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A Business Plan Can Be Your Guide to Growth



A business plan can help raise money and rally your leadership team around common objectives.

Whether you're a current business owner or a budding entrepreneur burning with the next great idea, one of the most important steps you can take on your road to success is creating a business plan. Why? A well-thought-out and well-written business plan captures your vision, illustrates it for others (including potential lenders and investors), and creates the roadmap you and your management team need to guide you through the growth of your business. Consider the following points:

- If you're a **current business owner**, you probably feel like you're always working to close the next big deal, juggling financials, or responding to the latest crisis. Remember, however, that it's important to periodically climb out of the trees and take a good, hard look at the forest. A business plan can help you do just that: take stock of where you've been and lay the groundwork for where you're headed.
- If you're a **budding entrepreneur**, a business plan can help you raise money. It will help prove to potential investors and lenders that your idea is worth funding.
- For both **current and potential business owners**, the process of creating a business plan can prove beneficial by revealing potential risks and uncovering opportunities that may not otherwise be apparent.

A business plan should be comprehensive, yet as concise as possible. Although there are no limits to the length, a business plan should respect the time of your readers while providing the information they need to make important decisions. Before you begin writing, consider contacting an attorney or business consultant with expertise in business plan writing. Following are some of the main components of a business plan.

Cover page and table of contents

The cover page is simply a title page for your business plan document. It should include the name of the company, address, phone number, owners' names, and contact information. It should also include

the date on which the document was finalized and published. The table of contents helps readers navigate through the document and identifies page numbers for each of the sections.

Executive summary

The executive summary is essentially your elevator pitch — an abridged version of the business plan that describes to readers why your business is worthy of their attention and possibly their money. It should be no longer than one page, but should contain all pertinent details. For this reason, it is often easier to write this section last.

An executive summary should answer readers' primary questions — i.e., are you looking for funding, is the document a strategic guidebook for management, or both? As you draft your executive summary, keep in mind that many readers will decide whether the subsequent pages are worth reviewing based on this important section.

Business description

The business description is the first major section of your business plan and should provide more details on the nature of your business. One paragraph should outline the key elements of your business, and then subsequent paragraphs might expand on each. These elements should include:

Product or service description

Describe in detail the product sold or service provided. If you are producing a product, explain how the product is manufactured. What materials are used? Who are your suppliers? What are the costs of production? If you provide a service, describe what it is and why it is different. How will it be provided? In this section, you might also address potential pitfalls and how they will be addressed. For example, if demand for your product or service is higher than expected, how will you manage the volume?

Legal structure

Business entities come in a wide variety of legal



structures, ranging from sole proprietorships and partnerships to corporations. Each has its own pros and cons. In this section of the business plan, you'll need to describe the entity you selected and the reasons for your decision. Include supporting documentation (e.g., a partnership agreement).

Business and industry description

Who are your key advisors and managers, and how does their experience benefit your organization? Where are you located and why did you choose this location? You might also want to use this section to describe the genesis of your business — i.e., how and why you decided to launch the venture. Provide details on the industry you are in and why your business has a competitive edge. Include relevant data and illustrations, if applicable. (For example, a retail establishment might include a map highlighting strong pedestrian traffic patterns in the area.)

Market analysis and marketing strategy

Perhaps the most influential section of your business plan, the market analysis and marketing strategy sections are where you convince readers that your business will be successful.

The market analysis section should provide a specific and detailed analysis of your target market, including what you have done to maximize your opportunity within it. Who are your current and potential customers, and why? Summarize any market research you have conducted to prove the viability of your business. How big is your potential market? Who are the major competitors?

If your business plan is intended for potential investors or lenders, this section will help convince them that you truly understand your market and are an expert in your industry. If your plan is primarily designed to educate key employees, it will provide the basic information they need to strategize and carry out your vision for growth.

Once you have conducted thorough market research, the next step is to brainstorm how you will market your product or service within your industry. This marketing strategy section of the business plan should provide details about how you will promote your products and services. How will you differentiate yourself from the competition within your target market? What is your business's value proposition (i.e., the unique value your company offers the

marketplace), and how will you communicate it to your stakeholders? Describe any marketing tactics, such as advertising and public relations, as well as sales models and sales compensation structures.

While the market analysis and marketing strategy sections may be the most time-consuming to put together, they will be well worth the effort. Conducting thorough market research can uncover previously unknown challenges and opportunities. Addressing these findings with a creative strategy can give your business a competitive edge. It can also help your business's leadership team understand the reasons for certain strategic decisions you make that they may not necessarily agree with.

Financials

Of particular importance to potential investors and lenders, the financials portion of the business plan is designed to help your readers understand where you are now financially, and where you hope to be. If you are seeking money, this section should outline exactly how much you need and why. You should include all current and projected (or "pro forma") financial statements, including:

- Cash flow statement
- Balance sheet
- Income (or profit and loss) statement
- Break-even analysis

This section will likely be scrutinized the most, so be sure it is completed carefully. Some readers will require more information than others. What is most important is that the information provided is accurate and well-supported with documentation. The main purpose of this section is to educate readers about the use of resources—including any debt and equity financing you hope to get — proving to them that you and your leadership team can and will manage money effectively.

Worth the effort

Most business owners would much rather focus on their daily objectives and challenges than take valuable time away from their business to write a business plan. But in the end, it will be worth the effort. A business plan is not only important, but it can also become a critical resource on your journey toward success.

For more information, visit the Small Business Administration, www.sba.gov.

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