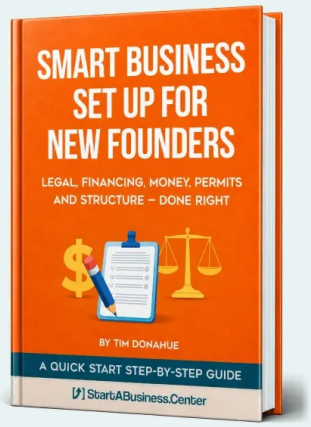
GUIDE 3 · QUICKIE WORKBOOK

Smart Business Set Up For New Founders

Summary version: Set up the legal and money side, done right.

Work through it alongside the guide: **startabusiness.center/guideslive/guide-3-legal-finance-summary**



Founder name _____ **Date started** _____

Your business idea in one line _____

e.g. Small-batch coffee roasting: bags sold online and wholesale to local cafes.

How to use this workbook

1. **Read, then do.** Each chapter header links to the matching chapter of the guide. Read it, then complete the exercises here. Work in order: later chapters reuse your earlier answers.
2. **Answer with evidence, not hope.** Write what you have seen people do, not what you expect them to do. “Not tested yet” is an honest and useful answer.
3. **Follow the worked example.** Olive lines that start with *e.g.* follow Sarah as she sets up Common Grounds Coffee Roasters with her partner Mike. Fields start empty; type your own. Fees and tax rules vary by state and year, so confirm them locally. Want more depth? Use the full Guide 3 workbook.
4. **Let the form do the math.** Shaded boxes are fields. Amber boxes calculate automatically in free Adobe Acrobat Reader; in other viewers, work out the formula shown and type the result. Save as you go.

Your roadmap

Tick each chapter when done; the verdict fills in from each chapter.

Ch.	The question	Focus	Done	Result (fills in)
01	When should you formalize?	When to formalize	☐	
02	Which structure is right?	Business structure	☐	
03	What licenses do you need?	Licenses and permits	☐	
04	How will you protect your brand?	Protect your IP	☐	
05	What should you charge?	Pricing	☐	
06	Are your books and taxes set up?	Taxes and accounting	☐	
07	Where will the money come from?	Funding	☐	
08	Do the numbers work?	Financial projections	☐	
09	Is the partner split fair?	Partners and equity	☐	

01

STEP 1: WHEN SHOULD YOU FORMALIZE?

When To Formalize Your Business

Read Chapter 1 in the guide →

YOUR GOAL Work out which stage you're in. Validate first, formalize second: don't spend $500 on an LLC before the idea works.

The three stages

Move right only when the stage before it is proven.

STAGE 1
Testing
Operate as a sole proprietor. No paperwork, no fees. Prove people will pay.

→

STAGE 2
Committed
Form an LLC or corporation: 5+ paying customers, real investment ahead, liability risk, or finances to separate.

→

STAGE 3
Growing
Consider an S-Corp tax election, usually once profit passes about $60K a year.

1.1 Tick each Stage 2 trigger that's true for you today.

- ☐ 5+ paying customers
- ☐ You need liability protection
- ☐ A significant investment is coming
- ☐ You want business and personal money separated

1.2 Which stage are you in?

- ○ **Testing** — Stay a sole proprietor and keep validating.
- ○ **Committed** — Form your LLC or corporation now.
- ○ **Growing** — Ask a CPA about an S-Corp election.

e.g. Sarah: 200 bags sold, 3 cafes interested, partner Mike joining → Committed: form the LLC

Chapter 1: done?

- ○ **Done** — You know your stage and what you'll do about it.
- ○ **Not yet** — You're unsure. Keep testing as a sole proprietor for now.

02

STEP 2: WHICH STRUCTURE IS RIGHT?

Which Business Structure Is Right?

Read Chapter 2 in the guide →

YOUR GOAL Match a structure to your risk, partners and profit. For most people an LLC is the sweet spot.

Structure	What it is	Pick it if
Sole proprietorship	No registration; income goes on your personal return.	You're testing or freelancing, with minimal risk and zero paperwork
LLC	Liability protection with pass-through taxes. $50–$500 to file.	There's any liability risk, you want finances separate, or you'll add partners or raise money
S-Corp	A tax election, not a structure: you pay yourself a salary plus distributions.	Profit is about $60K+ a year
C-Corp	Taxed separately from its owners.	You're raising venture capital. Most small businesses don't need it

2.1 What's your liability risk?

e.g. Medium: we sell food products and deliver to cafes.

2.2 Do you have partners? ○ Yes ○ No *e.g. Yes: Mike*

2.3 Projected annual profit? ○ Under $30K ○ $30K–$60K ○ $60K+ *e.g. Under $30K in year one*

2.4 Which structure makes sense?

- ○ **Sole prop** — Testing, low risk.
- ○ **LLC** — Most small businesses.
- ○ **LLC + S-Corp** — Profit about $60K+.
- ○ **C-Corp** — Venture capital.

Would an S-Corp election save you money?

The guide's method charges 15.3% on all profit. In practice self-employment tax applies to 92.35% of profit, so real savings are a little lower. Both are shown; confirm with a CPA, and remember an S-Corp also means running payroll.

Calculation or input	Your answer	e.g. guide
Expected annual profit		*$80,000 (guide example)*
Reasonable salary you'd pay yourself		*$50,000*
Savings, guide method = (profit − salary) × 15.3%		*$4,590*
Savings, closer estimate = SE tax on 92.35% of profit − payroll tax on salary		*$3,654*

Chapter 2: done?

- ○ **Done** — You've chosen a structure that fits your risk, partners and profit.
- ○ **Not yet** — Still torn. Ask a CPA or a free SCORE mentor.

03

STEP 3: WHAT LICENSES DO YOU NEED?

Licenses, Permits & Legal Requirements

Read Chapter 3 in the guide →

YOUR GOAL Do the setup steps in order, and list every license and permit you need.

The setup order

Follow it: skipping ahead (a bank account before an EIN, a city license before the LLC) causes rework.

#	Step	Done
1	Choose your business structure	☐
2	Choose a name; check it's available in your state	☐
3	Form your LLC or corporation	☐
4	Get an EIN (free at IRS.gov)	☐
5	File a DBA if you'll trade under a different name (tick it if you don't need one)	☐
6	Open a business bank account	☐
7	Get your city business license (call City Hall)	☐
8	Get required permits: sales tax, professional, health	☐
9	Set up bookkeeping	☐
10	Consider an S-Corp election later, once profitable	☐

The four types of license

ALMOST EVERYONE
Business license
City or county, about $50–$200 a year.

SOME TRADES
Professional license
Check your state licensing board.

SELLING GOODS
Sales tax permit
From your state Department of Revenue.

SOME INDUSTRIES
Industry permits
Food handler, health inspection, building.

Where you'll check

	Your answer	e.g. Sarah
City or county business office		*Long Beach business license office*
State small business website		*California CalGold permit finder*
Industry association		*Specialty Coffee Association*
Permits I need		*City license, health permit, seller's permit, home occupation permit*

Chapter 3: done?

- ○ **Done**
  The steps are on track and every permit you need is listed.
- ○ **Not yet**
  You're not sure what you need. Call the city office first.

04

STEP 4: HOW WILL YOU PROTECT YOUR BRAND?

Protect Your IP

Read Chapter 4 in the guide →

YOUR GOAL Know what each kind of protection costs, and decide whether a trademark is worth filing now.

Three kinds of protection

NAME AND LOGO
Trademark
USPTO filing, about $350 per class (2025 fees; more with surcharges). 6–12 months.

CONTENT
Copyright
Automatic when you create it. Optional registration: $45–$65.

INVENTIONS
Patent
$5,000–$15,000+ and complex. Most small businesses don't need one.

Your business or brand name

e.g. Common Grounds Coffee Roasters

GET A TRADEMARK IF

- ☐ Your brand is your advantage
- ☐ You sell to consumers
- ☐ You plan to expand nationally

SKIP IT FOR NOW IF

- ☐ You're still testing
- ☐ The name is generic or descriptive
- ☐ You're a local service business

- ☐ **Searched USPTO.gov** for your name
- ☐ **Decided:** file it yourself, hire a trademark attorney ($1,000–$2,000), or wait

4.1 Your decision, and when.

e.g. File once profitable (about $350); use ™ until then.

Chapter 4: done?

○ Done	○ Not yet
You've searched the name and made a trademark decision.	You haven't searched the name yet.

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05 STEP 5: WHAT SHOULD YOU CHARGE?

How To Price Your Offer

Read Chapter 5 in the guide →

YOUR GOAL Price on the value you deliver, not just your costs. Most new founders underprice.

COST VS VALUE A 15-hour website priced on time at $100 an hour is $1,500. If it brings the client $50,000 of new business, a value-based price of $5,000–$10,000 is reasonable.

	Your answer	e.g. Sarah
What are you selling?		*12 oz bag of small-batch coffee*
Value to the customer		*Fresh, local coffee for less than a cafe habit*

Calculation or input	Your answer	e.g. Sarah
Cost to produce one unit		*$8.00*
Lowest competitor price		*$15*
Highest competitor price		*$22*
Your starting price		*$18*
Profit per unit = price − cost		*$10.00*
Margin = profit ÷ price		*55.6%*

5.1 Your strategy

- ○ **Cost-plus**
  Cost plus a markup. Products.
- ○ **Competitive**
  Near competitors. Crowded markets.
- ○ **Value-based**
  Charge for the result. Services: usually the best.

Optional: three tiers

Design the middle tier as the one you want most people to buy.

Basic	Standard	Premium
Entry level	Best value: most people pick this	Everything
e.g. One 12 oz bag, $18	*e.g. 2 bags a month, $32*	*e.g. 4 bags + tasting notes, $60*

Test it

Try the price with 10–20 customers and ask, “Was this a fair price?” If everyone buys without hesitating, you may be too low: raise it 10–20% and test again.

Calculation or input	Your answer	e.g. Sarah
Customers who saw the price		*20*
Customers who bought		*14*
Bought = bought ÷ saw		*70%*

Chapter 5: done?

- ○ **Done**
  A starting price that covers costs, sits sensibly against competitors, and has been tested.
- ○ **Not yet**
  Untested, or it doesn’t cover your costs.

06

STEP 6: ARE YOUR BOOKS AND TAXES SET UP?

Taxes & Accounting

Read Chapter 6 in the guide →

YOUR GOAL Separate your money, track every transaction, and set aside enough for taxes.

- ☐ **Business checking account opened**
- ☐ **Accounting software set up** (QuickBooks, Wave or FreshBooks)
- ☐ **Tax savings account set up**
- ☐ **Never mix** business and personal money
- ☐ **Categorize every transaction**

Accounting software I'll use

e.g. Wave (free), connected to the bank

How much to set aside

Self-employment tax is 15.3%, plus federal income tax (10–37%) and state tax (0–13%). Rule of thumb: set aside 25–30% of profit.

Calculation or input	Your answer	e.g. Sarah
Expected annual profit		*$12,000*
Share to set aside, % (25–30%)		*30%*
Set aside this year		*$3,600*
Each quarterly payment = set-aside ÷ 4		*$900*

Due date	Amount	Paid	Date paid
April 15		☐	
June 15		☐	
September 15		☐	
January 15		☐	

6.1 Deductions to track. Tick the ones that apply.

- ☐ Home office
- ☐ Equipment
- ☐ Software
- ☐ Marketing
- ☐ Mileage
- ☐ Professional services
- ☐ Business meals (50%)
- ☐ Business travel

Calculation or input	Your answer	e.g. Sarah
Business miles this year		*1,500*
IRS rate per mile (2026: $0.725; check each year)		*$0.725*
Mileage deduction		*$1,088*

The summary guide quotes 65.5¢, the 2023 rate. The IRS sets a new rate every year.

Chapter 6: done?

- ○ **Done**
  Accounts separated, software running, tax money set aside.
- ○ **Not yet**
  Business and personal money are still mixed.

07

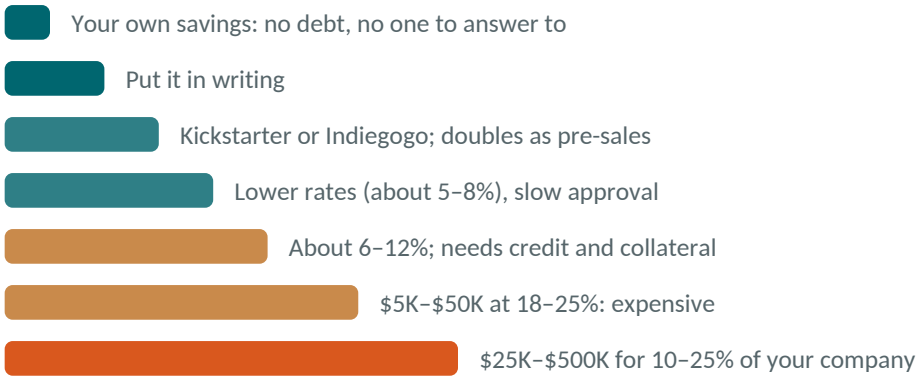
STEP 7: WHERE WILL THE MONEY COME FROM?

Where To Find Funding

Read Chapter 7 in the guide →

> **YOUR GOAL** Work out exactly what you need, then use the cheapest money first. Take on debt or investors only after demand is proven.

The funding ladder: cheapest at the top



Bar length shows roughly what the money costs you in interest, equity or control. Use the cheapest rung that covers your need.

What you need to start

Calculation or input	Your answer	e.g. Sarah
Equipment and inventory		*$11,000 (roaster, beans, bags)*
Website and branding		*$1,500*
Licenses and permits		*$500*
Marketing		*$1,000*
6 months of operating expenses		*$3,000*
Total needed		*$17,000*
Money you can line up		*$15,000*
Gap (a negative number is a cushion)		*$2,000*

7.1 Funding source(s) you'll use, and how you'll close any gap.

e.g. $12,000 savings + $3,000 family loan (written, 0%, 2 years). Keep my day job to cover the $2,000 gap.

Chapter 7: done?

- ○ **Done** — You know the total you need and how it's covered, cheapest money first.
- ○ **Not yet** — There's a gap with no plan to close it.

08

STEP 8: DO THE NUMBERS WORK?

Financial Projections

Read Chapter 8 in the guide →

YOUR GOAL Model a year of revenue, costs and profit, and find your break-even point before you invest.

Calculation or input	Your answer	e.g. Sarah
Price per sale		*$18*
Expected sales per month		*150*
Monthly revenue		*$2,700*
Annual revenue		*$32,400*
Cost of goods per sale (variable cost)		*$8*
Annual cost of goods sold		*$14,400*

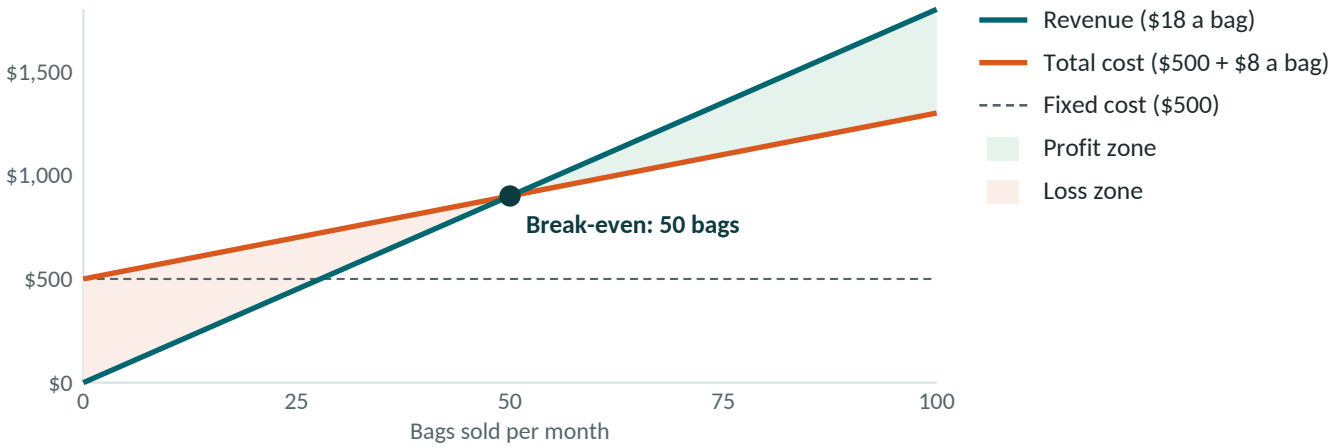
Monthly fixed costs

Calculation or input	Your answer	e.g. Sarah
Marketing		*$150*
Rent and utilities		*$250 (market booth)*
Software and tools		*$50*
Miscellaneous		*$50*
Fixed costs per month		*$500*
Total annual expenses = cost of goods + fixed × 12		*$20,400*
Annual profit = revenue − expenses		*$12,000*
Profit margin		*37.0%*

Calculation or input	Your answer	e.g. Sarah
Break-even sales per month = fixed ÷ (price − variable cost)		*50*

How break-even works

Sarah: $500 fixed a month, $8 cost and $18 price per bag



Chapter 8: done?

- ○ **Done**
  A year's projection is done and expected sales clear break-even.
- ○ **Not yet**
  Sales fall short of break-even. Change price, costs or model.

09

STEP 9: IS THE PARTNER SPLIT FAIR?

Partners & Equity Splits

Read Chapter 9 in the guide →

YOUR GOAL Agree who contributes what and how equity is split, with vesting, before it gets messy. Then put it in writing.

☐ **No partners?** Tick here, mark this chapter done, and come back if you ever add one.

OPTION
50/50
Feels fair, but risks deadlock: nobody can break a tie.

OPTION
Unequal (60/40, 70/30)
Reflects who contributes more cash, time, skills or risk.

ALWAYS
Vesting
Equity is earned over time, typically 4 years, so an early leaver keeps less.

Who contributes what

	Partner A	Partner B
Name		
What they contribute		
Full-time or part-time		
Proposed equity, %		

e.g. Sarah: full-time, roasting and operations, invested more, 60% | Mike: 20 hours a week, sales and marketing, 40%

9.1 What happens if someone leaves?

e.g. 4-year vesting with a 1-year cliff; the other partner can buy out the rest at a fair price.

9.2 Who makes final decisions?

e.g. Sarah on product and operations, Mike on sales; Sarah breaks ties.

☐ **Written operating agreement** covering equity, vesting, decisions and exit terms (a lawyer may charge $500–$2,000)

Chapter 9: done?

○ **Done**
A fair split with vesting, in a written agreement (or no partners).

○ **Not yet**
It's still a handshake.

Your readiness scorecard

Every chapter's result fills in from its "done?" question.

Ch.	Chapter	Result
01	When to formalize	
02	Business structure	
03	Licenses and permits	
04	Protect your IP	
05	Pricing	
06	Taxes and accounting	
07	Funding	
08	Financial projections	
09	Partners and equity	

Chapters done (out of 9)

My one next step, and when

e.g. Open the business checking account on Monday

WHAT HAPPENS NEXT

- **Foundation set?** Next, shape what you sell: *Create An Offer That People Will Pay You For*, then *Build a Website That Gets Customers*.
- **Still open chapters?** Finish them before you spend on a website or marketing; they're cheaper to fix now.
- **Not sure about a legal or tax question?** Ask a CPA, an attorney, or a free SCORE mentor.