



CLEMSON
EXTENSION

Rep. September 1999
4-H Manual 164

MONEY MY WAY

The Basics for
Young Entrepreneurs

Leader's Guide



TABLE OF CONTENTS

For ease in relating the materials in the leader's guide to those in the member's manual, coinciding pages of the member's manual are included with items in the leader's guide.

	Leader's Guide	Member's Manual
Introduction	1	1
1 Looking at the Entrepreneur	2	
2 Is Entrepreneurship for You?	13	
3 Learning About Local Businesses	30	
4 Your Business Plan: The Starting Place	34	3
5 Make It Legal	46	6
6 Operating Your Business	52	5
7 Marketing Your Business	62	7
8 Price It Right	70	15
9 Cash Flow and Other Financial Essentials	83	18
10 Your Business and Money 2000	92	23
Promotional Materials	104	
Youth Entrepreneurship and Job Ideas	112	
Youth Entrepreneurship Resources	114	
Student Evaluation Form	117	
Certificate of Completion	118	

Adapted by Joyce H. Christenbury, M.Ed., CFCS, Extension Family Resource Management Specialist, Family and Youth Development Department, Clemson University Cooperative Extension Service from Yes - Youth Entrepreneurship developed by Etta Mae Westbrook, Martha Keel, Bridgett Smith, Celvia S. Dixon, Alan Barefield, and Margaret Pile, Agricultural Extension Service, The University of Tennessee, 1995 and Minding My Own Business, a Virginia Cooperative Extension Program, modified by Ann Lastovica, Valya Telep, and Rudolph Powell, Extension Specialists at Virginia State University, Petersburg, Virginia, 1995. Reviewed by Nancy M. Porter, Ph.D., CFCS, Extension Family Resource Management Specialist, Clemson University.

MONEY MY WAY

Leader's Guide

Introduction

Welcome to the exciting world of “Money My Way.” As an Extension agent, teacher, or volunteer leader, you will have the opportunity to assist young people as they plan and carry out their business ideas.

The success of this project depends greatly on your involvement with the youth and the support you are able to generate among businesses in your community. Business people in your community who are willing to work with you in implementing this program can serve as an invaluable resource. They can visit your group and share personal experiences related to creating and operating a business. They can invite youth to their place of business and discuss various aspects of their business operation including marketing, production, delivery, and profit. Interested business people can also serve as mentors to the young people desiring to establish their own business. These seasoned professional entrepreneurs can assist the young people in planning and implementing their plans. By pairing seasoned professionals and beginners, you will create a wonderful opportunity for ideas to grow and flourish into profitable businesses.

Working with business professionals, youth, parents, and other interested parties, you will be in a position to encourage and promote youth entrepreneurship. This manual is provided to serve as a support document to the youth publication, “Money My Way.” Use this information to supplement the youth manual and extend the activities provided for youth there. Look to working professionals and other resources such as SCORE volunteers and the public library to further enhance your knowledge base of starting a business and nurturing it to its full potential.

Recruit business people to work with you via posters and flyers placed at strategic locations, word of mouth, media announcements, church bulletins, local chamber of commerce, and visiting local business owners.

Master copies of a one page mini-poster and a trifold leaflet which can be personalized and used to promote the “Money My Way” program are included in the “program promotion” section of this leader’s guide. There is also copy that can be used for radio or print promotion. Remember, many times you have to create the need for a program.

To support the introduction of the program, “Money My Way,” business start-up kits are being made available for youth participants. Contact your local county Extension office for further information. Kits will include a zippered bank bag, a magnetic phone index, a small solar powered calculator and a pencil. You may wish to expand the kit, by working with local sponsors to include a pen, calendar, and other business-related supplies. Once start-up kits are no longer available from the county Extension office, you are challenged to secure local sponsors to assist with this aspect of the program.

Session 1

LOOKING AT THE ENTREPRENEUR

Definition

Entrepreneur: someone who organizes, operates, and takes the risk in a business venture expecting to gain a profit.

The word “entrepreneur” comes from the French word “entreprendre” which means “to undertake.”

Entrepreneurship refers to the process of planning, organizing, and operating a business.

Points to Share

(Transparency 1-1)

The entrepreneur:

1. Becomes aware of a need (product or service)
2. Creates a business enterprise to fulfill that need

(Transparency 1-2)

Entrepreneurs do new things or do old things in new ways and so change the business system.

(Transparency 1-3)

The entrepreneur:

1. Estimates probable importance of a product or service
2. Estimates consumer demand for the product or service
3. Knows how to produce the product or service
4. Plans how to deliver the product or service

The entrepreneur has the vision, courage, ideas, and creativity to develop a new business idea and carry it to success.

Activity

Share the stories of Mary Kay Ash (*Handout 1-1*) and Ray Kroc (*Handout 1-2*) with the group.

Depending on number in the group, you may wish to subdivide the group. Have participants read the situations and talk about what they learned from these two successful entrepreneurs.

Points to Share

Not all individuals have the traits needed to become successful entrepreneurs. Entrepreneurs are central to the well-being of our economy. Entrepreneurs must be creative and innovative.

The entrepreneur does not have to invent something that represents a technological breakthrough to start a successful new company. Most new ventures are based upon the extension of proven ideas. The enterprise will also include marketing a product or service and will require labor and capital. Money can be found from personal savings or income, the sale of stock, or by borrowing.

The entrepreneur begins with a new idea, or the adaptation of an existing idea. The first problem the enterprising business person must resolve is to decide if there is a need for the product or service. Is the product or service distinctive, unique, or superior to others in the market? What costs are involved in the manufacture of the product or service? Finally, what will a consumer be willing to spend? With this data, much of it necessarily “soft” or assumed, the entrepreneur can project the possibilities of profit or loss.

The entrepreneur must also deal with basic rules, structures, laws, and taxes. One basic rule of both business and entrepreneurship is to obtain as much knowledge and information relating to the venture as possible. After that, the entrepreneur sets out boldly into a new frontier where many old rules and much of the old information no longer apply.

It is a daring and important journey, a path beset with hazards and pitfalls, that sometimes leads to great personal satisfaction or to great profits. It often leads to a more productive and satisfying economy and society, enriching all our lives.

Activity

Are you ready to start a business and become an entrepreneur? To answer this question, have the participants complete the checklist, Rate Yourself—Are You Ready to Start a Business? (*Handout 1-3*). (Note: Be careful as you review the checklist with the participants. You do not want to reduce their self-esteem or destroy their initiative.)

Review the checklist and discuss why the following traits are important to someone operating their own business:

- ✓ be a self-starter
- ✓ like people
- ✓ be a leader
- ✓ be responsible
- ✓ be able to organize
- ✓ be willing to work hard
- ✓ be able to make decisions
- ✓ be trustworthy
- ✓ have the ability to stick to whatever they start
- ✓ be healthy

Points to Share

(*Transparency 1-4*)

The entrepreneur is an average person. Forty percent have a high school education or less, women are as likely to succeed as men, and most did not plan to own their own business.

(*Transparency 1-5*)

Self explanatory.

The Entrepreneur:

1. Becomes aware of a need
(product or service)
2. Creates a business to fulfill
that need



**Entrepreneurs
do new things or do old
things in new ways**

The Entrepreneur:

1. Estimates importance of product
(or service)
2. Estimates consumer demand
3. Knows how to produce product
4. Plans how to deliver product

“The New Entrepreneur”

Most are a pretty average lot:

- 40% have high school education or less
- Women succeed as often as men
- Most did not plan to own their own business, but it came about because of circumstance (being fired is the number 1 reason)

*Ordinary People
Doing
Extraordinary
Things*

Mary Kay Ash

An excellent example of a present day entrepreneur is **Mary Kay Ash**. She formed Mary Kay Cosmetics in 1963 with \$5,000 in capital (her own money). By 1979 the firm had sales exceeding \$90 million and a net income of more than \$9 million. She produced a line of cosmetics sold by sales representatives whom she called “beauty consultants.” By 1980, she had 70,000 consultants who marketed the firm’s five basic, pink-packaged products.

Unlike firms such as Avon, which had a variety of products in their catalogues, Mary Kay Cosmetics sold a limited line, most of which it manufactured. The consultants held “beauty shows” for small numbers of women in private homes where they demonstrated the products. They had no territories and no franchises. Mary Kay Ash motivated her sales force with an almost evangelistic fervor, and some “consultants” had yearly earnings in excess of \$100,000.

The secret of her marketing success was the mobilization of female sales personnel. Mary Kay Cosmetics took advantage of the changing role of women in the 1970s and an untapped labor pool to develop a unique approach to marketing.

An annual convention attracted as many as 8,000 consultants who received pink cars, vacations, jewelry, and mink coats as rewards for successful sales. They sang “Mary Kay Enthusiasm,” and attended sales seminars led by Mary Kay. The absence of territories allowed her consultants to transfer their work when their husbands moved. They paid for the cosmetics in advance, so there were no accounts receivable. Until recently, national advertising was very limited. As the consultants enthusiastically sold their line, they were taught goal setting and self-motivation and received public recognition for their achievements.

Ray Kroc

As a young man, **Ray Kroc** became a successful salesperson and regional sales manager for Lily-Tulip Cup Company. In 1937, after 17 years of service, he left Lily and became the exclusive distributor for the Prince Castle Multimixer, a machine that could mix six milkshakes at once. In 1952, Kroc was intrigued and puzzled by an order for eight multimixers for a single restaurant in San Bernardino, California.

Kroc flew to California and met Richard and Maurice McDonald. Their hamburger drive-in restaurant stressed cleanliness, efficiency, and an assembly-line process of cooking low-priced hamburgers that they served minutes after being ordered. The original drive-in also featured the famous golden arches. Kroc was impressed. He obtained a contract from the McDonalds giving Kroc exclusive franchise rights for the restaurants. Kroc was to receive \$350 from each franchiser and 1.9 percent of gross receipts, of which 1.4 percent went to Kroc and .5 percent to the McDonalds.

In 1957 he had 37 franchised restaurants. By 1959, more than 200 were in operation. In the 1960s, franchisers clamored for McDonald's sites. Kroc bought out the McDonalds' interest in the operation for \$2.7 million, and in 1963 sold McDonald's stock to the public. The stock, which was offered at \$22.50 per share, quickly rose to \$50. By 1980, McDonald's had become an international household word, and young Americans were literally being weaned on McDonald's hamburgers. Sales exceeded \$6 billion annually. While Kroc had not created or invented the McDonald's "system," he assumed control, and converted a small family enterprise into the largest and most successful fast-food business in America. In so doing, he helped to alter our eating habits and those of millions abroad.

Rate Yourself--Are You Ready To Start A Business?

*Directions: Under each question, check the answer that says what you feel or comes the closest to it.
Be honest with yourself!*

Are you a self starter?

- I do things on my own. No one has to tell me to get going.
- If someone gets me started, I keep going.
- Easy does it. I don't put myself out until I have to.

How do you feel about other people?

- I like people. I can get along with most anyone.
- I have plenty of friends--I don't need anyone else.
- Most people irritate me.

Can you lead others?

- I can get most people to go along with me without much difficulty.
- I can get most people to go along with me if I push them.
- I let someone else get things moving.

Can you take responsibility?

- I like to take charge of things and see them through.
- I'll take over if I have to, but I'd rather let someone else be responsible.
- There's always some eager beaver around waiting to show how smart he is. I say let him/her.

How good of an organizer are you?

- I like to have a plan before I start. I'm usually the one to get things lined up.
- I do all right unless things get too confused. Then I quit.
- I just take things as they come.

How good of a worker are you?

- I can keep going as long as necessary. I don't mind working hard.
- I'll work hard for awhile, but when I've had enough, that's it!
- I can't see that hard work gets you anywhere.

Can you make decisions?

- I can make up my mind in a hurry if necessary and my decision usually turns out okay, too.
- I can if I have plenty of time. If I have to make up my mind in a hurry, I usually regret it.
- I don't like to be the one who decides things.

Can people trust what you say?

- Yes, they can. I don't say things I don't mean.
- I try to be on the level most of the time, but sometimes I just say what is easiest.
- Why bother if the other person does not know the difference?

Can you stick with it?

- If I make up my mind to do something, I don't let anything stop me.
- I usually finish what I start--if it goes well.
- If it does not go well right away, I quit. Why beat your brains out?

How good is your health?

- I never get run down!
- I have enough energy for most of the things I want to do.
- I run out of energy sooner than most of my friends do.

Now count the checks you made.

How many checks are there beside the first answer to each question? _____

How many checks are there beside the second answer to each question? _____

How many checks are there beside the third answer to each question? _____

If most of your checks are beside the first answers, you probably have what it takes to run a business. Make sure that your answers are truthful, and not a result of wishful thinking! If your checks are mostly by the second answer, carefully examine your weaknesses to see if they can be overcome. Also, you may need to find a partner who is strong in the areas in which you are weak. If many checks are beside the third answer, it may be in your best interest not to start a business at this time. If you have a real interest in starting your own business, perhaps you could volunteer to work with someone in a business you are interested in. Learn more about yourself and your abilities from this experience. Then you will be in a better position to make a decision about your own business.

Session 2

IS ENTREPRENEURSHIP FOR YOU?

Definition

Entrepreneurship refers to the process of planning, organizing, and operating a business.

Points to Share

Each year more than 600,000 new businesses are started and millions of others are dreamed of but never become a reality. Why do you think people become entrepreneurs? (Write participant responses on the board.) Share *Transparency 2-1*.

(*Transparency 2-2*)

Independence Many people want to be their own bosses.

(*Transparency 2-3*)

Money Many people become entrepreneurs to increase household income (extra money).

(*Transparency 2-4*)

Employment Starting a business or becoming an entrepreneur is an option when companies close or lay off employees.

(*Transparency 2-5*)

Balance family Families with small children may see becoming entrepreneurs as an option to spending more time with family and decreasing child care cost.

(*Transparency 2-6*)

Personal satisfaction Entrepreneurship provides an opportunity to create a job that makes one happy and provides personal fulfillment.

Most people are really not aware of what it means to be a business owner. Let's see what you think about being a business owner.

Activity

Ask participants to respond to questions on *Handout 2-1, What Do You Think About Being a Business Owner?* by placing the word true or false in front of each statement OR read each question and ask participants to respond with **thumbs up for "true," thumbs down for "false,"** and show **open palms for "not sure."** When all have responded, discuss responses. Allow several participants to respond to get different perspectives.

Elaborate on responses by discussing information that participants may not have included in their response. Repeat this procedure until all questions have been discussed.

(Responses to Handout 2-1)

What Do You Think About Being A Business Owner?

- _____ 1. Most people who own a business become rich.
It is advisable that a person not become a business owner to get rich. Most businesses do not show profit for several years. Therefore, it is smarter to get involved in a business that allows you to do something you enjoy.

- _____ 2. Owning a business means working fewer hours and earning more money than working for someone else.
A business owner will be required to put in many hours if having a successful business is important. Remember, when you own a business, you work for yourself and no work usually means no income. Therefore, if you are not willing to work long hours, becoming a business owner may not be right for you.

- _____ 3. Most business owners have a college degree in business administration.
Many business owners do not have a college degree. In fact, becoming a business owner is an option for consideration if you have hobbies and interests that can be transferred into an income. The most important thing to keep in mind is becoming a business owner requires hard work and long work hours.

- _____ 4. Owning a business involves little risk; you just have to be willing to work hard.
A business owner must be willing to take some risk. All businesses are not successful. It will be important to conduct research to determine if your business idea is likely to be successful in the area in which you live.

- _____ 5. Business owners can expect to make lots of money and work fewer hours after they have been in business at least one year.
It usually takes more than one year for a business owner to see a profitable return. Business owners must be patient and persistent.

Activity

Now that we are aware of some of the things required of business owners, let's discuss other things that will be important as you consider becoming an entrepreneur. The activity we are about to start is called conducting an "Assessment" (*Transparency 2-7*). An assessment is determining what is important to you and what it is you enjoy doing in your spare time. Have participants complete *Handout 2-2* and have an open discussion.

Points to Share

Is Business Ownership For You?

Businesses fall into two categories: (*Transparency 2-8*) those providing services and those providing products. As you think of becoming a business owner, you must become a creative thinker (*Transparency 2-9*). This means thinking of things you enjoy doing and deciding if these things you enjoy can assist you in making money. As you think, remember it will be important to think of things you enjoy, not just things you do well.

Activity

Ask participants to review the items checked on *Handout 2-2* and list at least three businesses they might enjoy which would require them to have one of the skills checked (use back of *Handout 2-2*). Have participants share types of businesses. Discuss possibilities, advantages, and disadvantages.

Activity

After sharing participants ideas for businesses, show *Transparency 2-10*, Business Ideas for Youth.

Business Ideas for Youth

- | | |
|---|---------------------------------------|
| Baby-sit | Wash windows |
| Plan birthday parties | Wash golf clubs |
| Wash cars | Polish shoes |
| Pet care | Make desserts |
| • Walk dogs | Deliver laundry and dry cleaning |
| • Feed and water pets for vacationers | Iron |
| • Clean cages | Sew on buttons, hem garments |
| • Bathe and groom animals | Computer work |
| Run errands | Type |
| Elderly helper | Inventory |
| Rent-a-kid | Video tape special events |
| Homework helper | Plan family reunions |
| Pick up mail and newspapers for vacationers | Recycle |
| Water flowers/shrubs | Carry garbage to curb for pickup |
| Rake leaves | Paint |
| Mow lawns | Clean decks |
| Weed gardens | Clean walks, porches, driveways, etc. |
| Polish silver | Wash blinds |

Have participants express their own ideas and add to the list. Write their ideas on *Transparency 2-11*.

Now, it is time to select your business choice. Refer to the information on page 2 in the manual titled, "Your Business Choice." Consider your options carefully. Rate each business idea by responding to these questions, show *Transparency 1-12* and discuss items.

IS ENTREPRENEURSHIP FOR YOU ?

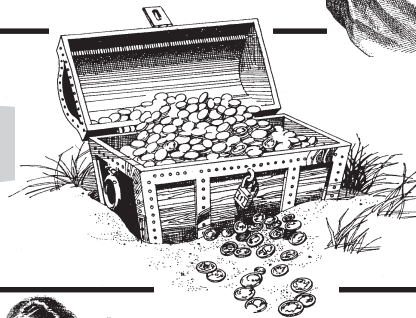
INDEPENDENCE

To become the boss



MONEY

To get rich



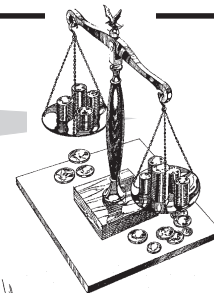
EMPLOYMENT

Job options



BALANCE FAMILY

More time for family
Less child-care costs



PERSONAL SATISFACTION

Create happiness
& satisfaction



INDEPENDENCE

To become the boss



MONEY

To get rich



EMPLOYMENT

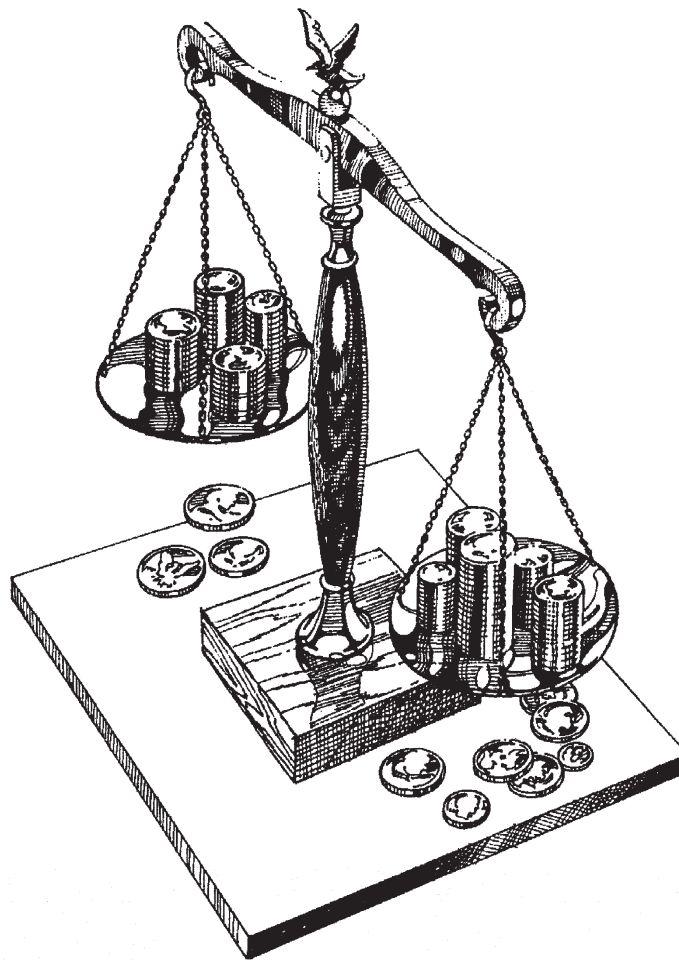
Job options



BALANCE FAMILY & WORK

More time for family

Less child-care cost



PERSONAL SATISFACTION

Create happiness & satisfaction



ASSESSMENT

Categories



Creative Thinking

Business Ideas for Youth

Baby-sit	Rake leaves	Hem Garments
Plan birthday parties	Mow lawns	Computer work, Type
Wash cars	Weed gardens	Inventory
Pet Care	Polish silver	Video tape special events
Run Errands	Wash windows	Plan family reunions
Elderly Helper	Wash golf clubs	Recycle
Rent-a-kid	Polish shoes	Carry garbage to curb
Homework helper	Make desserts	Paint
Pickup mail and newspapers	Deliver dry cleaning	Clean Decks
Water flowers/shrubs	Iron	Clean walks, porches
	Sew on Buttons	Wash blinds

Rate Each Business Idea

1. Compare the business to your personal goals
2. Talk to people in the same business
3. Ask professionals
4. Share thoughts with family and friends
5. Make final decision yourself

What Do You Think About Being A Business Owner?

(Respond to the question below by placing the word true or false in front of each statement)

- _____ 1. Most people who own a business become rich.
- _____ 2. Owning a business means working fewer hours and earning more money than working for someone else.
- _____ 3. Most business owners have a college degree in business administration.
- _____ 4. Owning a business involves little risk; you just have to be willing to work hard.
- _____ 5. Business owners can expect to make lots of money and work fewer hours after they have been in business at least one year.

Which of the following things do you really enjoy doing?

Complete this sheet about yourself (Check all that apply)

- _____ Organizing events
- _____ Being around people (children or elderly)
- _____ Helping others reach goals
- _____ Making decisions
- _____ Getting groups together to do projects
- _____ Inventing things
- _____ Designing things
- _____ Drawing
- _____ Writing
- _____ Conducting experiments
- _____ Teaching and working with people
- _____ Helping people solve problems
- _____ Listening to others
- _____ Helping people understand things
- _____ Working alone
- _____ Identifying jobs that need to be done and doing them
- _____ Making decisions without a lot of input from others
- _____ Working closely with others
- _____ Sharing with others
- _____ Working with the public
- _____ Meeting new people
- _____ Impressing people you meet
- _____ Building things
- _____ Fixing things
- _____ Operating tools
- _____ Participating in sports
- _____ Operating tools/equipment
- _____ Lifting heavy objects
- _____ Working outside
- _____ Working inside

Session 3

LEARNING ABOUT LOCAL BUSINESSES

Points to Share

Learning more about the business you are interested in starting will further insure your success. One way to do this is to visit a local business that is similar to the one you are interested in starting. Another way is to have a mentor.

Definition

Mentor: A person who is willing to share what he/she knows or has experienced with another. A mentor can provide you with valuable information. It is a good idea to look for a mentor who works in the type of business you have an interest in. You would also want to look for someone who you feel comfortable with.

Activity

Encourage the participants to interview one or more business people who might serve as a mentor. You will probably have to assist in identifying potential business people to interview. Then talk with the participants about the importance of the interview and the need to be prepared. Show *Transparency 3-1*, distribute “Guidelines for the Interview,” (*Handout 3-1*), and discuss major points.

Have participants role play calling to make an appointment to interview a business person. Also have them role play an interview. Depending on the size of the group, you may want to have them in small groups for these activities. Use *Handout 3-2* to discuss fine points of interviewing.

After the participants have conducted their interviews, have them respond to the following questions:

1. How would you describe an entrepreneur?
2. Name personal characteristics you believe most entrepreneurs have in common.
3. Name advantages of becoming an entrepreneur.
4. Name disadvantages of becoming an entrepreneur.

Interview Guidelines

- Call the business owner to make an appointment.
- Plan for the interview to take about 15 minutes.
- Dress appropriately.
- If possible, visit the business before the interview.
- Get permission to use a tape recorder.
- Write down answers accurately.
- Shake hands and say “Thank You”
- Write your summary of the interview immediately.

Guidelines For The Interview

1. Call the business owner to make an appointment. Do not drop in unannounced. Briefly tell the business owner who you are, how you got his/her name, why the interview is important, and how much time you need.
2. Plan for the interview to take about 15 minutes.
3. Dress appropriately for a business appointment.
4. If possible, visit the business before the interview so you are familiar with the layout, personnel, and product.
5. If you want to use a tape recorder, ask permission to do so in advance.
6. When writing, try to record answers to the questions as accurately as possible.
7. Shake hands and say “thank you” when the interview is over.
8. Immediately after the interview, write down any impressions you developed so you will not forget them.

Conducting the Interview

1. How long have you been in business for yourself? _____

2. When did you decide to go into business for yourself? _____

3. Why? _____

4. Did you hold any jobs, get education or training that made you feel prepared to start your own business? _____ If yes, can you tell me about it? _____

5. How did you get the money to start the business? _____

6. How is the management of your business set up? _____

7. What advice would you give to people who want to go into business for themselves? _____

8. What do you enjoy the most about your business? _____

9. What do you enjoy least about your business? _____

10. How would your life be different if you were working for someone else? _____

11. If you were starting a business today, what do you feel is needed in your community? _____

12. What problems do you feel a person would face if he or she were to start that business? _____

Session 4

YOUR BUSINESS PLAN: THE STARTING PLACE

Definition

A **business plan** is like a road map for your business. It will help you decide where you want to go with your business and guide you along the way. A business plan improves your chances of succeeding in business.

Points to Share

A written business plan helps you to effectively communicate goals and objectives to others. A written plan includes the direction the business will take and strategies needed to move the business in the planned direction.

The business plan has two main purposes. The plan should explain the entrepreneur's own vision, expectations and results. The plan should also explain the business idea to outsiders (employees, lenders or both) and how the entrepreneur expects it to work.

The major parts of the business plan are the summary; business description; market analysis; personnel; financial statements, a personal financial statement (if part of a loan proposal) and supporting documents; and risks. (*Transparency 4-1*)

The **summary** is usually one page which describes the business and includes what is needed if one plans to borrow money. It begins by identifying the entrepreneur and company name with an address and phone number.

Next comes the introduction, which includes a brief description of what the company wants. This can usually be done in one paragraph.

Example: Paul's Pet Sitting Service seeks a start-up loan of \$100 to produce brochures and establish a recordkeeping system for the business.

A business description describes the nature of the business, the market served, and whether the business is a start-up or an expansion of a current operation.

The market analysis is a description of the size, extent, or cyclical nature of the market.

The management description will be one or two sentences about the management team. This should concentrate on any experiences that prepares the entrepreneur for running this business.

(Note: Usually the summary of a business plan is written after the detailed plan is written, yet it comes first when presented to a loan officer.)

Following the summary is a detailed business plan. The manual, “ Money My Way ,” provides participants the opportunity to develop a business plan. Encourage them to complete this as you work with them.

The **business description** describes the product or service that will be offered as well as what the business owner wants to accomplish. Refer to sections in “Money My Way” manual on “Description of Your Business” and “Business Purpose or Mission” on pages 3 and 4.

The **market analysis** identifies for the entrepreneur, as well as lenders, and the environment in which the business will operate. The analysis will identify the competitors, pricing strategies, business cycles and practices unique to the business, and key features of the product or service. Refer to the following sections in “Money My Way” manual, “Check Out the Competition,” “Promotion,” “Sales,” and “Production” on page 5-11.

Information about **key personnel** includes a brief resume with personal financial information about the owner of the business. It also includes labor costs, contributions by owner/investors to date, contracts and the names of professionals consulted or to be consulted about your business. (The information would be important if the business was borrowing significant funds and hiring workers. It is not addressed in the participant manual. If you have participants that will be functioning in this manner, it would be necessary to discuss these topics in detail with them.)

Financing the business is the next big area to consider. Having sufficient money to start and operate the business until the business begins making money. One needs to be realistic and conservative when developing business financial plans.

Financial documents within the business plan include projected start up costs as well as projected statements for profit and loss, cash flow and operating, a projected balance sheet, and a break-even analysis. Refer to the section in the “Money My Way” member’s manual entitled “The Financial Plan.” There are forms to use to develop needed financial documents. (See page 13 in Money My Way)

You will also need to include the only negative section of the plan, **risks**. Identifying risks lets the lenders/investors know you recognize and are prepared to deal with the risks. It also alerts you to areas which require closer attention. Some of the risks that could be addressed are the lack of a company history, limited financial resources, limited management experience, and uncertainties about the market and production. (*Distribute Handout 4-1*)

Activity

Have participants follow in their manual as you discuss the various parts of the business plan. It is critical that participants understand how important a good plan is to their success. Allow time for the participants to work on completing the various components of their business plan. If necessary, take time to go over the various sections and provide examples and answer questions. Also allow time for participant interaction. Perhaps an artistic or computer literate participant can assist others in design of logos or business flyers. If computers are available, make them available for participants to experiment on when developing print media.

Points to Share

One of the first questions an entrepreneur needs to decide is the legal form the business should take. Some of the options available are sole proprietorship, general partnership, limited partnership, and corporation.

(Transparency 4-2)

A **sole proprietorship** is a business which has one owner. There is no stock issued because one person owns all the assets and is responsible for all debts. All legal and contractual transactions are conducted by the owner, not the company.

The advantages of the sole proprietorship are the ease of formation, low overhead, and the control and direction set by the owner.

(Transparency 4-3)

A **general partnership** has two or more owners who bear responsibility for the operations and liabilities of the business. General partnerships are usually formed when one person cannot operate a business on his or her own. Each partner will bring strengths to the business and will provide capital, industry knowledge, labor, or physical assets.

A disadvantage to the general partnership is that each partner is responsible for the acts of the other partner(s) when they act in the name of the business.

The advantages of the general partnership are the ease of formation, low overhead, and the shared work load.

(Transparency 4-4)

A **limited partnership** consists of one or more general partners with full liabilities and one or more limited partners whose liabilities are limited to a set amount. Limited partnerships must be registered with the South Carolina Secretary of State, Wade Hampton Office Building, P.O. Box 11350, Columbia, SC 29211; 803-734-2158.

An advantage of the limited partnership is the increased ability to raise capital for the business.

(Transparency 4-5)

A **corporation** is a more expensive, labor-intensive form of business structure. It has the advantage of distancing owners from the liabilities of the business. With a corporation, the owner can also issue stock to finance growth.

Corporations must be registered with the South Carolina Secretary of State, Wade Hampton Office Building, P.O. Box 11350, Columbia, SC 29211; 803-734-2158. Corporations must have boards of directors and the corporate board minutes must be retained.

Corporations are legal entities and can be bought and sold for outstanding stock. Corporations usually pay income taxes apart from the individual taxes paid by the stockholders and corporate officers.

(Transparency 4-6)

An **S corporation** is a domestic corporation that can avoid double taxation by election to operate under the rules of Subchapter S of the Internal Revenue Code. The S corporation passes its income, loss, deductions, and credits through to its shareholders to be included on their separate returns.

To become an S corporation, the company must be a domestic corporation with one class of stock. It can have no more than 35 shareholders who must be citizens or legal residents of the U.S. Shareholders must consent to S corporation status. The S corporation uses an IRS-allowed tax year and files IRS Form 2553. (Distribute *Handout 4-2*)

Activity

Youth who are interested in learning more about the various legal forms of business ownership might wish to participate in the South Carolina 4-H Business Demonstration Challenge. This is a speaking contest in which youth base their presentation on the advantages and disadvantages of the four recognized ways of doing business: individual ownership, partnership, corporation, and cooperatives. Each county is eligible to enter two 4-H members per year. For more information on this opportunity, contact the Extension agent in your county who conducts this program.

The Business Plan

- Summary
- Business Description
- Market Analysis
- Key Personnel
- Finance
- Risks

Sole Proprietorship:

One owner

General Partnership:

Two or more owners

Limited Partnership:

General partners with
full liability and other
partners with
limited liability

Corporation:

**Owners have protection
from liabilities of
business**

“S” Corporation:

**Passes income, loss,
deductions, and credit
to shareholders**

The Business Plan

Careful planning is key in any successful business. Without extensive planning, resources available to the small business (time, money, opportunities) could slip away with no benefit to the organization. For this reason, planning is a normal part of doing business. Extensive planning can improve communication, efficiency, and decision-making abilities.

Planning does not replace entrepreneurial skill. A business plan cannot guarantee success. A business plan can be a way to show the potential of the business. This helps you, as the entrepreneur, identify problems you might encounter in your day-to-day operations and how to reach long-term goals. You can also take advantage of new opportunities as they come along. Remember that no amount of planning can identify all the pitfalls and opportunities that await your business. However, an extensive business plan will be flexible enough to take advantage of opportunities and avoid most of the pitfalls.

A **written** business plan also allows you, the manager of the business, to effectively communicate these goals and objectives to others. This information includes the direction the business will take in the future, what strategies need to be accomplished to achieve that direction, and the specific roles of investors, family members, and employees in making the business profitable.

The business plan can place a wealth of information at your fingertips. If properly thought out and written, the business plan will contain several parts, which will describe your entire operation. These parts include the marketing, management, operations, and financial plans for the firm. The parts of the plan will help you watch the progress of the firm and allow you to handle change and competition.

In short, the business plan summarizes the past, current, and future activities of your business. Its most important purpose is to act as a roadmap for the survival and expansion of the business. The business plan also makes sure your business works “on paper” and enables you to determine its financial needs. Many potential small business owners never put the numbers on paper to see if revenues will cover expenses. As most entrepreneurs’ estimates of how well their business will do are overly optimistic, it becomes even more important for you to earn “pencil profits.” If the business is not profitable with your optimistic outlook, then you will probably not earn actual profits when the business begins.

Finally, the business plan acts as a standard for measuring the success of your business and your success as a manager. Comparisons of actual performance with predicted performance will allow you to see problems before they become unmanageable. But remember that this should be **your** plan. While you may get outside help, do not let someone else develop the plan for you. It will be meaningful only if it is the organization that you want.

Business Organization

An early decision you must make is to decide how the business will be organized. There are several different forms of business organization available. The simplest form of business organization is the **sole proprietorship**. One person owns the entire business, is responsible for raising capital, and must take all responsibility and risks associated with running the business. Many businesses begin with this type of organization and either add a partner or incorporate later.

A **partnership** is formed when two or more people decide to share the risk and/or responsibilities of operating the business. In a **general partnership**, each partner is responsible for the debts and liabilities of the firm. The general partners' liability is that of the sole proprietorship. Thus, the liability could easily exceed the partners' investment to the business and could actually lead to personal bankruptcy.

A **limited partnership** is made up of one or more general partners and one or more limited partners. In this case, the general partners are still responsible for the full liabilities of the firm. The limited partners are only responsible for their level of investment in the business.

The third type of business organization is the **corporation**. The corporation is a separate legal entity where each member of the corporation is responsible for the liabilities of the business only to the extent of their investment in the business. There are several different forms of corporate organization; perhaps the most common in a small business setting is the **S corporation** (also known as the **subchapter S corporation**). This type of organization is designed mainly for small, closely-held corporations and has a tax advantage for the stockholder.

Session 5

MAKE IT LEGAL

Definitions

Laws and regulations: There are a number of laws and regulations which apply to those in business for themselves. These rules were set up to insure that businesses operate within the law and pay the appropriate taxes and fees.

Points to Share

(Transparency 5-1)

Local regulations may include zoning laws, building codes, health requirements, and fire and police regulations. Visit your county and/or city offices to find out which laws apply to the business you plan to start.

(Transparency 5-2)

Unless your business is exempt, obtain a county **Business License**, referred to as a business tax. The license can be obtained from the county court clerk. If you are operating your business in an incorporated city, then you will also need a business license from the city clerk.

Every person who engages in business in South Carolina as a retailer must obtain a state retail license before making any sales. A temporary license is available to those making sales for no more than 30 consecutive days, a special license is available for artists and crafters who sell products they have created or assembled at shows and festivals, and other licenses are needed by transient retailers as well as those from out-of-state. To learn if you need any type of retail licenses, contact the South Carolina Department of Revenue, P.O. Box 125, Columbia, SC 29214; 803-898-5000; or visit their Web site at <http://www.dor.state.sc.us>.

The **Sales and Use Tax** is a tax paid by the buyer on the retail sale of goods and many services. Any business which sells, leases, or rents tangible personal property or services not specifically exempt must pay the tax.

The current retail sales tax is a 5 percent state rate plus a 1 percent local tax rate in certain counties. Check with the South Carolina Department of Revenue about the forms needed and the due dates for paying the tax.

Every business must file an annual **Federal Income Tax Return**. The form you file depends on the way your business is organized. Check with the Internal Revenue Service at 1-800-829-1040.

Self-employment Tax (FICA) is the Social Security and Medicare tax for individuals who work for themselves. Check with the Social Security Administration, 1835 Assembly Street, Columbia, SC 29201; 1-800-722-1213 for details about the self-employment tax.

Employer Identification Number (EIN) is a number provided by the Internal Revenue Service (IRS) to businesses with employees. Contact the IRS for information about the EIN and the forms needed.

Federal Excise Taxes are necessary for the sale or use of certain items, certain occupations, and certain facilities and services. To see if your business needs to pay federal excise taxes, contact the IRS. Distribute *Handout 5-1* and discuss.

Activity

1. Develop a legal calendar. List the due dates for license renewals, tax payments, and other legal activities. Make plans to maintain the required records and set aside the money needed to use for taxes and fees. These practices will help you to have the money when you need it and to always make your payments on time.
2. Have participants complete some of the tax and business forms needed for meeting federal, state, and local regulations.
3. Invite members of the local Chamber of Commerce, Better Business Bureau, business and professional groups, or government officials to discuss the importance of meeting the legal requirements of owning and operating a business.

Check local regulations

Licenses and Taxes

- **Business License**
- **Sales and Use Tax**
- **Unemployment Compensation Tax**
- **Social Security (FICA) Tax**
- **Employer Identification Number**
- **Federal Excise Tax**

Laws / Regulations / Licenses

As a business owner, you must comply with various local, county, state, and federal laws and regulations. It is necessary for you to obtain licenses and pay taxes. To be certain that you have complied with the rules and regulations, check with the government offices and agencies noted below.

LOCAL

Check with city hall regarding the need for a Business License to conduct business within the city limits. You might also check with the local Chamber of Commerce for assistance they might provide beginning entrepreneurs.

COUNTY

Check with representatives at the county court house regarding the need for a Business License to conduct business within the county limits. Also, check with them relative to any taxes you might owe.

STATE

For information on Retail Licenses as well as sales and use taxes and personal state income taxes, contact: South Carolina Department of Revenue, P.O. Box 125, Columbia, SC 29214; 803-898-5000 or visit their Web site at <http://dor.state.sc.us>.

For information on registering your business (all but sole proprietorships and general partnerships must register), security registration, and trademark registration, contact: Secretary of State, Wade Hampton Office Building, P.O. Box 11350, Columbia, SC 29211; 803-734-2158.

For information on businesses that involve preparing and selling food, contact: South Carolina Department of Health and Environmental Control, 2600 Bull Street, Columbia, SC 29201; 803-374-5000.

For information on business trends and developments, contact: South Carolina Department of Commerce, Business Development and Assistance Division, P.O. Box 927, Columbia, SC 29202; 803-737-0400 or visit their Web site at <http://www.state.sc.us/commerce>.

For information on public employment service, contact: South Carolina Employment Security Commission, P.O. Box 995, Columbia, SC 29202; 803-737-3071.

For information on types of businesses in South Carolina and their economic contributions, contact: South Carolina Economic Developers' Association (SCEDA) at their Web site <http://www.sceda.org>.

For a variety of helpful information on state and local government, visit this Web site: <http://www.piperinfo.com/state/states.html>.

For information on the state of SC which might impact your business endeavor visit the following Web site: <http://www.state.sc.us>.

FEDERAL AGENCIES

For information on federal employer's identification number (EIN) and personal income tax, contact: Internal Revenue Service at 1-800-829-1040 or visit their Web site at <http://www.irs.ustreas.gov>.

For information on Social Security taxes, contact: Social Security Administration, Strom Thurmond Building, 2nd floor, 1835 Assembly Street, Columbia, SC 29201; 1-800-772-1213 or visit their Web site at <http://www.ssa.gov>.

For information on starting and operating a small business, contact: Small Business Administration (SBA) at 1-800-827-5722 (1-800-U-ASK-SBA) or visit their Web site at <http://www.sba.gov>.

Session 6

OPERATING YOUR BUSINESS

Points to Share

In earlier lessons we have talked about the legal side of starting your business. You have learned about the fees and licenses needed to open your business. You have also learned about various types of partnerships and corporations. We now need to look at the day-to-day operation of the business (*Transparency 6-1*).

You will find that the day-to-day operation will run smoother if an operating plan is in place. The operating plan should describe facilities, location, space requirements, equipment, and the labor force needed to provide your product or service. Refer to the “Production” section in the manual, “Money My Way,” on page 5.

(*Transparency 6-2*)

Location of the business includes not only the site for the business, but wage rates for the area, available workers, convenience for the potential customers, access to suppliers and legal issues such as state and local taxes, building codes, utilities and zoning codes.

(*Transparency 6-3*)

Facilities that you will need for your business need to be determined. Are there existing facilities that meet your needs or will you need to locate other space?

(*Transparency 6-4*)

Is there a **labor force** available with the skills you need to produce your product or provide your service? If the labor force does not have the skills, can you train them? What will it cost?

Not all of these factors will need to be considered in every business. Identify those which apply to your business.

Activity

Have participants identify the factors that will affect their business idea and incorporate them into their business plan. Encourage them to complete section on “Production” in their “Money My Way” manual on page 5.

Points to Share

(*Transparency 6-5*)

An important part of your business is to purchase the supplies needed to provide your product or service. Although price is an important consideration, there are other factors to consider when selecting a **supplier**. Among factors to consider are reliability of the supplier and the quality of the supplies.

Thinking through the supplies you need and grouping the supplies by categories will help you to determine the kinds of suppliers you need.

Once you have identified reliable suppliers, who provide supplies of a consistent quality, shop around for the best price. Remember, not all supplies you will need for the business must be purchased from the same supplier.

Activity

Have the participants list the supplies they will need for their business and group them by the type of supplier.

It may be necessary to have students sort supplies by **Must Haves** and **Nice to Haves**.

Points to Share

(Transparency 6-6)

Quality control may not always be a problem in your business, but the small business owner always has to be aware of any potential problems that may arise. The problems may range from minor inconveniences to actually causing the business to fail.

Quality control begins when you purchase your supplies and continues through the selling of your product or service.

Before selecting a supplier, you can ask for references of other customers. Be sure to ask for names of current and former customers. You can also ask local businesses which suppliers they use. If the supplier is located nearby, you may want to visit the facility to observe the way they handle orders from others.

To control quality when producing the product, ask your customers how you are doing. Use the suggestions they give to you. Asking their opinion and then not using it is a sure way to lose customers.

(Transparency 6-7)

Regardless of business size, you will need to develop a schedule. **Scheduling** means planning or timing resources to meet the business's needs. These resources could be labor, material, or management ability. As the business owner, you must be able to determine when and in what quantity these resources will be needed.

Scheduling begins with you. You must learn to use your time wisely to fulfill your many duties as business owner. Some of the tasks you will need to schedule are paying bills, ordering supplies, and time to produce or provide the product or service if you are the only employee.

Scheduling also includes making a plan for when you will order needed supplies. Keeping too large an inventory on hand will tie up capital and profits. Not having the supplies when you need them will result in unnecessary delays that will cost you in both dollars and customers lost.

Using your employees effectively will also require scheduling. This will include selecting the right person for the right job and having him or her on the job at the right times. It may also mean that you, as a small business owner, will have to change your plans at the last minute because an employee calls in sick.

The operations plan describes how the business is organized. It also tells who is going to make the day-to-day decisions and the long term critical decisions for the expansion and survival of the business. The operations plan also describes the process by which a product is manufactured or a service is provided. Finally, the operations plan spells out many of the company methods for dealing with the labor force, product returns, refunds, etc. Refer youth to page 5 in their “Money My Way” manual

Activity

Have participants incorporate the principles from the “Points to Share” discussions into their business plans.

Activity

Invite local entrepreneurs to form a panel to discuss the operation of their businesses.

Business Operation

Location!
Location!
Location!

Facilities

Labor Force

Suppliers

Quality Control

Schedulings

Session 7

MARKETING YOUR BUSINESS

Definition

Marketing includes all the decisions involved in the business effort. It starts with the product or service and includes production, pricing, promotion (including advertising), selling, service, and customer satisfaction.

The marketing plan provides a means for the entrepreneur to develop a system to sell a product and produce revenues for the business. Because revenues are the lifeblood of the business, the marketing plan is the most important part of the business plan.

Points to Share

(Transparency 7-1)

Market research is the first step to a marketing plan. Market research is a way to get particular information from potential customers and available resources that will help you to reach the goals for your business. The objective of market research is to learn all you can about the potential for your business.

(Transparency 7-2)

Begin your market research by defining the **geographic area** for potential customers. The most convenient tool is to simply map the circulation of the local newspaper or shopping guide. This gives you, the entrepreneur, a measure of the geographic size and shape of the area from which customers may be attracted when using the local media advertising.

Activity

Have participants plot on a map the area from which they feel their business idea would draw customers. (Secure maps from city or county councils or the World Wide Web.)

Points to Share

(Transparency 7-3)

Once you know the geographic area, you will need to decide whether a market could exist for the product. This includes looking at **potential sales**.

Part of determining whether a potential sales market exists is developing a profile of the potential customers in the geographic area. The criteria used for developing a profile include income level, age, gender, education, location of the business, ethnic background, religious affiliation, hobbies, skills, health, household pets, number of children, buying habits, special interests, physical disabilities, home ownership, do-it-yourself types, eating habits, spare-time activities, age and type of car, marital status, job and position, age of home, and other demographic characteristics.

Activity

Have participants identify potential business ideas. Using these ideas, identify demographic characteristics of the customer the business targets.

Encourage participants to complete the “Sales” section of the manual, “Money My Way” on page 11.

Points To Share

(Transparency 7-4)

Once you know your potential customer base, it is important to survey persons from the base to see if they will use your product or service. The survey can be done by personal interview, telephone, or by mail. The method you choose will be decided by the time and/or money you have available.

Activity

If participants are interested in doing some type of survey, assist them in developing an appropriate questionnaire.

Point To Share

Remember, the marketing plan is the most important part of your business plan. It will provide you the means to develop a strategy for selling a product or service and producing revenues.

Definition

Advertising is part of a sound marketing plan. A well-planned advertising program is ongoing which builds over time. It can help improve your business, but is not a cure for all business ills.

Those who use advertising effectively accomplish these purposes: maintain old customers, bring in new customers, establish a position among competitors, and reinforce the business’ image as a part of the community.

Points To Share

Getting the public to notice and remember your advertising will not be easy. Research says we are exposed to more than 4500 messages a day. A recent research of television advertising found that only 10 percent of the viewers could correctly identify the brand advertised in a particular commercial when they were asked about it later. Eight percent said the commercial was for a rival product. Another study revealed that 84 percent of people had no reaction at all to an advertisement in print or broadcast.

To get your advertising noticed, remember these key points. *(Transparency 7-5)*

Target your customer. The primary goal of advertising is to get the right message to the right customer at the right time. You will need to go back to your market analysis and review your customer profile.

Identify the image you want your advertising to project. Single out the benefit of your product or business you want to highlight, then take action.

Select the media you want to use. Generally, the best advertising program is one that combines several available media.

Activity

Ask participants to name various types of media they could use to promote their business idea. Write them on newsprint or a blackboard. Examples include:

Traditional Media

Billboard
Yellow pages
Direct mail
Magazines
Newsletters
Newspaper
Other local publications
Radio
Shopper
Television (commercial)
Television (local cable)

Other Media

Magnetic car signs
Community theater program book
Flyers
Grocery bag stuffers
Posters
School paper
Sports programs
Store window displays
Table tents
Telephoning

Points to Share

Though not considered as advertising, the following may be goodwill builders: balloons, bookmarks, bumper stickers, calendars, hats and jackets, imprints on giveaways, stickers, team sponsorships, etc. These items would be budgeted separately from other forms of advertising.

Coupons and discount offers can increase business by introducing your operation to new customers, but use them carefully.

You may decide not to use coupons or discounts because: customers expect price breaks all the time, so many redemptions you cannot meet the demand, extra paper work at the cash register and in the record keeping, and bargain hunters coming only for specials.

If you decide to use coupons, always have a purpose in mind. Reasons might be to pick up business on days that are usually slow or to attract new customers. Never use coupons for a new business opening. Get the bugs worked out first.

Select your advertising tools carefully. Use only those which will reach your intended customer.

Activity

Have participants plan an advertising campaign for their business idea. Encourage them to complete the “Promotion” section in the “Money My Way” manual on page 8.

Market Research

Define the geographic area

Look at potential sales

Design a questionnaire

Advertising

- Target your audience
- Identify your image
- Select your media

Session 8

PRICE IT RIGHT

Points To Share

One of the most important reasons to start a business is to make money. Yet many businesses operate without ever showing a profit. How can you determine the perfect price that will be low enough so people will buy your product, yet still be high enough so that you can make a profit?

(Transparency 8-1)

Setting a price for your product or service is difficult. Pricing is a decision where you often question if you are setting the right price. The bottom line of your business is profit. Too often, new business owners are guilty of selling themselves short by setting prices too low. This occurs when the business owner doesn't value his or her time or is unrealistic about the costs of running a business.

There are guidelines that can help you set a price for profit. However, there is no one method that is perfect for all businesses under all conditions. To calculate a price for profit, you need to know the basics behind material costs, overhead costs, salary, and profit margin. After estimating these costs, you can apply a pricing formula that will help you determine the best price for your product or service.

Definition

(Transparency 8-2)

Material Costs: any costs that tie in directly with the production of the product or service in your business. These include all raw materials, inventory, supplies, and labor used in the production of your product or service.

Points To Share

Material costs vary depending on the amount of the product you buy and your method of payment. Many suppliers will offer discounts if you have a tax number. A tax number can be obtained after you apply for and receive your business license. You will need to allow for extra waste materials which often have to be discarded as a part of production. Delivery costs also add to the cost of materials.

If you do not know the costs of materials, check with suppliers. They can help you identify a general price range. You may also talk with others working in a similar business. They can be extremely helpful in identifying costs for materials which you may have overlooked.

Labor is sometimes considered a material cost when labor is used to produce a product or provide a service. Labor costs, in the form of employee wages or contract labor, can greatly increase the material costs of your business.

Labor costs involve more than the hourly wage. When you are the boss, you have to pay various taxes and benefits on employees' salaries which go beyond the hourly wage. These costs greatly increase the cost of hiring employees. Include the total costs of taxes and benefits in addition to the hourly wage when you calculate labor costs. For example, the hourly wage of \$5 for labor is actually closer to \$7.50 in real costs for the business owner who must hire employees.

Some businesses utilize contract labor. In this instance, the people you contract with are considered to be in business themselves. Therefore, you pay a set sum for the job and are not concerned with salaries, hourly wages, and employment taxes.

Definition

(Transparency 8-3)

Overhead Costs: The indirect costs or expenses that are associated with operating business. These costs are sometimes referred to as operating costs. Typical examples of indirect costs include:

Interest and Loan Payments	Sample Items	Credit Cards
Advertising and Promotion	Product Markdowns	Office Supplies
Product Sales	Sales Time	Telephone
Mileage	Returns	Insurance
Displays	Unsold Inventory	Rent

Points To Share

(Transparency 8-4)

Salary

Because of the numerous costs involved in starting a business, it is often difficult for the business owner to pay him/herself a salary. An important reason for being in business is to make money. If you cannot afford to pay yourself a salary, then the business is not making money.

In many small business operations, the owner is also the person who produces the product or service. In this instance, part of your salary is tied into material costs as a labor charge. You are actually paying yourself to produce the product or service. However, this does not take into account your “nonproductive” time, such as selling your product, or record keeping that is involved in operating a business.

Can you afford to pay yourself a salary for your nonproductive time in the business? A harsh reality when getting a business off the ground is that the new business owner will receive little or nothing for his/her time in the beginning months or years of the business. A salary for the new business owner often becomes an optional cost until the business becomes established. Set a time limit for how much time you are willing to work without receiving pay. It is not a condition you wish to continue indefinitely.

How do you decide how much to pay yourself? The decision as to how much your time is worth is a very personal one. Most people decide upon their wage by looking at how much they could earn if they were working at another job. The amount you decide upon should be realistic in terms of the job market in your area and your job skills. Remember to include extra costs for various taxes and benefits, just as you would if you were hiring employees.

Profit Margin

(Transparency 8-5)

The profit margin is often overlooked by beginning businesses. Remember, an important reason to start a business is to make money. The **profit margin** is the money that is left after all expenses and salaries have been paid. Profit margins are important because they allow you to reinvest money into the business for growth and unexpected expenses.

Profit margins are usually added as a percentage markup. It is added after the total cost of the product or service has been determined. The percentage markup can vary quite a bit - generally it depends on what the market will bear.

Pricing of Products

(Transparency 8-6)

To effectively price an individual item for sale in your business, you need to know certain costs identified with your business. This “cost-plus” pricing formula is:

- Material costs per item (Include labor cost to produce item)*
- + *Average overhead cost (Estimate your yearly overhead costs. Divide this by the estimated productive working hours in a year and multiply by the time needed to complete one item)*
- + *Salary (Estimate desired yearly salary and divide by the number of items which can be produced in the estimated yearly productive hours).*
- = *Total cost per item*
- + *Profit margin (percentage of total costs)*
- = **Product Price**

Example (Transparency 8-7)

The NNNN Business is producing an item which requires materials costing \$7.50 per item. Assume the average yearly overhead costs are \$600, with 520 yearly productive working hours (10 hours per week). It takes one hour to complete each item. The owner would like to earn an annual salary of \$2500 and make a profit of 10 percent. What price does the NNNN Business need to charge per item?

Material costs (production labor included)	\$7.50
+ Overhead costs (\$600 divided by 520 x 1 hour labor)	1.15
+ Salary (\$2500 divided by 520 items produced per year)	4.81
= Total cost per item	13.46
+ Profit Margin (10% of \$13.46—total costs)	1.35
= Total Price	\$14.81

Pricing of Services

(Transparency 8-8)

To determine the price of a service your business is offering, you will again need to know certain costs of your business. The following formula is a guide to calculating the price you should charge per hour for a service.

- Average overhead costs per hour (Estimate yearly costs and divide by estimated productive working hours in a year)*
- + *Hourly wage and taxes and other costs*
- + *Salary (Estimate desired yearly salary and divide by estimated productive working hours in a year)*
- = *Total cost per hour*
- + *Profit margin (percentage of total costs)*
- = **Price per hour for a service**

Example (Transparency 8-9)

John is operating a lawn service during his summer vacation. His average operating costs are \$200. He would like to earn \$5 per hour for providing the service and estimates he would work 200 hours over the summer. He would like to earn a salary of \$500 with a 10 percent profit margin. What does John need to charge for cutting a lawn which requires two hours to complete?

Overhead costs per hour (\$200 divided by 200 hours)	\$1.00
+ Hourly wage (\$5.00 + \$1.50 for taxes)	6.50
+ Salary (\$500 divided by 200 hours)	2.50
= Total cost per hour	\$10.00
+ Profit margin (10% of \$10.00)	1.00
= Price per hour of service	\$11.00
= Price for 2 hours of service (2 times \$11.00)	\$22.00

If a lawn requires two hours for John to cut and trim, he would need to charge \$22.00. This would allow John to pay himself the desired wage, earn a salary for his nonproductive hours in the business, in addition to establishing a profit margin for the business. In most instances, it is better to estimate your time and to quote a complete price for the service rather than telling the customer your hourly charge.

Summary

Pricing is difficult. There is no perfect price. The best price for a given product or service can vary according to competition, location, prestige, and other variables.

Compare different pricing methods to see what works best for your business. Keep a close record of your expenses and time. Pricing can be compared to walking a tight rope. Charging too much can put you out of business just as fast as not charging enough. Either way, you fall off the rope. Pricing is a skill which you must develop if you want a business that makes money. If you are unable to charge the amount required to make a profit, then you need to look at ways to cut costs or pursue another business.

Activity

Organize participant work groups. Have them apply the pricing formula(s) to determine the price of their product or service. Encourage participants to complete the “Goal Worksheet” in the “Money My Way” manual on page 23.

Pricing Your Product



Material Cost (Direct Costs)

- Raw Materials
- Inventory
- Supplies
- Labor

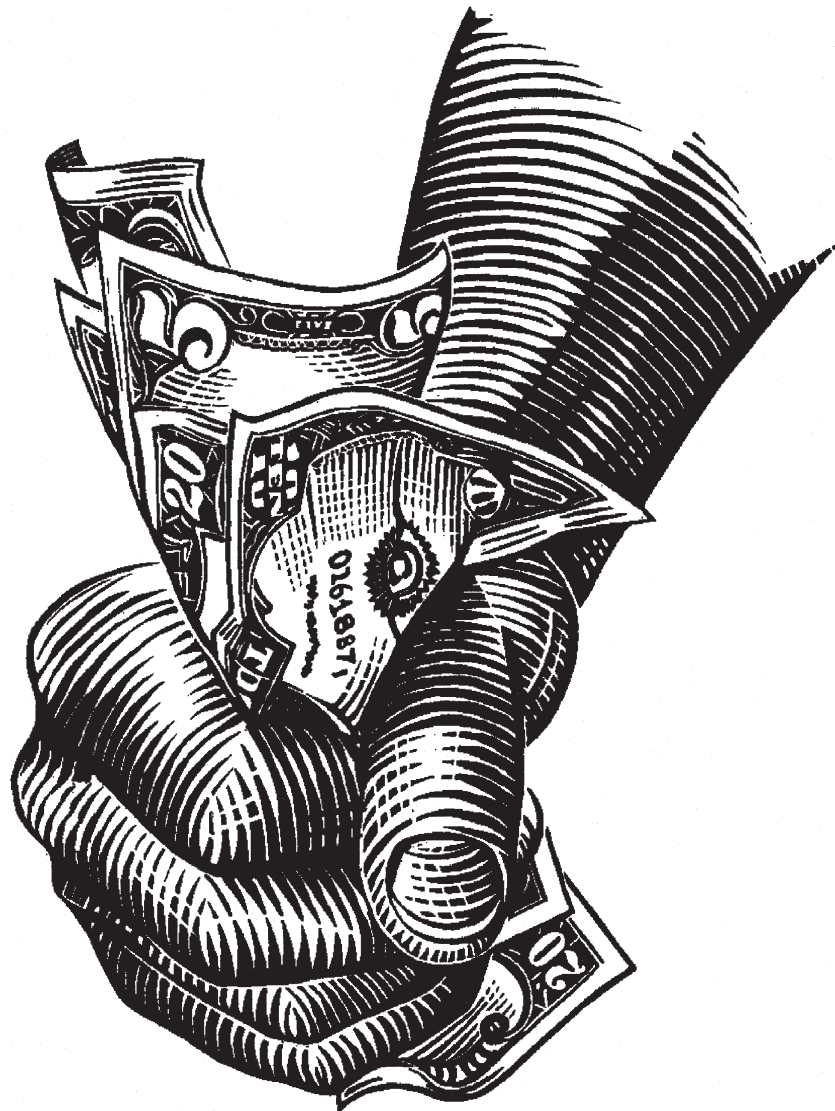
Overhead Costs (Indirect Costs)

- Interest and Loan Payments
- Advertising and Promotion
- Product Sales
- Office Supplies
- Insurance
- Mileage
- Utilities
- Labor (Retail Operation)
- Unsold Inventory

Salary



Profit Margin



Pricing of Products



Pricing Products

Material cost (production labor included)	\$ 7.50
+ Overhead costs (\$600 divided by 520 items x 1 hour labor)	1.15
+ Salary (\$2500 divided by 520 items produced per year)	4.81
= Total cost per item	13.46
+ Profit Margin (10% of \$13.34)	1.35
= Total Price	\$14.81

Pricing of Services



Pricing of Services

Average overhead costs per hour (\$200 divided by 200 hours)	\$ 1.00
+ Hourly wage (\$5.00 + \$1.50 for taxes)	6.50
+ Salary (\$500 divided by 200 hours)	2.50
= Total cost per hour	10.00
+ Profit margin (10% of \$10.00)	1.00
= Price per hour of service	\$11.00

Session 9

CASH FLOW AND OTHER FINANCIAL ESSENTIALS

Definition

The final piece of the business plan is the **financial plan**. The financial plan should pull together the operating, marketing, and pricing information and give you some indications of the levels of viability and profitability that you can expect from your business.

A **viable** business produces enough cash to cover its cash expenses and maintain operations.

A **profitable** business earns a level of income sufficient to cover all cash and non-cash costs.

Points To Share

We will examine three types of financial statements. They are the **cash flow** (budget worksheet) **statement**; the **profit and loss** (income) **statement** and the **balance sheet**. Each of these statements will be discussed on the “pro forma” or a “projected” basis (estimates of what the firm is expected to earn in the future).

These statements are very important because they will show if the firm can show “paper profits.” If not, plans may need to be reconsidered. Most entrepreneurs tend to overestimate income and underestimate expenses.

(Transparency 9-1)

The **cash flow statement** shows the amount of cash available and how the cash is used over a specified time period (usually a month).

Cash available includes income from the sale of products or services, the beginning cash balance, owner-injected capital (personal funds invested in the business), and the sale of firm assets. The data developed from the marketing and pricing research will give a good estimate of the income from sales.

Cash required includes expenses for operating, income tax payments, interest and principal payments on loans, cash outlays for capital expenditures, and other expenses. The cash required section will include only those expenses that required an actual cash outlay during the specified period.

Borrowings reflect any loans acquired by the business to cover expenses until income is received.

The last section (**other**) is used to show the addition or withdrawal of funds from savings during surpluses or shortages. It also shows the level of cash on hand at the end of the operating period.

Activity

(Transparency 9-2)

Have participants complete the “Cash Flow Statement” in the manual, “Money My Way,” on page 20.

Points To Share

(Transparency 9-3)

The **profit and loss statement** also called **income statement** describes the revenues earned and the cash and non-cash expenses incurred by the firm. It also summarizes the taxes paid by the firm, as well as any unexpected events that may take place such as an insurance payment from an insured loss. The income statement is usually, though not always, reported on a yearly basis.

The revenue section of the income statement only records revenues to the firm. Unlike the cash flow statement, it does not report items such as owner-injected capital, operating and capital equipment loans, or the total amount received from the sale of business assets. It does record such items as increases in accounts receivable and the gain or loss received from the sale of business assets.

The expense sections of the income statement include those production expenses necessary to manufacture the product or provide the service, interest payments on business loans, non-cash adjustments to operating expenses, and depreciation*. It does not include principal payments on business loans, since the loans are not a source of revenue for the firm. The income statement differs from the cash flow statement in that expenses are recorded in the period they are incurred, rather than when they are actually paid.

***Depreciation** is a monetary measure of the wear and obsolescence of a piece of equipment. For example, if you start a delivery business, you will probably have to purchase a car or truck. This vehicle has a limited life. You may be able to drive it 100,000 miles and then you must replace it. If this is the case, you are using up 1 percent of the vehicle’s life every time you drive 1,000 miles. While this is not a specific monetary or cash cost, you must replace the equipment if your business is to continue to operate. Therefore, it is recorded as a cost on the income statement.

Activity

(Transparency 9-4)

Have participants complete the "Profit and Loss Statement" in the manual, “Money My Way,” on page 21.

Points To Share

(Transparency 9-5)

The **balance sheet** provides information about the business at a particular point in time. The cash flow and income statements measure a flow of funds, while the balance sheet measures the stock of wealth of the business on a particular day.

The balance sheet has three major sections: assets, liabilities, and net worth. **Assets** describe what the business owns of monetary value, while **liabilities** are the debts owed by the business.

Assets and liabilities are grouped in three categories. Current assets or current liabilities are those items which will be used up or paid off in less than a year. Intermediate assets or intermediate liabilities are those items that will last more than one year and no longer than 10 years. Long-term assets or long-term liabilities are those items that will last more than 10 years.

Net worth is the difference between assets and liabilities. When a business owns more than it owes (the net worth of the business is positive), the business is said to be solvent.

The balance sheet will show the liquidity of the firm. Liquidity refers to the ability of the business to retire (repay) its current liabilities. If a business is liquid, it can sell off current assets and use the proceeds to pay off accounts payable and short term notes payable. The business can also meet its present obligations on intermediate and long term loans, present tax liabilities, etc.

Liquidity and solvency are used to measure the effect an unexpected loss would have on the business (risk-bearing ability).

The financial plan will provide a picture of the health of your business. A well-developed financial plan brings together all other parts of the business plan. It will provide indicators as to whether the business will succeed as planned, or if some changes need to be made in the overall plan.

Activity

(Transparency 9-6)

Have participants review the “Balance Sheet” in the manual, “Money My Way,” on page 22. Encourage them to complete yearly.

Additional Activity

Invite a business teacher, accountant, bookkeeper or other professional to discuss cash receipt and expense journals with the group. Refer participants to the section “Managing The Money You Make” in the manual, “Money My Way,” on page 18.

Cash Flow Statement

- Cash available
- Cash required
- Borrowings
- Other

Cash Flow Statement

For the Month of: _____

Year: _____

Possible Income

Business income

(estimate number of sales and multiply by average income per sale)

Amount

Other income

Allowance

Gifts

Other _____

Total Estimated Income: _____

Possible Expenses

Business expenses

Cost of goods

Operating expenses

Other _____

Personal expenses

Savings

Giving to help others

Clothes

Lunches

Car (upkeep, maintenance, gas, insurance, etc.)

Other _____

Total Estimated Expenses: _____

Profit and Loss Statement

- Revenues of the firm
- Expenses (including non-cash adjustments and depreciation)

Profit and Loss Statement

For the Month of: _____

Year: _____

Income

<i>Source</i>	<i>Amount</i>
_____	_____
_____	_____
_____	_____
Total income:	_____

Expenses

<i>Cost of Goods</i>	
Work supplies	_____
Equipment	_____
Materials	_____
Other _____	_____
<i>Operating expenses</i>	
Office supplies	_____
Printing	_____
Postage	_____
Telephone	_____
Other _____	_____
Total expenses:	_____

Profit or Loss

	Total Income: _____
	Total Expenses: - _____
Monthly Profit (or Loss):	_____

Balance Sheet

Assets

- Liabilities

Net Worth

Balance Sheet

Company Name _____

Date _____

Assets

Current Value

Cash on hand _____

Equipment _____

Tools _____

Raw Materials _____

Other _____

Other _____

Total Assets: _____

Liabilities

Bills owed _____

Loans _____

Total Liabilities: _____

Net Worth

Total Assets: _____

Total Liabilities: **-** _____

Net Worth: _____

Session 10

YOUR BUSINESS AND MONEY 2000

Points to Share

Money 2000 is a program designed to increase the financial well-being of individuals and families through increased savings and/or reduced debt. Program participants evaluate their current financial situation and identify goals of increasing their savings, reducing their debt, or a combination of both by the end of the year 2000. Each county in South Carolina is being challenged to enroll 2000 participants who are encouraged to save and/or reduce debt by \$2000. If this objective is met each county will realize a \$4 million impact with a statewide impact of \$184 million.

The \$2000 saving or debt reduction goal is merely a suggestion, some may choose a larger figure, and others may choose a smaller amount. The important point to remember is that the individual and/or family identifies a goal that is realistic and attainable during the time of the Money 2000 campaign. The identified goal is written down and a plan is developed for reaching the goal by the end of December 2000.

Those of you engaged in your own business endeavors may choose to participate in the Money 2000 program using earnings from your business as the funding source for your goal.

Activity

Show *Transparency 10-1* (Quotation). Have participants close their eyes and think about their financial dreams. Ask a few participants to share their dreams with the group. Ask “What is the difference between a financial dream and a financial goal?”

Points to Share

A financial dream is more vague than a financial goal. If your friend tells you that she wants a “new dress for the prom,” that is a financial dream. When your friend tells you in February that she is saving \$25 a week from now until May so she will have \$250 to buy her prom dress, she has turned her financial dream into a financial goal. Financial goals are the building blocks that make financial dreams come true.

Why are financial goals important? (*Transparency 10-2*)

- help us get organized
- give direction to our financial lives
- provide a framework for decision-making
- help us cope and give us an element of control in an environment where many things seem out of our control
- help us uncloud the crystal ball that shows our future

Why is it important to write our financial goals down? (*Transparency 10-3*)

A long-term study of Harvard graduates shows us that having written goals means that you are much more likely to achieve your goals than if they are not written down. In 1979, 83% of Harvard graduates did not have any goals, written or even thought out; 14% had thought about their goals, but did not have them written down; and 3% had written goals. Years later, the 14% of graduates who had goals, but did not put them in writing, made three times as much money as those without goals. The remaining 3%, who had written out their goals before graduation, were found to be making nine times more per year than the graduates without goals.

How can you determine financial goals that will be the building blocks you need to achieve your dreams? First, you have to learn how to create SMART goals (*Transparency 10-4*). Financial goals have several important criteria:

- S** must be SPECIFIC with dollar amounts, dates, and resources to be used in accomplishing the goals
- M** must be MEASURABLE; determine regular amounts weekly, bimonthly, or monthly to set aside to accomplish goals. Another good “M” word to consider is MUTUAL. Goals that are mutual or shared with other family members will be easier to achieve. It is also important to think about how you will keep yourself and other family members MOTIVATED to achieve goals, especially long-term goals.
- A** Your goals should be ATTAINABLE given your financial situation.
- R** It is important that your goals are RELEVANT and REALISTIC. What RESOURCES are available for you to use in achieving your goals? It is also important that you REVIEW and REVISE your goals periodically as necessary.
- T** You need a specific TIME-LINE for accomplishing your goals. It is also very important that you are willing to make TRADE-OFFS in your financial life to help you achieve your goals. There is never enough money to fund all of our financial goals at one time. You need to prioritize your goals.

Here are some examples of SMART goals:

- *Save \$10 per week for the next five months to have \$200 to pay for prom tickets and other prom related expenses.*
- *Pay off the \$500 balance on my charge cards by the end of the year.*
- *Establish a college fund and deposit 50% of all income into this account for the next four years.*

Activity

In order to help you achieve your financial goal, Clemson Extension has provided a tool for you to use. Give each participant a Money 2000 refrigerator memo board (show *Transparency 10-5*). Visualize a financial goal for yourself. In the space on the memo board under “Picture Your Goal,” draw a picture or use a photograph to illustrate what it will look like when you accomplish your goal. Put your goal into words in the space marked “Financial Goal.” Make sure that it is a SMART financial goal. Begin it with “I” and make sure it has a specific dollar amount and a time line.

Once you have determined the dollar amount and time-line for achieving your financial goal, you have to calculate how much money you need to set aside periodically. If you have identified a short-term goal, one you will achieve within a few months, take the amount you plan to save and divide by the number of weeks you have until the time you need the money. Your answer will be the amount of money you need to save each week to reach your goal by the appropriate time. For example, your goal is to have \$200 to buy a radio for your car in time for your summer vacation trip. You have five months until vacation time. How much do you need to save each week between now and your trip? (\$200 divided by 5 months equals \$40 per month divided by 4 weeks per month equals \$10 per week you need to save)

If you are choosing a goal that will require saving for a year or more, this chart will help you determine how much you need to save each month over a period of years to reach specific dollar goals. (Show *Transparency 10-6* and distribute *Handout 10-1* to participants. Explain how to use the chart to determine amount of money to save to reach a specific goal.)

Now you know how much you will need to set aside each week or month in order to achieve your financial goal. Take this memo board home and put it on the refrigerator. As you make progress toward your goal, fill in the “goal meter.” Write down the amount you have accumulated on the lines out at the side. When an Extension representative calls you to monitor your progress toward your Money 2000 goal, all you will have to do is look at your refrigerator! By keeping this tool up-to-date, it will help you stay motivated to achieve your goal.

Points to Share

It will be important to consider your goal in relationship to the money you can realistically earn from your business. If after looking at your business earnings you realize you will not have sufficient income to fund your goal, you may need to readjust your goal (it may take longer to accumulate the desired amount of money or you may change the dollar amount needed) or identify other sources of income.

Wish participants good luck and make sure they complete an enrollment form if they wish to be in Money 2000 program.

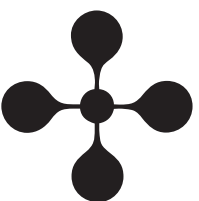
Conclude the program by showing *Transparency 10-7* and reading it to participants.

Supplemental Activity

If the youngsters you are working with have had limited experience managing personal funds from jobs, allowances, and/or gifts, you might want to present the information in the second session of the Financial Fitness for Youth notebook, “Managing Income.” The key concept of this session is to “help teens understand that setting monetary goals and working toward achieving them requires keeping income and expenses in balance.” From this program material, youth explore goal setting, learn about the “pay yourself first” approach to savings, and gain an understanding of planning for unexpected events which often pop up to challenge the best of plans.

The concepts and learning experiences in this program session would reinforce the materials presented in the youth entrepreneurship curriculum, Money My Way, and provide the youth with a stronger financial management foundation on which to build their personal and business goals and on which they can develop and achieve their Money 2000 goals, if they choose to participate in this program.

**Some people make things
happen, some watch
things happen, while
others wonder what
has happened.**



Unknown

Financial Goals

Give Us:

- Organization
- Direction
- Framework
- Control
- Predictions

Harvard Study



- 83% No Goals
- 14% Thought About Goals
- 3% Written Goals

\$ Specific

**M Measurable, Mutual,
Motivated**

A Attainable

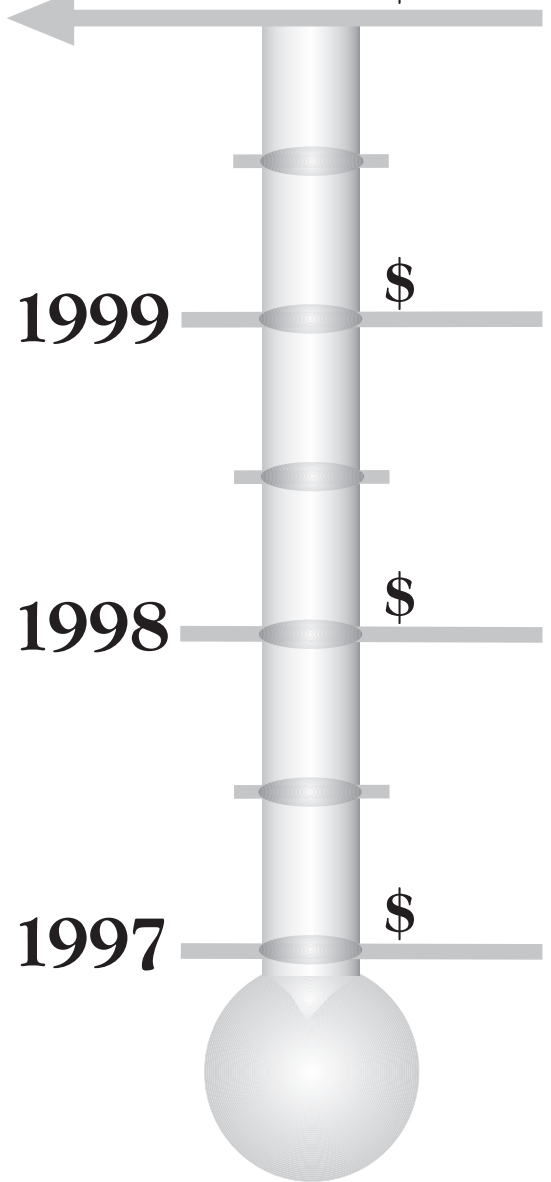
**R Relevant, Realistic,
Resources, Review,
Revise**

T Time-Line, Trade-Offs



FINANCIAL GOAL:

PICTURE YOUR GOAL:



HOW MUCH DO YOU NEED TO SAVE EACH MONTH TO MEET YOUR GOAL?

Look across the top row and find the dollar amount that corresponds to your goal. Now look down the far-left column and locate the number of years in which you hope to achieve your goal. The point at which your goal and number of years intersect is the amount you need to save each month.*

YOUR GOAL

	\$1,000	\$2,000	\$3,000	\$5,000	\$7,000	\$10,000	\$20,000	\$30,000	\$50,000	\$70,000	\$100,000
1	\$84	\$168	\$253	\$421	\$589	\$842	\$1,684	\$2,525	\$4,209	\$5,893	\$8,418
2	43	85	128	213	298	426	852	1,278	2,130	2,982	4,260
3	29	57	86	144	201	287	575	862	1,437	2,012	2,874
4	22	44	65	109	153	218	436	654	1,090	1,527	2,181
5	18	35	53	88	124	176	353	529	882	1,235	1,765
6	15	30	45	74	104	149	297	446	744	1,041	1,487
7	13	26	39	64	90	129	258	387	644	902	1,289
8	11	23	34	57	80	114	228	342	570	798	1,140
9	10	20	31	51	72	102	205	307	512	717	1,024
10	9	19	28	47	65	93	186	279	465	652	931

*The goals listed across the top row of this table are in constant dollars. That means that if your goal is to a car in five years that's equivalent to a \$20,000 car today, you need to set aside \$353 every month to end up with a sum that has the same purchasing power that \$20,000 currently has. In other words, you don't have to worry about inflation eroding the value of the \$20,000; the table factors it in for you using an inflation rate of 4% and an interest rate of 8%. The amount you need to put into your account every month is simply the figure listed in the table (in this example, \$353).

Source: Price Waterhouse, The Ayco Company in Get a Financial Life by Beth Kobliner © 1996.



GOAL-SETTING

Write it down.

Written goals have a way of transforming:

- wishes into wants,
- can'ts into cans,
- dreams into plans,
- and plans into reality.

Don't just think it — ink it!

Barb Wingfield

HOW MUCH DO YOU NEED TO SAVE EACH MONTH TO MEET YOUR GOAL?

Look across the top row and find the dollar amount that corresponds to your goal. Now look down the far-left column and locate the number of years in which you hope to achieve your goal. The point at which your goal and number of years intersect is the amount you need to save each month.*

YOUR GOAL

	\$1,000	\$2,000	\$3,000	\$5,000	\$7,000	\$10,000	\$20,000	\$30,000	\$50,000	\$70,000	\$100,000
1	\$84	\$168	\$253	\$421	\$589	\$842	\$1,684	\$2,525	\$4,209	\$5,893	\$8,418
2	43	85	128	213	298	426	852	1,278	2,130	2,982	4,260
3	29	57	86	144	201	287	575	862	1,437	2,012	2,874
4	22	44	65	109	153	218	436	654	1,090	1,527	2,181
5	18	35	53	88	124	176	353	529	882	1,235	1,765
6	15	30	45	74	104	149	297	446	744	1,041	1,487
7	13	26	39	64	90	129	258	387	644	902	1,289
8	11	23	34	57	80	114	228	342	570	798	1,140
9	10	20	31	51	72	102	205	307	512	717	1,024
10	9	19	28	47	65	93	186	279	465	652	931

*The goals listed across the top row of this table are in constant dollars. That means that if your goal is to a car in five years that's equivalent to a \$20,000 car today, you need to set aside \$353 every month to end up with a sum that has the same purchasing power that \$20,000 currently has. In other words, you don't have to worry about inflation eroding the value of the \$20,000; the table factors it in for you using an inflation rate of 4% and an interest rate of 8%. The amount you need to put into your account every month is simply the figure listed in the table (in this example, \$353).

Source: Price Waterhouse, The Ayco Company in Get a Financial Life by Beth Kobliner © 1996.

PRESS RELEASE

Learning and Earning - It Doesn't Have to Be One Versus the Other!

Employment is a positive experience for most young people. It teaches lessons of punctuality, reliability, and responsibility as well as providing income with which to practice basic financial management skills. However, when students work more than 15 or 20 hours per week in part-time jobs, the negative effects usually outweigh the positive ones. Some of the negative effects include diminished involvement with school, family, and peers.

Holding down a job also means that a young person has less time to participate in hobbies or pursue other areas of interest. If young people work too much, they do not have an opportunity to develop all of their talents. Formal employment often means restrictive schedules that can interfere with normal developmental and social activities essential for a youth to evolve into a well-adjusted adult.

Working does provide an important sense of independence and self-esteem to youth. Not having to ask parents for money or answer to how the money will be used is an exhilarating experience. How can a young person reap the positive benefits of work and develop their individual talents without suffering from the negative aspects? The answer is to turn a hobby or interest into a entrepreneurial business venture.

The Clemson University Cooperative Extension Service has an exciting new program available to teach young people how take an idea, talent, skill, or interest and develop it into a solid foundation for a business. **Money My Way** provides important information, examples, and forms that can be used in business planning, financing, pricing, marketing, and record keeping, all in an easy to use, step-by-step manual.

The **Money My Way** program also has a Leaders Guide for adults who need realistic background information to help young entrepreneurs develop sound business operations and financial planning. Contact your county Clemson Extension office for more information and a schedule of upcoming programs.

RADIO SPOT

Have you ever wondered what is the next step after you have successfully run a lemonade stand? Many young people have great ideas for creating a business of their own, but they need extra guidance in making it a success. The Clemson University Cooperative Extension Service has an exciting new program available to teach young people how take an idea, talent, skill, or interest and develop it into a solid business. **Money My Way** provides important information, examples, and forms that can be used in business planning, financing, pricing, marketing, and record keeping, all in an easy to use, step-by-step manual. Contact your county Clemson Extension office for more information and a schedule of upcoming programs for young entrepreneurs.

Produce turns to profits for 4-H'ers

By Tom Lollis
Extension News Editor

ORANGEBURG – Money doesn't grow on trees, but tomatoes, squash, okra, cucumbers, peppers and blueberries can be just as good as money – with a little work.

That's what lots of 4-H'ers have discovered over the years, including Jenny Grier, 17, of Calhoun County, and Matthew Lilienthal, 13, of Orangeburg County.

Grier lives on a 40-acre farm a few miles from Swansea near Interstate 26 with her parents Gary and Sue, 18-year-old brother Matt and 18 buffalo, four cats, three horses, two burros, two dogs and some chickens, geese and a peacock.

She has been in the 4-H gardening project for six years, but most of the vegetables she grows are eaten by her family. The pick-your-own blueberries planted on the farm 13 years ago after the Griers moved from the Texas panhandle offered a way for Jenny to make some money.

"I picked blueberries in the summer of 1996 – 35 pounds at the time – and sold them at the State Farmers Market in Columbia," she said. She did that three or four days a week while the blueberries were producing. In case you're interested, it takes an experienced picker like Jenny about 30 minutes to pick seven pounds of berries.

"Picking in the heat of the day is no bargain," said Mrs. Grier.

Helping out on the farm for the past 12 years has taught Jenny the business end of farming.

"I've learned how to talk to people, how to set my price and determine the cost of labor and expenses," she said. With the money she earned in 1996, she was able to pay half the cost of an 11-day trip to Europe this summer. She went with a tour group organized by one of her teachers at Swansea High.

"We went to five countries – Austria, Germany, Switzerland, France and England," she said. Switzerland and the Eiffel Tower in Paris were her



Jenny Grier helped pay for a trip to Europe by picking blueberries to sell at the South Carolina Farmer's Market.

favorite memories. With the berries she planned to sell this summer, she will start saving for a car.

Matthew, son of Toni Pipkins, Clemson Extension associate for 4-H resource development, got interested in gardening as a business because of a story told by a family friend, Marvin Bozard.

"He told mama that over a couple of summers he saved up enough money from selling vegetables to buy a diamond ring for his girlfriend," said Lilienthal. Lilienthal then decided that he would try that to raise enough money to buy something to drive when he's old enough for a license.

In the spring of 1996, he planted squash, cucumbers, tomatoes, peppers and okra behind the family home on Copper Road. Then he set about finding customers, knocking on doors in Orangeburg. A few turned him down, but he found enough people interested in getting regular deliveries of fresh vegetables.

"They think it's neat, and they usually get something," said Lilienthal.

Kathy Tatum's staff at Tatum Realty became regular customers last year. "He's a good salesman and courteous, and we never have a complaint about the vegetables. I love okra," she said. "It's refreshing to see a young man willing to work. Most just play during the summer."

William Hair, Clemson Extension agent in Orangeburg, has worked with both Matthew and Jenny. He said each

has learned both how to take responsibility and how to solve problems in their 4-H projects.

"Matthew keeps ledgers on his business and he knows every dime that goes out and what comes in," he said. "He's also done a good job of developing ways to sell his product – from putting out fliers to putting a marketing message on the family answering machine."

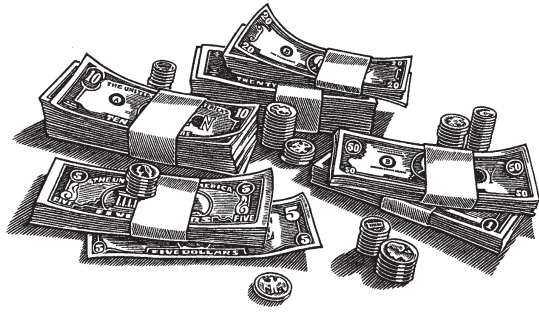
When her son said he was interested in a garden as a way to make money, Pipkins contacted Joyce Christenbury, Clemson Extension family resource management specialist, for business advice.

"I had some information on entrepreneurship for youths, and Toni thought it was good. She suggested that Extension do something for South Carolina kids," said Christenbury.

As a result, she will work with Leigh Walker, county agent in Orangeburg County, to develop a workbook containing guidelines on developing a business plan.

"We want to give them the whole picture. You have to fill a lot of roles if you run your own business – a salesman, an accountant and an advertiser," said Christenbury. She hopes training for the new program, which does not yet have a name, will begin next spring.

Reprinted from **Extension Answers**, Fall 1997, Volume 11 Number 4. Clemson University Cooperative Extension Service.



MONEY MY WAY

START TODAY

CLEMSON
E X T E N S I O N

The Clemson University Cooperative Extension Service offers its programs to people of all ages, regardless of race, color, sex, religion, national origin, or disability and is an equal opportunity employer. Clemson University Cooperating with U.S. Department of Agriculture, South Carolina Counties. Issued in Furtherance of Cooperative Extension Work in Agriculture and Home Economics, Acts of May 8 and June 30, 1914



DID YOU KNOW.....

- \$ Small businesses are the foundation of the American economy? More than 90% of American businesses employ 50 or fewer employees, and more than half of those have one to four employees. (Dun & Bradstreet, Greenville News, May 6, 1997)
- \$ The most common worry for older teens (ages 15-18) in 44 countries around the world is "getting a good job." In the United States 77% of our youth 15-18 express this concern. (USA Today, August 11, 1997)
- \$ In South Carolina, 18.2% of teens work for wages from jobs and another 4.1% earn money from baby-sitting, doing chores, cutting grass, playing piano at church, and riding horses? (Consumer Profile Assessment of Consumer Judging Contest Participants, 1995)
- \$ In 1994, American teens had an income of \$96 billion? Their major sources of income included odd jobs (45%), part-time job (26%), full-time job (11%) and own business (3%). (TRU Teenage Marketing & Lifestyle Study, 1994)

Today's young people will be the owners of tomorrow's businesses. "Money My Way" gives them a head start.

For more information contact:

County Extension Agent



CLEMSON
E X T E N S I O N

The Clemson University Cooperative Extension Service offers its programs to people of all ages, regardless of race, color, sex, religion, national origin, disability, political beliefs, sexual orientation, marital or family status and is an equal opportunity employer.

Clemson University Cooperating with U.S. Department of Agriculture, South Carolina Counties, Extension Service, Clemson, South Carolina.

Issued in Furtherance of Cooperative Extension Work in Agriculture and Home Economics, Acts of May 8 and June 30, 1914
Public Service Activities

MONEY MY WAY

Youth Entrepreneurship Program

Start Today!

MONEY MY WAY

FOR YOUTH

- Have you ever wanted to be your own boss? Run your own business?
- Have you ever wanted to make money at something you love to do?
- Do you feel like you have what it takes to be your own boss? To be self-disciplined? To work harder for yourself than you would for someone else?

If you answered “yes” to these questions, you may be ready for “**Money My Way**.”

“**Money My Way**” is for Youth Entrepreneurs who want to prepare a solid foundation for their business venture and need some “step-by-step” help in planning the process.

“**Money My Way**” contains important information, examples and forms that you can use in business planning, financing, product or service pricing, marketing and bookkeeping.

MONEY MY WAY

FOR ADULT LEADERS

- Do you work with youth who are ready to make their own money? To be their own boss?
- Do you work with youth who want more than a summer job?
- Do you need the tools to work with youth entrepreneurs?

“**Money My Way**” is for Leaders who need helpful and realistic background information to help youth entrepreneurs develop sound business operations and financial planning.

“**Money My Way**” contains important information, examples and forms that you can use in helping youth plan for successful businesses: planning considerations, ideas for financing, product or service pricing work sheets and marketing and bookkeeping tools.

MONEY MY WAY

Please contact me about “**Money My Way**”

Name

Address

Phone

Adult

Youth

How did you hear about “**Money My Way**”

Return to:

LET THE COMPUTER BE YOUR HELPER

The computer can be an important helper to young business owners. They can use the computer to create business cards, company logos, and graphics of all types to promote their business endeavors. Computers can also be used as word processors to produce neat, attractive copy for advertising flyers as well as copy to use in other promotional efforts.

In some cases youngsters may use the computer to create their own business by forming a company to create promotional materials for others. Or they might use their computer skills and create a resume typing service.

Computers can also be utilized to assist young entrepreneurs in their record keeping and business organization. They might use commercial software programs or develop spreadsheet programs themselves that meet the specific needs of their business. Here again is an opportunity for someone with good computer skills to develop their own business catering to the needs of other young entrepreneurs as well as adults who might be in need of computer services.

If the youth you are working with are highly motivated and interested in computers, you may wish to secure someone from the computer industry and related areas to meet with your group and share information on how the computer might be used in youth entrepreneurial ventures. Such resource people may be associated with commercial concerns or be teachers in the public schools, technical colleges, or colleges and universities in your area.

On the following two pages you will find examples of promotional materials that have been developed using computer graphics.

“Mow Time”



For total lawn care needs

William Cutter

555-1234

It's too bad you don't have

"Mow Time"



I can help you!
William Cutter

555-1234

**Rt. 9 Box 1000
St. Thomas, SC**

It's too bad you don't have

"Mow Time"



I can help you!
William Cutter

555-1234

**Rt. 9 Box 1000
St. Thomas, SC**

It's too bad you don't have

"Mow Time"



I can help you!
William Cutter

555-1234

**Rt. 9 Box 1000
St. Thomas, SC**

It's too bad you don't have

"Mow Time"



I can help you!
William Cutter

555-1234

**Rt. 9 Box 1000
St. Thomas, SC**

It's too bad you don't have

"Mow Time"



I can help you!
William Cutter

555-1234

**Rt. 9 Box 1000
St. Thomas, SC**

It's too bad you don't have

"Mow Time"



I can help you!
William Cutter

555-1234

**Rt. 9 Box 1000
St. Thomas, SC**

It's too bad you don't have

"Mow Time"



I can help you!
William Cutter

555-1234

**Rt. 9 Box 1000
St. Thomas, SC**

It's too bad you don't have

"Mow Time"



I can help you!
William Cutter

555-1234

**Rt. 9 Box 1000
St. Thomas, SC**

It's too bad you don't have

"Mow Time"



I can help you!
William Cutter

555-1234

**Rt. 9 Box 1000
St. Thomas, SC**

It's too bad you don't have

"Mow Time"



I can help you!
William Cutter

555-1234

**Rt. 9 Box 1000
St. Thomas, SC**

YOUTH ENTREPRENEURSHIP AND JOB IDEAS

Following is a list of select 4-H projects with suggested business opportunities noted. If you are currently in 4-H, look for your project area to see what exciting business opportunity awaits you. If you are not currently in 4-H, review the entire list of projects. You may find an area that interests you. You could begin investigating this area as a 4-H project to become involved in as well as a potential business to explore.

If you are involved with the 4-H program you know that leadership abilities and skills as well as community service activities are important to a well-rounded individual 4-H record of achievement. Each project area in the list has suggested activities to consider in the leadership and community service arenas. These are only suggestions. You will only be limited by your own creativity and imagination as you incorporate these, as well as your own concepts, into your project work.

As you select projects and businesses to explore, it is important to realize that some choices involve the potential for personal injury to you and those you might be working with or that you may damage the personal property of others. Therefore, it is necessary that you discuss these potential problems with your parents or guardians. Does the family have sufficient insurance or funds to cover medical bills and related claims that might develop if you or someone is injured while involved in activities noted or someone's property is damaged? If you are involved in an official 4-H activity, check with your agent regarding protection.

Automotive - Establish a car washing and waxing or oil changing business.
Leadership: Provide training on car care to beginner drivers.
Community Service: Offer free service to Senior Citizens one day per month.

Bicycle - Open a bicycle repair business.
Leadership: Organize a neighborhood bike rodeo.
Community Service: Volunteer to assist with the County 4-H Bike Rodeo.

Breads - see Foods and Nutrition

Child Development - Organize a baby-sitting service. Recruit and train project members as employees.
Leadership: Organize summer activities for children.
Community Service: Volunteer to work in the nursery of your local church, hospital, or library for two hours per week.

Clothing - Begin a speciality clothing or accessory production business.
Leadership: Teach clothing repair (buttons, hems) to younger children.
Community Service: Make clothing repairs for Salvation Army or other community emergency clothing center.

Consumer Education - Start a shopping service for working parents.
Leadership: Organize a county Consumer Judging competition team.
Community Service: Offer free shopping service once a month to shut-ins.

Dog Care and Training - Establish a dog training or grooming business.
Leadership: Teach a beginning dog care class (for children who received dogs as a gift).
Community Service: Raise Leader Dog puppies for the blind (contact local Lions Clubs).

Electric - Establish a small appliance repair business.
Leadership: Teach basic electricity/electric safety to young children.
Community Service: Offer free repairs for soup kitchens, churches, or service organizations that provide free meals.

Family Folklore - Do family history research for people.
Leadership: Teach family history research lessons through the Extension, YMCA, or library.
Community Service: Assist local communities in researching past leaders.

Fashion Revue - See Clothing

Foods and Nutrition - Start a healthy menu-planning business for working parents.
Leadership: Give nutrition lessons to children at a local day care center.
Community Service: Collect and donate canned goods for emergency shelters or churches that supply food to victims of natural disasters.

Food Preservation - see Foods and Nutrition

Home Environment - Establish a “Paint a Room” or “We Do Borders” business.
Leadership: Teach a “Home Fire Safety” course to younger children.
Community Service: Paint and decorate the 4-H volunteer office space at the Extension Office.

Gardening - Establish a fresh produce sales business offering home delivery.
Leadership: Publish a summertime news article/newsletter on gardening topics: weed and pest control, safety in the sun, etc.
Community Service: Donate some of your crop to a local soup kitchen.

Horse - Establish a horse boarding and/or riding lessons business.
Leadership: Teach riding lessons/how to groom a horse.
Community Service: Give free riding lessons to children with physical disabilities.

Petroleum Power - see Automotive

Photography - Specialize in photographs or videos for family or school reunions.
Leadership: Teach camera care/film selection to interested youth or adult groups.
Community Service: Serve as club or county 4-H photographer.

Small Engines - Establish a small engine repair business.
Leadership: Teach lawn mower safety to kids.
Community Service: Offer free repairs to lawn care crews of local Disabilities and Special Needs Boards.

Veterinary Science - Establish a pet washing/sitting or dog walking business.
Leadership: Teach pet care to kids.
Community Service: Assist veterinarians with rabies clinics.

Wood Science - Specialize in custom-built and personalized mailboxes.
Leadership: Teach children safe use of power tools.
Community Service: Repair wooden fences or mailboxes for Senior Citizens.

YOUTH ENTREPRENEURSHIP RESOURCES

BOOKS

- Bernstein, Daryl (1992). *Better Than A Lemonade Stand!* Hillsboro, OR. Beyond Words Publishing, Inc. (Available from NCFE Money-Bookstore, PO Box 34070, San Diego, CA 92163-4070; \$8.95)
- Berry, Joy (1987). *Every Kid's Guide to Making and Managing Money.* Danbury, CT. Grolier Enterprises, Inc.
- Bodnar, Janet (1993). *Money-Smart Kids (And Parents, Too!).* Washington, DC. Kiplinger Books. (\$12.95)
- Burkett, Lauree and L. Allen. (1997). *50 Money Making Ideas for Kids.* Nashville, TN. Thomas Nelson, Inc. (9.99)
- Drew, Bonnie and Noel. (1995). *Fast Cash for Kids* (2nd ed.). Franklin Lake, NJ. Career Press. (\$13.99)
- Food Service Establishments Regulation 61-25.* (1995). South Carolina Department of Health and Environmental Control, 2600 Bull Street, Columbia, SC 29201. 803-734-5000
- Gilkerson, Linda D. and Theresia M. Paauwe. (1998). *Self-employment: From Dream to Reality.* Indianapolis, IN. JIST Works, Inc. (16.95)
- Hess, Karl. (1987). *Capitalism for Kids - Growing Up to Be Your Own Boss.* Chicago, IL. Dearborn Publishing.
- Lamancusa, Joe. (1993). *Kid Cash: Creative Money-Making Ideas.* Blue Ridge Summit, PA. TAB Books, McGraw Hill. (\$9.95)
- Ludden, LaVerne L. (1998). *Be Your Own Business.* Indianapolis, IN. Park Avenue Productions. (\$16.95)
- Pfeffer, Susan Beth. (1982). *Kid Power.* Franklin Watts. (\$2.25)
- Riehm, Sarah. (1987). *The Teenage Entrepreneur's Guide.* Chicago, IL. Surry Books. (\$8.95)
- South Carolina Business Tax Guide 1998.* (1998). South Carolina Department of Revenue, P.O. Box 125, Columbia SC 29214. 803-898-5000
- Temple, Todd and Melinda Douros. (1994). *Money-Making Ideas For Kids: The Ultimate Sourcebook For Parents.* Nashville, TN. Thomas Nelson Publishers. (\$8.99)
- Wilkinson, Elizabeth. (1989). *Making Cents - Every Kid's Guide to Money.* Boston, MA. Little, Brown and Company. (\$8.95)

NEWSLETTERS

Young Entrepreneur. Published bimonthly by KidsWay, Inc., 5585 Peachtree Road, Chamblee, GA 30341. To subscribe, call toll free 1-888-KidsWay. (\$16.00)

Videos

Note: Videos and games are available from Clemson University Cooperative Extension Service. Contact your county Extension agent for further information.)

Be Your Own Boss: Start A Business (Item Code 7005) - This video (20 minutes) shows viewers how to lay the groundwork for a small business. Viewers meet four owners of successful manufacturing, service, and retail businesses. They learn step-by-step the process for planning their own businesses. (1992) Audience: Teens and young adults

Boss: Owning Your Business (Item Code 7006) - This video (15 minutes) offers a general overview of what it is like to own a small business, highlighting the importance of taking risks, having knowledge, and working hard. An entrepreneur wears many hats - ideas, plan, money, marketing, hard work, and preparation. (1994) Audience: Younger youth and teens

Entrepreneurs For The Future (Item Code 7008) - This video (15 minutes) explores the possibilities open to people at all levels of employment. Viewers learn the basics of starting a company with one great idea, acquiring start-up money, pitfalls of cash flow, managing people, marketing strategies, and more. (1991) Audience: Young adults and adults

How To Become A Teenage Entrepreneur (Item Code 7009) - This motivational video (27 minutes) encourages youth to believe in themselves. It does not talk specifically about setting up a business, but provides tools necessary for a successful business. An accompanying leaflet (workbook) provides the step-by-step process for setting up a business. It closely parallels the "Money My Way" member's manual. (1996) Audience: Younger youth and teens

It's Our Business (Item Code 6996) - This video (15 minutes) provides an excellent explanation of the dynamics of businesses. It looks at customers, workers, and owners in relation to the successful operation of a business. (1990) Audience: Older youth and teens

Kid's Venture - How To Start Your Own Business (Item Code 7010) - This video (27 minutes) shows how three bored, but budding teenage entrepreneurs decided to start their own businesses one summer. Excellent for youth interested in starting a successful business. (1990) Information presented is very much like the information included in the "Money My Way" member's manual. Audience: Younger youth and teens

The Entrepreneur (Item Code 7007) - This video (26 minutes) features nine successful entrepreneurs whose dreams of owning a business came true. As they share their stories, viewers interested in starting a business will benefit from their recommendations and personal experiences. (1992) Audience: Older teens, young adults, and adults

Woman Entrepreneur: Do You Have What It Takes? (Item Code 3585) - This video offers viewers the opportunity to listen to successful women entrepreneurs. Test yourself on your willingness to take risks. Learn about the importance of a sound business plan. (1987) Audience: Young adults and adults. Item code 3585, order from Communication Center.

GAMES

Note: Videos and games are available from Clemson University Cooperative Extension Service. Contact your county Extension agent for further information.)

We Mean Business! An Adventure In Entrepreneurship - The objective of this board game is to teach terms, procedures, and decisions needed to open and operate a small business. Designed for 2-8 players. Audience: Older teens, young adults, and adults

An Income of Her Own - A fast-paced board game for the next generation of young women business owners. Real-life situations are presented throughout the game to encourage positive decision-making skills. Designed for 2-8 players. Audience: Teens, older youth and adults

Careers Game - This board game gives you the opportunity to explore different careers and try different ways to succeed every time you play. Designed for 2-6 players. Audience: Youth, teens, and adults

STATE AGENCIES

South Carolina Department of Revenue, P.O. Box 125, Columbia, SC 29214; 803-898-5000

South Carolina Department of Health and Environmental Control, 2600 Bull Street, Columbia, SC 29201; 803-374-5000

South Carolina Department of Commerce, Business Development and Assistance Division, P.O. Box 927, Columbia, SC 29202; 803-737-0400

Secretary of State, Wade Hampton Office Building, P.O. Box 11350, Columbia, SC 29211; 803-734-2158

South Carolina Employment Security Commission, P.O. Box 995, Columbia, SC 29202; 803-737-3071

FEDERAL AGENCIES

Internal Revenue Service - 1-800-829-1040

Social Security Administration, Strom Thurmond Building, 2nd floor, 1835 Assembly Street, Columbia, SC 29201; 1-800-772-1213

WORLD WIDE WEB SITES

KidsWay, Inc. - <http://www.kidsway.com>

National Federation of Independent Business (NFIB) - <http://www.nfibonline.com>

Occupational Outlook Handbook - <http://stats.bls.gov/oco/oco2003.htm>

Small Business Administration (SBA) - <http://www.sba.gov>

South Carolina Department of Commerce - <http://www.state.sc.us/commerce>

South Carolina Department of Revenue - <http://dor.state.sc.us>

South Carolina Economic Developers' Association (SCEDA) - <http://www.sceda.org>

Internal Revenue Service - <http://www.irs.ustreas.gov>

County Level Data - <http://govinfo.kerr.orst.edu>

State and Local Government - <http://www.piperinfo.com/state/states.html>

State of SC Public Information - <http://www.state.sc.us>

SCORE: Service Corps of Retired Executives - <http://www.score.org>

National Center for Workforce Preparation - <http://www.fourhcouncil.edu/wfctrtop.htm>

Money My Way Program Evaluation

1. Before this program, had you ever considered starting a business of your own?
 Yes No

2. After participating in this program, would you consider starting your own business?
 Yes No

3. If you decided to start your own business, would you contact The Clemson University Cooperative Extension Service for help?
 Yes No Not Sure

4. How helpful were each of the following sessions in helping you understand how to become an entrepreneur?

1
Not
Helpful

2
A little
Helpful

3
Helpful

4
Very
Helpful

Looking at the Entrepreneur

Is Entrepreneurship For You?

Learning About Local Businesses

Your Business Plan: The Starting Place

Make It Legal

Operating Your Business

Marketing Your Business

Price It Right

Cash Flow and Other Financial Essentials

My Business and Money 2000

5. What was the most enjoyable part of the class?

<input type="checkbox"/> Interviews	<input type="checkbox"/> Creative thinking activities
<input type="checkbox"/> Learning about other entrepreneurs	<input type="checkbox"/> Pricing your product
<input type="checkbox"/> Developing a business plan	<input type="checkbox"/> Other

6. What was the least enjoyable part of the class? _____

7. Would you encourage friends to take this class? Yes No

8. What is your gender? Male Female

9. What grade are you in? 9-10th 11-12th

10. What would you change about this class? _____

CLEMSON UNIVERSITY
COOPERATIVE EXTENSION SERVICE
CERTIFICATE OF COMPLETION

This is to certify that

Name

Of _____
School/Group/County

has completed

Money My Way
A Youth Entrepreneurship Training Program

Course Instructor

Date



The Clemson University Cooperative Extension Service offers its programs to people of all ages, regardless of race, color, sex, religion, national origin, disability, political beliefs, sexual orientation, marital or family status and is an equal opportunity employer.
Clemson University Cooperating with U.S. Department of Agriculture, South Carolina Counties, Extension Service, Clemson, South Carolina.
Issued in Furtherance of Cooperative Extension Work in Agriculture and Home Economics, Acts of May 8 and June 30, 1914
Public Service Activities