ in the year _____

Creditor's Signature _____

Borrower's Signature _____

Sample Invoice

Invoice # _____*

Date of invoice: _____

[Your business name, address, and contact information here:]

TO [insert client's name and address here]:

COST:	DESCRIPTION OF PRODUCTS OR SERVICES [include dates of purchase or service]:
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_____	_____
_____	_____

TOTAL _____ **DUE TO:** [your business name here] _____

Please make checks payable to “_____” and send to the address above.

Payment is requested within _____ days.**

Thank you for your business!

* Always number your invoices to make them easy to track.

** Include information about how soon you expect to be paid.

Sample Business Plan

The following is a fictional sample business plan written by a young entrepreneur named Ted Smith. As you can see, Ted just answered the questions on the Quick and Dirty Business Plan Worksheet on Page 93.

General Information:

The name of my business is Young American Editing, whose name is registered in the State of New Hampshire. The location of my business is 123 Happy Street, Anywhere, New Hampshire USA 01234.

The contact phone number is 603-555-1234.

The e-mail address is *xxx@yxxxxxx.com*.

The Web site is *www.xxxxxxxxxxx.com*.

Executive Summary

Young American Editing (YAE) is an editing service for companies who seek to connect with young Americans. While most editing companies offer merely a grammatical edit, YAE also offers, at no additional charge, a marketing review describing what young Americans think about a particular book, brochure, or commercial. YAE will target companies with professional editing needs that are trying to market to young Americans. We will ensure that all marketing materials are not only grammatically correct, but also are written in the casual, hip style that young Americans enjoy.

First Part: Identify Business

We sell an editing service and marketing copy review service. Companies submit their brochures, print advertising, catalogs, books, magazine issues, and even scripts for radio and TV ads to us. YAE first conducts a grammatical edit. Then, we review the material and ask these questions: Is this something a young American would connect with? Is this something that a young American would purchase, based on this content? Does it speak their language? We include a report with every editing job that gives suggestions on how our clients could make their materials hipper to young Americans. For the price of a grammatical edit, the clients also receive a marketing review from the same young Americans they are trying to reach.

Our prices for this all-inclusive service are at or below what most of our competitors charge for a grammatical edit alone. We're the "two for one" editing company.

Our market niche is unique as we have a group of young American editors who are not only skilled at the art of grammatical editing, but are also a good representation of the young American market. Because we use college students on an independent-contractor basis, we are also able to keep our costs down.

Second Part: Identify Management

I, Ted Smith, am the person running the business. I am a senior in high school and am currently taking two advanced placement English courses. My uncle owns a small company that publishes New England guidebooks, and I have worked for him as an editor since I was sixteen. What's more, as a high school student, I hear the concerns, complaints, and challenges of my generation every day. I run all of the day-to-day operations of the YAE. I will manage all of the financials. I will manage all of the marketing. I will make all of the executive decisions, and I will even do everything down to cleaning the office. Below is a brief schedule as to when I will perform each of the necessary business tasks:

Mondays:	Manage staff of editors
Tuesdays:	Marketing day
Wednesdays:	Executive planning and operations planning day
Thursdays:	Marketing day
Fridays:	Update financial statements and work on office paperwork

All of the editors are college English majors or graduate students majoring in marketing or English. They work on an independent-contractor basis, so there are no fixed costs to have these editors work for us. Our company pays about \$5 per hour more than our top three competitors, so we are able to have our pick of the best college-age editors.

Third Part: Identify Market

The condition of the industry that I am in is terrific. As the baby boomers start to retire, companies are looking for their next giant batch of customers. Their research has led them to the 18- to 24-year-old demographic. Our target market is small companies who are trying to reach the 18- to 24-year-old age group. We are targeting small companies, because our low-price service will be most attractive to small companies that are seeking to keep their costs down.

We'll reach our customers primarily by word of mouth and through an aggressive outsourcing program. Because our operating costs are so low, we can provide our service cheaper than many marketing/editing companies can get with their own in-house staff. This price difference provides an ideal opportunity for them to outsource to us. We have also signed a deal with a marketing magazine to write one article a month on how to write copy that appeals to young Americans. This will give us exposure to more than 2 million readers per month, without costing a dime. We are going to conduct an initial mailing to the top 100 companies that we feel are most likely to use our service.

We charge \$50 an hour in order to edit, with a minimum charge of one hour. We will offer a money-back guarantee; we just ask that dissatisfied clients fill out a short survey as to why they were unhappy with our service.

Our research tells us that most editing companies charge around \$45 to

\$65 an hour to perform an edit. However, these fees include only a grammatical edit. Were a company in need of a marketing edit, they would most likely have to pay another \$45–\$65 per hour for that service. For our \$50 per hour, they receive both. This “two for the price of one” approach will be our self-seller. Our potential customers will think, *Why not go with YAE? We will gain customers that our competitors cannot get, simply by offering a sensational product at a price below our competitors’.*

We’re preparing to put 10% of our profits into an account that we will use to cushion ourselves for emergencies, so as the business grows, it will get stronger and stronger because it will have a larger and larger cash reserve.

Fourth Part: Outline Operations

It won’t cost that much to start the business. I already have most of the equipment and supplies necessary to start a service business. I am estimating a \$1,000 start-up cost, but most of this money is going toward marketing and cash reserves. I’m using a computer that I already own; I’m using a special ring on my parent’s landline; and I’m using my cell phone, which will cost \$30 a month. Because I am using my parent’s Internet connection, there is no charge.

All of our employees are independent contractors so there are no fixed costs associated with them. We charge our clients \$50 an hour for an edit, and we pay our editors 50% of that, or \$25 an hour. We hire mostly college students who are used to making between \$8 and \$15 per hour. Our high pay scale allows us to attract America’s best and brightest.

The business requires no insurance and no licenses, which again allows us to keep our fixed costs down. We also do not need to put down any deposit money with any suppliers because all of the supplies necessary for my business can be bought at a local office supply superstore.

My father has promised to introduce me to his accountant and his lawyer. The accountant has agreed, as a favor to my father, to do the tax return for my business the first year for free. This lawyer and accountant, as well as my English teacher and my uncle, who owns the publishing company, have all agreed to serve on my board of advisors.

Fifth Part: Identify Risks

YAE is a low-risk business because we have very few fixed costs. Our biggest risk is that our business is rather easy to copy. However, while the idea is easy to copy, it will be extremely difficult for an existing company with large operating expenses to compete with our prices. My office is my bedroom and many of my fixed costs (such as electricity and Internet) are picked up by my parents. If we find companies trying to pitch our business model to their clients, we will simply begin pitching those very clients, mentioning that we are far less expensive. What’s more, our business makes the perfect outsourcing opportunity for marketing and editing companies that have existing relationships with businesses that want to reach young

America. Rather than compete with our competitors, we will look to partner with them.

To further protect myself, I've established a separate business savings account in which I will put 10% of my after-tax business profits. This will serve as my emergency cushion for times when business might be slow.

Sixth Part: Schedule

FIRST 30 DAYS:

- Register domain name.
- Design Web site in MS Word and e-mail to Web designer.
- Choose business colors and logo.
- Print 500 business cards and stationery.
- Open five bank accounts.
- Draft press release.
- Make a list of family, friends, and target businesses to call.
- Call five names a week on target list.
- Follow up with e-mail.
- Get four filing boxes for accounting.
- Buy business ledger.
- Ask family and friends to preview Web site.
- Launch Web site.
- Have grand opening; send press release and e-mail to family and friends.

31 TO 60 DAYS FROM START:

- Create flyer.
- Print 100 flyers.
- Mail flyers to 100 target businesses.
- Write article on "writing in the language of young America."
- Send article to newspapers.
- Spend two hours researching online advertising.

- Prepare first month's cash-flow statement.
- Prepare first month's income statement.
- Prepare first month's balance sheet.
- Review financial statements: Where can I improve?

61 TO 90 DAYS FROM START:

- Change at least two lightbulbs in my parents' house to compact fluorescents.
- Ask all vendors if I can pay my bills later; shoot for 60 days after receipt of bill.
- Inquire from vendors if I am entitled to any discounts. (Buying in bulk? Agreeing to buy so much every month?)
- Arrange in-person meeting with accountant.
- Send "thank you" card to all current customers. Enclose a 10% off coupon and flyer to remind them of my \$25 referral fee policy.
- Test online marketing, using two Google AdWords and spending no more than \$200.
- Contact five businesses that would make good partners for my service (advertising agencies, publishers).

Seventh Part: Financial Analysis

START-UP COSTS:

Initial mailing:

Envelopes	\$ 20
Paper	\$ 20
Stamps	\$ 40

Office supplies and set-up:

Book about grammar	\$ 20
File cabinet	\$ 100
Business cards/letterhead	\$ 150
Web-site development	\$ 150
Total Start-up Costs:	\$ 500

OPERATING EXPENSES:

Fixed costs:

Web-site hosting (1 year)	\$ 100
One year office supplies (pens, etc.)	\$ 20
Cell phone	\$ 300
Internet	\$ 0*
Landline	\$ 0*
Total Fixed Costs:	\$ 420

Variable costs:

Annual mailing for outsourcing business:	\$ 80
Total Variable Costs:	\$ 80

COST OF GOODS SOLD (COGS):

Paper printout of report:	\$ 2
Cost of postage to mail report to client:	\$ 2
Follow-up thank-you letter to client:	\$ 1
Payment to independent contracting editor:	\$ 25
Total COGS for one unit (one hour of work):	\$ 30

*Free from parents.

My goal for YAE is to start the business for \$1,000. All \$1,000 of this money will come from my own savings. Of that \$1,000, one-half, or \$500, will be used for actual start-up costs, while the remaining \$500 will be kept in a business savings account as an emergency cash reserve, should I not get any clients. This cash reserve can keep the business running for an

Beginning Balance Sheet			
	ASSETS:		LIABILITIES:
	Cash:	\$ 1,000	Owed to owners: \$1,000
	Total Assets:	\$ 1,000	Total Liabilities: \$ 1,000
Balance Sheet after Purchase of Supplies			
	ASSETS:		LIABILITIES:
	Cash:	\$ 500	Owed to owner: \$1,000*
	Inventory:	\$ 500	
	Subtotal Assets:	\$ 1,000	Total Liabilities: \$ 1,000
	* \$500 in cash, \$500 office supplies.		

entire year, without having one single client. My annual fixed costs, including an annual variable-cost mailing, are \$500 per year.

A unit is defined as one hour, which is the minimum charge to our customers. YAE charges \$50 per hour. Half of this money is given to the independent contracting editor. The report, postage, and follow-up thank-you letter cost a total of \$5, which leaves me with a per unit profit of \$20 for one hour. Keep in mind, this \$5 cost is incurred only during the first hour. My per-unit profit for all hours after the first hour is \$25 per hour.

To keep my estimates safe, let's assume that all of my clients hire YAE only for one hour (even though my research tells me the average length of an editing job is three hours). This means my break-even point is 25 units per year. (Again, this break-even point would be smaller if and when clients hire YAE for multiple hours.)

If I can sell 50 units in the first year, I will have covered all of my operating expenses for that year, plus earned back all of the start-up costs. My single biggest cost is the cell phone. I thoroughly investigated whether that was the cheapest plan, and so far, this appears to be the case. After six months into the business, I will begin experimenting with operating the business without the cell phone by not giving certain clients the number, to see if this creates any decrease in customer satisfaction. I am also considering making my minimum order two hours.

My initial research tells me that it is reasonable for a company like mine to sell 100 units per year in the first year. I arrived at this number by interviewing my editors, who will be working as independent contractors and discovering how often they work for other companies. I also called ten of

Yearly Income Statement (Estimated)

REVENUES:

Bank account interest:	\$ 15
Sales (100 units):	\$ 5,000
Total Revenues:	\$ 5,015

COST OF GOODS SOLD (COGS):

Paper printout of report:	\$ 200
Cost of postage to mail report to client:	\$ 200
Follow-up thank-you letter to client:	\$ 100
Payment to independent contracting editor:	\$ 2,500
Total COGS:	\$ 3,000
Gross Profit (Revenues – Total COGS):	\$ 2,015

OPERATING EXPENSES

FIXED COSTS:

Web-site hosting (1 year):	\$ 100
One year office supplies (pens, etc.):	\$ 20
Cell phone:	\$ 300
Internet:	\$ 0 (free from parents)
Landline:	\$ 0 (free from parents)
Total Fixed Costs:	\$ 420

VARIABLE COSTS

Annual mailing:	\$ 80
Total Variable Costs:	\$ 80
Total Operating Costs:	\$ 500
Profit before Taxes:	\$ 1,515
Estimated Taxes:	\$ 455*
Net Profit:	\$ 1,060

*\$ 1,515 × 30%.

my target clients and asked them how often they hire editing and marketing services such as mine.

Based on this assumption, above and left are the income statement and balance sheet, and, on the next page, the cash-flow statement for my business. (Please remember that I assumed all sales would be first-hour sales, which are the least profitable for my company.)

Monthly Cash-Flow Statement March (Estimated)

TRANSACTION:	CASH IN:	CASH OUT:
Starting cash:	\$ 500	
Sales (8 hours):	\$ 400	
Interest:	\$ 1.25	
Paper printout of report:		\$ 16
Cost of postage to mail report to client:		\$ 16
Follow-up thank-you letter to client:		\$ 8
Payment to independent contracting editor:		\$ 200
Web-site hosting (1 month):		\$ 8
One month office supplies (pens, etc.):		\$ 1.60
Cell phone:		\$ 30
Subtotals:	\$ 401.25 (revenue)	\$ 121.65 (expenses)
Taxes: $\$401.25 - \$121.65 \times 30\% =$		\$ 36.49
Total:	\$ 585.16	

Monthly Cash-Flow Statement April (Estimated)

TRANSACTION:	CASH IN:	CASH OUT:
Starting cash:	\$ 585.16	
Sales (12 hours):	\$ 600	
Interest:	\$ 1.25	
Paper printout of report:		\$ 24
Cost of postage to mail report to client:		\$ 24
Follow-up thank-you letter to client:		\$ 12
Payment to independent contracting editor:		\$ 300
Web-site hosting (1 month)		\$ 8
One month office supplies (pens, etc.)		\$ 1.60
Cell phone		\$ 30
Subtotals:	\$ 601.25 (revenue)	\$ 375.60 (expenses)
Taxes: $\$601.25 - \$375.60 \times 30\% =$		\$ 67.70
Total:	\$1,118.72	

Conclusion

YAE is entering a hot market as companies are trying to connect with young Americans. My fixed costs are about as low as they can be, making it easy for me to compete and making it easy for my competitors to consider outsourcing much of their business to me.