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Four Signs It Could Be A Good Time To Start A Small Business

Opening your own shop is appealing.

If you've lost your job in the past few years and are still out of work, it's a natural urge. You vow never to get blindsided again by something out of your control.

On the other hand, maybe you've been working harder than you ever have for the same pay, or less, to make up for leaner staffing. It's burnout, baby.

Both are classic motivators. You're tired of working for "the man" and want to be your own boss. Of course, there are many more reasons we're spurred to head off on our own, but those are the biggies.

Right now, though?

In the last month, I've been asked this by at least two-dozen readers who have e-mailed me, as well as audience members at various speaking engagements. "I have a great idea for a business," he or she says, "but I'm nervous about doing anything in this economy."

My advice is typically, it can be a good time...and I reel off the necessary steps to take before you're ready to make a go of it—from finding a mentor to writing a rock-solid business plan—more on that in a later post.

But to get the crux of the macro question, I freely admit, I'm not blessed with supernatural powers about whether the stars are aligned to help a small business prosper right now. I defer that kind of query to intuitive astrologers like my acquaintance [Dianne Eppler Adams](#).

To nail down a better answer, I decided to scan the playing field and see what the big picture experts are saying about the small business arena:

1. There's a glint of optimism in the air. One measure: small business job creation is up. William C. Dunkelberg, chief economist for the National Federation of Independent Business, issued the following statement based on NFIB's [monthly economic survey](#) of 807 small business owners that will be released on Tuesday, December 14.

"In November, small business owners reported net new job creation. It wasn't much. Seasonally adjusted, 14 percent of owners reported increasing employment at their firms by an average of 3.4 workers, the highest reading since December 2007 (the peak of the last expansion according to the [National Bureau of Economic Research](#)).

On the down side, 16 percent reported reducing employment, an average of 3.2 workers. Bottom line, job creation was positive in November.”

“Consumer and owner optimism is rising slowly, so owners will be more willing to bet their money on the future, making more capital expenditures and hiring more workers,” Dunkelberg says.

2. It’s a little easier to borrow. Banks loosened lending standards for small businesses in the third quarter, according to the [Federal Reserve’s senior loan officer survey](#), released in early November.

It seems to be working. Some small businesses say they’re finding it easier to get loans. In a [survey](#) of 1,910 small business owners released last month by the NFIB, the portion saying loans were harder to get than three months earlier was the lowest since September 2008.

(In full disclosure: I run a small business myself and have borrowed this year to grow. My lender was not tight-fisted, but it was and is scary.)

But take this with a grain of salt. Many small businesses still complain credit is tight. And that’s probably the case. Loans still remained harder to get than they were two years ago, and the trend is expected to continue for the foreseeable future, according to the Federal Reserve’s senior loan officer survey.

3. Small business law delivers. In September, President Barack Obama signed legislation that includes \$12 billion in tax breaks for small companies. For example, if you’re an entrepreneur and take a gamble on a new idea, you can deduct the first \$10,000 of your start-up costs; and if you are self-employed you can deduct 100 percent of the cost of health insurance for you and your family from your self-employment taxes. Plus, the new law includes a \$30 billion program to boost lending. That was in addition to provisions in the general stimulus plan that funded increased limits on loan guarantees offered by the Small Business Administration.

4. Demand is low, so supply should be high. Banks might be more receptive to loaning you seed money since there’s not a lot of demand from small business owners at the moment.

Most small businesses aren’t trying to borrow, as they have yet to see a robust pickup in sales, the NFIB’s Dunkelberg says. Overall, 91 percent of the small businesses surveyed, reported that all their credit needs were met or that they were not interested in borrowing. A record 52 percent said they did not want a loan. Only 3 percent reported financing as their top business problem.

But for start-ups, financing is a necessity to some degree. Even with these glimmers of hope, you still have to qualify. You can’t walk in the door and not have any money of your own to put on the table. Lenders want you to put up collateral. Plan to have some capital or equity that you personally put into the business. Lenders want you to have some skin in the game, so to speak. And you’ll need a stellar [credit score](#).

You might try a bank that's familiar with you or your industry, or one that is active in small-business lending. To find a bank that offers SBA-guaranteed loans, check the "Local Resources" section of the [agency's website](#).

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