

Writing a Business Plan

Financial Planning
provided by

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Boaters often want to break away from the crowd and do their own thing, not just on the water, but also in their business or professional lives. Some do this by starting their own business, or taking an existing business in a new direction. On the water, this generally means charting our course and adequately provisioning our boat before we set out. In business, a comparable first step is to write a business plan for our new venture. This article from the Financial Planning Association offers some suggestions for preparing this important document.

Whether you're an entrepreneur who dreams of starting a business or an experienced owner in search of future growth, creating a formal business plan is likely to be a cornerstone of the process.

There are three reasons why a business plan is an indispensable part of a new-business proposition:

- Researching and drafting the plan forces a business person to make an objective assessment of both the business concept and the potential for successful execution.
- A business plan serves as a guide for ongoing management and work strategies once the business is established.
- A sound business plan communicates ideas credibly to potential financiers, managers, clients, and employees.

The Shape of Things to Come

There are numerous ways to create a business plan, but many plans include the following elements.

Executive Summary: A succinct first impression for readers frequently covers the business, its objectives, legal structure, unique advantages, and the owner's skills and experience. If the business plan includes a proposal for a loan, it is important to mention the amount in question and identify how the money will be used.

Business Description: The objective of this section is to answer the following questions: What type of business are you proposing? Are you planning to start a new business, expand your current business, or acquire an existing business? How will the business profit and grow? How will your skills and insights advance the organization's goals? Substance usually is more important than style, so try to bolster the presentation with quantifiable information.

Product/Service: It is important to explain why customers would come to you. Why is the product or service special, and how will you differentiate it from similar offerings? If your products or services are not special, are there other reasons why customers would choose your business?

Market/Competition: Your success or failure may depend on whether you can find a niche in the right market and grow despite competition. Is your market competitive, and if so, who are potential competitors? What are their strengths and weaknesses? How much market share do you intend to capture?

Sales/Marketing: This area outlines your strategy for accessing your marketplace. How will you get the word out, and how much will it cost you? You can't capitalize on a market opportunity when potential customers do not know you exist.

Management/Personnel: This section typically identifies the management team's personal history and relevant work history, as well as their responsibilities and expected salaries. You may also want to mention your lawyer, accountant, and consultants at your disposal.

Financial Data: The scope of this section will depend on the nature and complexity of your proposal. A plan to create a home-based business from scratch will be less complex than a proposal that relies on financing to expand or purchase an existing business. Try to include a break-even analysis and projections for income and cash flow. Depending on your goals, you may need to discuss sources and applications of anticipated funding, capital equipment, balance sheets, deviation analysis, and historical operating records.

Appendices: Complementary information may include market research and any other information that supports your plan.

Creating a sound business plan requires an intensive upfront investment of your time and other resources. But these costs may be minor compared with the financial ramifications of starting a business based on little more than guesswork and optimism.

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