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*"To develop an idea, you must listen to the silence of your mind."*

– Taken from "Dare to Soar" by Byrd Baggett

## Business Development Program:

### Economic Impact for St. Charles/St. Louis Region

The University of Missouri Outreach and Extension (UO/E) Business Development Program includes two UO/E and four Missouri Small Business Development Center (SBDC) counselors in the St. Charles and St. Louis Region. The Business Program uses a network of complementary business support services to educate people in starting, managing and growing businesses that create a viable economic base, improve lives and enhance communities. Business counselors deliver research-based information, are responsive to state and local needs, and proactive in delivering quality service.

The mission of the SBDC system is to improve competitiveness and management quality of Missouri small businesses. SBDC helps these businesses identify problems, explore opportunities and obtain solutions by offering comprehensive, timely assistance to create positive impact. Assistance includes counseling, training information and technology transfer, research, and other services to meet the changing and evolving needs of the Missouri small business community.

During fiscal year 2003, SBDC and UOE business counselors, working in

the St. Louis and St. Charles region, assisted 468 clients and their companies with business start-up and business management issues. In nearly 1,600 hours of individualized business assistance, those counselors helped client firms create the following economic impact:

- ◆ Business expansions totaling \$361,000
- ◆ Increased profits of nearly \$385,000
- ◆ Sales increases of \$45.4 million
- ◆ 363 new jobs
- ◆ 115 jobs saved
- ◆ New businesses totaling \$933,000

In addition, clients assisted by the SBDC and UO/E business counselors were successful in obtaining nearly \$16 million in loans. There were 1,048 participants in training programs on topics related to business start-up, business expansion, financial analysis, marketing and strategic planning.

Each year, the SBDC engages the services of an independent researcher to assess the economic impact of the SBDC program statewide. The same study is done on a national basis for the Association of Small Business Development Centers.

*Continued on page 4*



# Focus on Legal Structure: Choice of Entity

## Starting a business and deciding

which type of entity to utilize has many different tax effects. These effects can be **HUGE!** The question most often heard upon starting a business is “What type of entity should I select?” The answer is the same as it is for a lot of tax-related questions, **it depends!**

More answers are given in this article; but first, a little bit about the most popular entity choices. This list is not all-inclusive; however, some of the most commonly selected forms of ownership are: C Corporation; S Corporation; Partnership; Limited Liability Company and Sole Proprietorship. Each ownership type has different advantages and disadvantages. When deciding the choice of entity, it comes back to the question and answer mentioned above.

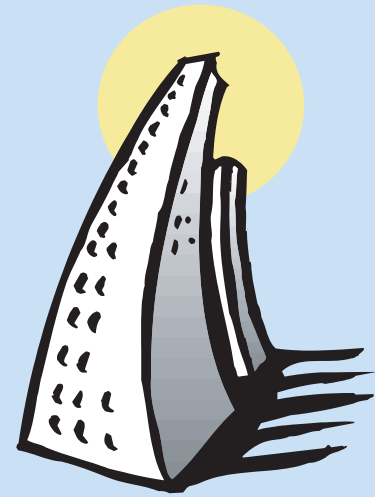
The reason *it depends* is that you have to ask yourself a few questions. Some questions are: “am I expecting to realize a loss or profit in the first few years?” Many start-up enterprises lose money in the first year or so. If this is the case in your situation, you may want these losses to *pass through* to your individual tax return to offset other types and sources of taxable income. This allows for a little relief from incurring those early year losses, but not all entities allow for this!

You will want to ask yourself, “does this type of business subject me to potential liabilities that I haven’t considered?” There are certain types of ownership where the risk of liability is *unlimited*. That is, if some-

one sues you as owner of the business and liability is determined, your choice of entity plays a significant factor as to whether or not the amount of payment your company (your loss) makes is limited to your investment in the company, or even if your personal assets can be taken as well. This may not be a large concern when you are getting the business started, but the **potential impacts loom large!**

Another question is, “Am I going to be the sole producer in this entity or am I going to require the services of other employees?” If the answer is to hire employees, then the question is “will I likely offer health insurance and other fringe benefits to these employees?” Because of the tax law treatment differences in the way you can deduct the cost of benefits, it may be better for you to be one form of an entity as opposed to any other. The consequences of a *wrong* entity choice can be significant and sometimes onerous.

Another question to ask is “is it likely that I will expand my business in a few years?” If so, is the expansion going to be costly? A C corporation with good planning can pay taxes at the low federal tax rate of 15%. Currently, an individual can pay federal taxes at a rate as high as 35%. In this case (knowing that the corporation will likely incur future costs of business expansion), it seems more advantageous to pay corporate taxes. Only certain types of ownership allow for corporations to pay income taxes and retain the residual after-tax earnings.



These questions about choice of entities do not include all options. As you can see, when making the important decision of entity choice, questions need to be answered and the options analyzed. The good news is there **is** an entity choice that fits your needs. Just ask yourself a few questions and scrutinize the answers; after that, the choice becomes a whole lot clearer!

Written by Roger Toennies, CPA  
Kerber, Eck & Braeckel LLP  
Tax Manager

Kerber, Eck & Braeckel LLP works with small businesses in all stages of their development – assisting with entity formation and choice; monthly bookkeeping, payroll and sales tax returns and other accounting services, if necessary; tax planning and tax preparation for the business itself and the owners’ personal tax returns.

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## Business Spotlight: TechGuard Security LLC

After the events of September 11, 2001, Suzanne Joyce wondered if her company, TechGuard Security LLC, would be around very long. The company had been operating for only a few months, and they had just completed their very first month of profitability. Several large contracts with various government agencies were suddenly on hold and the company's revenue stream was completely cut off.

Suzanne began working with Greg Tucker of the Small Business Development Center; and in early 2002 TechGuard Security LLC received an SBA Economic Injury Disaster Loan (EIDL) that was specifically designed for companies financially impacted by events of September 11. These funds allowed the company to operate until the agencies regrouped and the contracts were released to TechGuard.

Since the initial SBA EIDL loan, TechGuard has worked with Wayne Harvey of the MoFast program and

were recently awarded a NIST/ATP grant in excess of \$1 million for their research in the area of artificial intelligence in security products.

TechGuard, teamed with Booz Allen Hamilton, received a Computer Network Defense contract to lock down sensitive government systems in the event of a cyber attack on the nation's infrastructure. TechGuard personnel have donated thousands of volunteer hours to the FBI's InfraGard program serving as members of the National Executive Committee as well as starting the St. Louis Chapter. With National Imagery and Mapping Agency professionals, TechGuard helped create a program on Internet safety and responsibility for our youth. They have also begun to fill a niche by helping small businesses that cannot afford to have a cyber security professional on board offering the "Lean and M.E.A.N.™" Small Business Solution.

By 2003, the company has grown to 19 employees and revenues have increased by over 300%. Suzanne and James Joyce, Andrea Johnson and the entire TechGuard team are examples of successful entrepreneurs who are giving back to the community, in this case the nation, illustrating the powerful impact that one small businesses can create.



Written by Greg Tucker  
SBDC  
Program Specialist

*Economic Impact, continued from page 1*

The most recent study for the years 2000-2001 shows the Missouri program well above the national average in delivering documental economic impact.

For every dollar invested in Missouri's program, the SBDC and UO/E generated \$33.20 in increased sales; the national average was \$23.77. The tax benefit for every dollar invested in counseling in Missouri was \$6.18; the national average was \$3.71.

The Business Development Program has developed and currently offer a variety of specialized seminars and

training activities targeting critical business development needs and issues. Topics include writing a business plan, management, understanding financial statements, marketing, selling to the government or other timely topics of concern to business owners.

SBDC and UO/E business counselors and other specialists use their expertise to help Missouri businesses with critical issues and topics such as starting a business, marketing, management, strategic planning, financial analysis, acquisition and business liquidation or sale, as well as

capitalization information for new and existing businesses. All counseling is confidential and most consulting services are free.

If you're interested in individual small business counseling, contact any of the business counselors on page 7. For a complete list of our training seminars and workshops visit website: <http://www.mobdn.net/cgi-bin/calendar/calendar.pl>



Written by Virginia Wilson  
UO/E  
Business Counselor

## Get On The Fast Track!

**Where do you turn when you** need strategic guidance to expand your business, develop a new product or finance your business? The University of Missouri Business Development Program offers FastTrac courses for the St. Louis Region.

What do you get out of FastTrac? Control of your business *and your life!*

FastTrac is a nationally recognized training program designed by the Kauffman Foundation. Nationwide, FastTrac graduates are taking their businesses to a higher level. The St. Louis Small Business Development Center (SBDC) and University of Missouri Outreach and Extension (UO/E) began offering this comprehensive business development course in 2002; since then, more than 260 area entrepreneurs or aspiring entrepreneurs have participated in the classes.

The classes combine small group exercises, high-level individual participation and peer-learning, as well as first-hand experiences from entrepreneurs to give participants a well-rounded entrepreneurship experience. In the intensive FastTrac environment, participants interact with a group of people with whom they can share ideas, strategies and successes. They also hone business skills they can use to shape their business for years to come.

The courses being offered are:

- ◆ FastTrac NewVenture for aspiring entrepreneurs.



- ◆ FastTrac Planning for established business owners who are ready to take their businesses to the next stage of growth.
- ◆ FastTrac Technology
- ◆ FastTrac Developing Your Own In Home Childcare Center
- ◆ FastTrac Manufacturing

Ted Scaife, a summer graduate from the FastTrac NewVenture course, wanted to formalize his part-time roadside assistance business. Ted participated in the classes to determine the feasibility of pursuing his business venture full time. With the help of the FastTrac classes and follow up SBDC counseling, Ted was able to complete his business plan and obtain an \$18,000 micro-loan from Resources for Missouri, Incorporated (RMI). “I could not have done this without the help of FastTrac and the Small Business Development Center,” said Ted.

In any of the FastTrac courses, you’ll develop: knowledge of the business planning process, the ability to refine your ideas and assess your venture’s viability, an understanding of the most

common business entry strategies, research skills, valuable mentor relationships, a network of entrepreneurial peers, and most importantly a sense of yourself as an entrepreneur.

If you are interested in participating in one of the FastTrac courses, contact the University of Missouri Business Development Program at (314) 241-1511 or visit [www.missouribusiness.net](http://www.missouribusiness.net) for upcoming classes.



Written by Kevin Wilson  
SBDC  
Program Specialist

### Tidbits

Small businesses...

- ◆ represent more than 99% of all employers
- ◆ employ 51% of private-sector workers, 51% of workers on public assistance
- ◆ and 38% of workers in high-tech occupations
- ◆ represent nearly all of the self-employed, which are 7.0% of the civilian work force
- ◆ provide about 75% of the net new jobs
- ◆ provide 51% of the private sector output

## Small Business Training

### Understanding Financial Statements

Turn financial statements into useful management tools by identifying key business information. Learn to understand ratios and interpret financial documents to drive business decisions. *Three-hour workshop.*

#### St. Louis

Feb. 25; 1-4 p.m.  
Call: 314-539-6600 x 227

### FastTrac NewVenture for Dislocated Workers

Participants will develop a feasibility plan for starting a business. Five-day course.

#### St. Louis

Jan. 20, 21, 22, 28, 29  
9:30 - 4 p.m. each day  
Call: 314-615-2911

Feb. 17, 19, 23, 25, 27  
9:30 - 4 p.m. each day  
Call: 314-615-2911

### Starting A Business in Missouri

Learn essential information for starting your own business. *Three-hour workshop.*

#### St. Charles

Jan. 13, Feb. 10, Mar. 9  
6-9 p.m.  
Call: 636-928-7714

#### St. Louis

Jan. 14, Feb. 11, Mar. 10  
1-4 p.m.  
Call: 314-539-6600 x 227

Jan. 24; 8-11 a.m.

Call: 314-631-5327

### QuickBooks – Beginner

Learn the basics of QuickBooks, an accounting software program for small business. *Six-hour workshop.*

#### St. Charles

Jan. 21, Mar. 30; 9-3:30 p.m.  
Call: 636-970-3000

### Writing a Business Plan

Learn the key components of a simple business plan. Time allowed for practice writing. *Three-hour workshop.*

#### St. Charles

Feb. 2; 5:30 - 8:30 p.m.  
Call: 636-970-3000

#### St. Louis

Jan. 24; 11:30-2:30 p.m.  
Call: 314-631-5327

Jan. 28, Mar. 24; 1-4 p.m.  
Call: 314-539-6600 x 227



**Call** the phone number listed for registration, information or fees.

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## Small Business Assistance

For business counseling, training opportunities or more information contact a Specialist with the Small Business Development Center or University of Missouri Outreach and Extension.

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### Internet Resources

- Missouri Business Development Network (MoBDN) combines the best of State and University business resources into one easy-to-access network at <http://www.missouribusiness.net>
- University Outreach and Extension – St. Charles at <http://outreach.missouri.edu/stcharles/business.shtml>
- University Outreach and Extension – St. Louis at <http://outreach.missouri.edu/stlouis/biz.shtml>
- Small Business Development Center – St. Louis at <http://www.mo-sbdc.org/stlouis>



**MISSOURI**  
**SMALL BUSINESS**  
**DEVELOPMENT CENTERS**

In 1980, Congress created the Small Business Development Centers in cooperation with the U.S. Small Business Administration to provide management assistance and stimulate economic growth. Missouri SBDCs provide assistance to clients according to SBA-defined standards for the size of small businesses. The SBDC is a part of the University of Missouri's Outreach and Extension.

University Outreach and Extension is the local link between the resources of the four University of Missouri campuses and people throughout the state. Business and Industry Specialists are faculty located across the state who help small businesses remain competitive and prosperous to create economic viability in the community.

In the St. Charles/St. Louis region the Business Development Program includes counselors and specialists at five SBDC branch offices and two UO/E county offices. Counselors and specialists use their expertise to help businesses in business planning, management, marketing and finance for start-ups and existing businesses, as well as workforce development. There is no fee for individual counseling.