Wi$e Up Teleconference Call
October 31, 2005
Being a Business Owner
Questions and Answers

Coordinator Certainly, ma’am. At this time we’ll begin the question and
answer session. Let’s allow a quick moment while I need you to
register.

J. Walstedt Jennifer, do we have a question? Jennifer?

Coordinator Yes, ma’am. We have a few registered here. We have one from
Beverly Gun-Munro.

J. Walstedt Okay.

B. Gun-Munro Hello. Can you hear me?

J. Walstedt Yes.

B. Gun-Munro Oh, good. I didn’t know if I was on mute or not. Yes, my name is
Bev. I’m out in California. I’ve started, built, and successfully
sold seven small businesses. I’m an inventor, and I’ve got a long
background as a television broadcast journalist.
There’s a non-profit organization in Santa Barbara that teaches a 14-week course for women entrepreneurs. I’m now taking that template and bringing it into the L.A. County because there is absolutely nothing where women can show up once a week and learn how to start their own business and have that brick and mortar place to come and build their business plan throughout the 12 weeks and get that support that takes them into fruition, especially women over 40 who are looking to reinvent themselves.

I’ve got so many women that want to sign up, and I promise I’m going to start the class in January. So I need support, I need a team and probably funding or sponsorship. I was wondering where I could get that and how quickly?

J. Walstedt  Do any of our speakers have an answer to that?

W. Goldstein  This is Wilma Goldstein. Can you hear me?

J. Walstedt  Yes, Wilma. Hello.

W. Goldstein  Okay. I am the director of the Office of Women’s Business Ownership at the SBA. Basically it’s one of our people, Sheila Murphy, you just heard. I’m curious, is the organization, the non-
profit that you’re talking about, the Women’s Economic Venture of Santa Barbara?

B. Gun-Munro Yes.

W. Goldstein Thank you. Well, that’s part of our network. So the same kind of - I’m curious about your saying that there aren’t some available in L.A. because we do have several. Now they may not be conveniently located, but Women’s Business Centers, of which there are 92 across the country, basically focus on, but are not exclusive to, economically and socially disadvantaged women who need exactly the kind of help that you’re talking about. So a similar thing to the template that you discovered at Women’s Economic Venture of Santa Barbara is also available in San Bernardino, which, as I realize, is a little far away, but there’s CHARO in Los Angeles, and there –

B. Gun-Munro What’s CHARO, Wilma?

W. Goldstein CHARO is another [Women’s Business Center]. All the Women’s Business Centers get to pick their own name. So this one is located at 4301 East Valley Boulevard, but they are all basically the same thing. CHARO is an organization of –
B. Gun-Munro

Hispanic.

W. Goldstein

Yes, it is. It’s Hispanic.

B. Gun-Munro

I do know about it.

W. Goldstein

And under its roof there are lots of different services including a brand-new Women’s Business Center. The best part about being in an economic development association is brand-new isn’t quite as scary for them, and it also makes things more accessible for everybody else.

On the Web site of the SBA, you’ll find a list of them because we do… California’s the state where we have the most. So if you can access that I won’t take up everybody’s time by reading everything that we have in the L.A. area, but we do have several. So there ought to be some help for you if you want to have a course also. I appreciate the fact that you got your template from Santa Barbara. We’re proud of what we do, and we encourage anybody that wants to help and help more people to go ahead and do it.
Terrific. Wilma, the difference that I’ve seen and that I’m looking for because I’ve been on the board of NAWBO, the National Association of Women Business Owners, and so on. Especially I’m over 40 now and I see so many women that are starting act two of their life. I’m really looking -- that’s going to be my niche market.

I’m not planning on being a non-profit. I’m actually looking to profit and/or have sponsorship via companies like Staples or Office Depot or whatever as opposed to a government-facilitated or non-profit organization. So this is going to be my business that I’m launching with a satellite office and hopefully to, in a perfect world, to build so that I can franchise it. But I wanted to do a lot of marketing, branding, so women are really aware that they can come and take a course, sign up for a 12-week course. It’s once a week.

I don’t know--even with SBA--that the gals I know that have either come out of corporate and retired and/or out of a marriage and being a homemaker, even with SBA--and I’ve been through SBA--I don’t feel that they really feel they get the meat of it and that they really commit and take these classes that really bring into fruition the dreams or passion that they had that may have had to have been
sidetracked for the last 20 or 30 years while they were a homemaker, a mother, or holding down a job to raise their kids. So this is going to be like a new brick and mortar business; it’s going to be my business, as opposed to an SBA. Does that make sense to you?

W. Goldstein  Oh, I wish you well. The marketplace of the future is going to be full of women over 40 and 50, and also the very young. We have had some successes. I want to be encouraging to you because I think the more the merrier because it’s impossible for even a government agency to reach out to everybody. We do the best we can. We’re happy to have you. Why don’t you e-mail me at the SBA because I’d love to know what you’re doing.

B. Gun-Munro  Great.

W. Goldstein  We’ve had some success though. The one wonderful thing about women is you can put together the economically disadvantaged and what we call the corporate refugee and they end up working well together, learning from each other, and sometimes joining in on business deals. So stay in touch even if you want to be for profit, which would be great, but the marketplace is going to be full of people, the kind of people that you’re looking for who want
a second career or they want to leave the corporate world. We are seeing more of that than anything else.

B. Gun-Munro  Oh, I know. That’s where, that’s just the void I’m about to fill.

J. Walstedt  Bev, I’m sorry, but I want to make sure that other people have a chance to ask questions. This is Jane Walstedt; I just wanted to thank Wilma so much for being on the call.

W. Goldstein  Sure.

J. Walstedt  You’ve already proven how valuable having you on was, but, Jennifer, I’m going to let this call run a little longer so that if we have people in the queue, they get to answer their questions. Jennifer, do we have other questions?

Coordinator  Absolutely. We do have another in queue from Wendy Sanchez. You may go ahead.

F. Trakowski  Jane, before you start, this is Fritz Trakowski. I unfortunately am going to have to take off without answering any questions because I have another meeting. But it’s been really enlightening for me as well. Have a good conference.
I just wanted to mention before we go to Wendy’s question that Fritz Trakowski comes to us from the Office of Small Business Programs in the Department of Labor. We had invited him to be in on the call, like Wilma, to help answer questions. Thank you very much, Fritz. Now as to Wendy’s question.

My name is Geri Hughes; this isn’t Wendy.

Okay.

Because I have several questions. Is there like a Web site or something I can go and type these questions in and possibly get an answer?

Well one of the things you can do is Claudia James is one of our mentors on the Wi$e Up program. So you could always send the question to the Wi$e Up Web site and Claudia and others could answer it.

Okay. I think I’ll just do that to save time.
W. Goldstein You can also send us--this is Wilma Goldstein again at the SBA--if you put your question on there it will be answered.

G. Hughes Okay.

W. Goldstein Okay.

G. Hughes Thank you.

W. Goldstein Sure.

J. Walstedt Jennifer, do we have another question?

Coordinator I’m showing no further questions at this time, ma’am.

J. Walstedt Okay. Let me just throw out one more before we do the closing. That was I know that, I can’t remember if it was you, Claudia, who spoke to the failure rate for small businesses being quite high. Can any of our speakers mention or address some of the factors that lead to that problem?

C. James The primary problem--this is Claudia--the primary problem is cash flow and what creates the cash flow. I think that goes back to
developing those business plans. So many entrepreneurs just get right out there without doing all the preplanning that’s involved. So I encourage them to take advantage of the entrepreneurial programs that are offered through so many universities now and through SBDC and through SBA. I know here in the Kansas City area we have the Kauffman Foundation.

The cash flow, again, is a major issue, but what’s creating the cash flow? Because we may be new in the marketplace, in creating that brand, we just don’t have the credibility yet. So there are so many of aspects of that that creates the cash flow. Why don’t we have that? It goes back to being able to market effectively.

J. Walstedt Thank you so much, Claudia. Jennifer, are there any more questions, or shall I turn it over for – I see we have one in the room actually. Gail.

G. Patterson Hello. As a business owner, what type of insurance would I need to start up my business? You mentioned all the other classes that you had to take, but you didn’t mention accounting as well. I would like to know do you need to take accounting, and what type of insurance? Do I need fire insurance in order to get started, that sort of thing?
I can take a stab at that question. This is Sheila Murphy. The actual type of insurance, of course, will depend somewhat on what you have. You will most likely need some kind of property insurance whether it’s for real estate or whether it’s for rental property.

If you have a real estate lease, they will require you to have certain types of insurance as well. You’ll want some various forms of liability insurance, both for your clients if you have a retail store certainly. You also want to look at product liability so if anything goes wrong with your product, or even with your service, then you have insurance for that. If you’re a contractor, of course, there will be all types of insurance that you’ll need for that, particularly if you’re a prime contractor.

In terms of accounting, you certainly don’t need to be an accountant to start a business and to run a business. If you are going to pay someone, which would be the most likely avenue that you’re going to take, if you’re going to pay someone to keep your books for you, what you need to be able to do is to understand the results so when they’re giving you financial statements, you don’t need to know how they arrived at every piece of it, but you need to
know what those numbers mean. So you should take, I would think you should take some type of class.

For example, we offer one called Keeping the Books, which is not a bookkeeping class per say, but it’s really getting people familiar with what goes into a financial statement and where those numbers come from and what they mean, what are the ratios, what are the relationships between numbers that you should be looking at.

W. Goldstein

Yes, this is Wilma. If I can just support a couple of things that Claudia and Sheila both said. The good thing about taking courses that are offered that come from an entrepreneurial base is they cover it from the perspective that you need, not necessarily to teach you how to do it. Instead, just what Sheila said, what do you need to know to know whether the accounting service that you get is what you really need it to be.

On the failure rate of women in business, I agree with Claudia. One of the reasons that you do marketing is to make sure before you start that there is a market for your business. She’s absolutely right about that. The encouraging part about it is that women, who are sometimes a bit more, or blamed for being a bit more, cautious, our failure rate is not quite as high as the national average. So
that’s the good point. So if you’re needing some encouragement to jump in, jump in, but do it with your eyes open and ask for all the help that you want, which women are also very good at.

J. Walstedt  Thank you very much for those answers. Jennifer, are there any other questions?

Coordinator  Yes, we do have a follow-up in queue here from Beverly Gun-Munro’s location. You may go ahead.

B. Gun-Munro  Hello. Wilma, I was just wondering what your e-mail is so that I could e-mail you after this call. Thank you.

W. Goldstein  Okay. It’s wilma.goldstein@sba.gov.

B. Gun-Munro  Thank you.

J. Walstedt  Jennifer, any more?

Coordinator  Yes, thank you, ma’am. A follow-up also from Wendy Sanchez’s location. You may go ahead.
W. Sanchez: I was wanting to know, if you’re just starting a new business, I’ve heard if you don’t make your profit, how many years can you do like write-off or take a loss before you have to give it up?

L. Michael: This is Leslie. I can answer that. There are no hard and fast rules. I think what you’re really referring to is what you’ve heard about hobby losses versus business losses. You do have exposure if you are deemed to be running a hobby instead of an actual business. Then you’re going to be limited to -- if you’re basically deemed to have a hobby, if you don’t have a profit at least three out of five years, then your losses are going to be limited to the income for that business.

But if you’re truly running a business, then there really isn’t a limitation. Your limitation is going to be purely economic. What’s your source of cash flow? How long can you keep it going? Because losses aren’t something that are just magical, pulled out of the air. They ultimately are real cash. So that’s going to be your limitation.

But when you’re looking at businesses, some of the factors that the IRS is going to look at is the manner in which you carry on your business. Are you advertising it? Do you have business cards?
Do you have stationery? Do you have a location? What’s the expertise of yourself, your advisors? How much effort are you spending to run this business? Is it all that you do, or do you also have a full-time job and you’re doing this too and you’re doing something else? What kind of assets do you have in it? Do you have history with it? Do you occasionally have a profit? All different kinds of facts and circumstances that are going to say that it’s truly a business and not a hobby.

I think one of the other, going on some of the other calls, I will also direct people to a Web site called 360financialliteracy.org. That’s a consumer site set up by the AICPA, and you’ll find in there, under [Financial] Topics and Business Owner, you will find a wealth of articles and tools that will go through the financial ratios so you can understand your business.

W. Sanchez  What was the Web site again, please?

L. Michael  www.360financialliteracy.org

J. Walstedt  Questioner, could you please identify yourself by name too so we can capture that for the transcript and the audio?
W. Sanchez    Wendy Sanchez.

J. Walstedt    Oh, it’s Wendy. Okay. Thank you. Operator, are there any more questions?

Coordinator    I’m showing no further questions in queue.

J. Walstedt    Okay. I think then I’m going to turn it over to my colleague, Cynthia Dawkins, who’s another member of the WiSe Up team in the Women’s Bureau National Office, to present us with closing remarks.