




## **COMMON PITFALLS OF A SMALL BUSINESS**

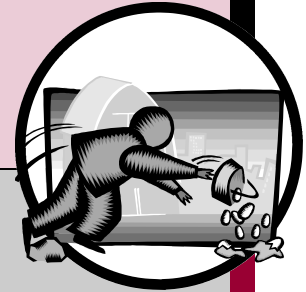
1. Ignoring the financial side of your business.
2. Failing to estimate the demand for your product and services.
3. Undercharging for your products or services you sell.
4. Trying to do it all. 
5. Skimping on legal, accounting, banking, and insurance advice and services.
6. Setting up the accounting books incorrectly. 
7. Ineffective marketing — or none at all.
8. Avoiding the tough decisions.
9. Not defining the jobs well, or not finding the right employees to do them.
10. Trying to borrow from the government. 

Enrolled Agents are the only tax professionals that are required by law to have continuing education in taxation each year. To maintain their Federal License Enrolled Agents must turn in their educational hours to the U.S. Department of Treasury.

A person can obtain an Enrollment Credential in one of two ways:

1. Take a two-day exam that is offered once a year and has a 30% pass rate. The exam tests the candidate's knowledge in Individual, Corporation, Partnership, Business, Trust, and Retirement Plan tax matters in addition to ethical and collection related procedures and facts.
2. Work for the Internal revenue Service for a minimum of 5 years in the exam or collection department.

## **Common Pitfalls of Small Businesses**



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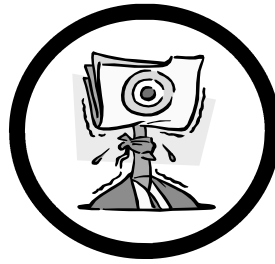
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## ***Don't ignore the financial side of your business***

Your business exists to make money. Neglecting to learn and keep tabs on the financial part of your business spells disaster in the future.

1. Just because there is money in the bank today doesn't mean that you can ignore important financial decisions.
2. Are you taking too much out and not paying the required taxes?
3. Do you have correct financial statements that tell you how you are doing?
4. Are you saving too much and not spending in the right areas so that you have future business?
5. Have you made the time and financial commitment to get professional advice about how to invest in growth and profitability ?
6. Have you explored better ways to do things?
7. Don't shy away from doing what it takes to improve your business. If you're not sure what to do, you've got to be willing to ask for, and take advice from others.
8. You may find yourself without enough funds to pay all of your bills on time. The IRS and the State of Washington are not in the business of lending money and charge a hefty price to you, the business owner, for not timely filing and paying your business taxes. Even being incorporated doesn't get the individual out of the tax liability .



*Don't ignore the facts  
Pay attention to the \$*

9. Have you researched the need for your product and services in your potential business area?
10. Have you projected seasonal highs and lows in your business plan?
11. Do you understand how to set a reasonable price for your product?
12. When you are setting a price for your product or service, have you considered all the overhead and taxes that go along with owning a business?
13. Know your own strengths and limits. Don't burn yourself out by trying to do it all.
14. Paying for professional help in the beginning can save you from disaster in the end. Finding and utilizing good advisors from the legal, accounting, banking, and insurance fields will usually result in benefits far outweighing their costs
15. There is no substitute for good book-keeping. Do you know the accounting rules on what is an allowable expense and what is not?
16. Have you set up your accounting so that your tax reports can be done accurately?
17. Will your records withstand an audit so that you leave with a smile and not a large tax bill?

***Get help early and save yourself time, expense, and anxiety of having to unravel years of bad accounting practices.***

## **Ask yourself these questions:**

- Are you a self starter? It is your responsibility to develop projects and follow through on details.
- How well do you handle different personalities?
- How good are you at making decisions?
- How well do you plan and organize?
- How will owning a business affect your family?

## **The bright side of owning your own business:**

- You get to be your own boss
- Hard work and long hours directly benefit you, rather than increasing profits for someone else.
- Earning and growth potential are far less limited.
- A new venture is exciting.
- Running a business will provide endless variety and challenge and you won't settle into a dull routine.

