

FRAME

fundamental resources for
agricultural micro-entrepreneurs



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Are You Ready to Start a Business on the Reservation?

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Are You Ready to Start a Business on the reservation?

Starting a new business can be challenging and takes a lot of time and energy. Even more challenging if you are located on a remote reservation. Before you consider starting a new business, you should ask yourself some questions about your personal situation. Distractions or issues in your personal life can make it harder to focus on starting your business. The list of questions below is not complete but is meant to help you identify areas that could interfere with your business start-up. If you discover areas that need to be addressed, you can use the time to work on your business plan while you address personal life issues. We have additional workbooks that can help you develop your business plan.

Personal Health:

Business ownership can be physically and emotionally taxing. Before you consider starting a new business, think about your own physical and mental health. According to Inc. Magazine, more than 25% of entrepreneurs work more than 60 hours a week, and most work more than 40. If you are devoting more hours to your business, you will have fewer for your personal life. Having a good support system is important when beginning a new business.

Am I healthy and physically able? Yes No Maybe/I don't know

Do I have a good support system? Yes No Maybe/I don't know

Is my personal life at a point where I am not experiencing or expecting any life-changing events? Yes No Maybe/I don't know

I don't have commitments in my personal life that require large amounts of time or energy? Yes No Maybe/I don't know

Sometimes you can still be successful starting a business if you don't answer yes to all of these questions. For example, if you don't have a great support system, you can still be a successful business owner but it might be a little more difficult. However, if you are in the middle of working through a health issue, you might consider waiting to start your business until you are in a better position personally.

Personal Finances:

There are unavoidable financial risks involved in new businesses that you will need to be prepared and able to take on. Additionally, new businesses often require loans for start-up costs or other ongoing needs, which are best acquired with a good credit. Businesses can also have unforeseen expenses.

Do I have a good to excellent credit score? Yes No Maybe/I don't know

Is my personal debt manageable? Yes No Maybe/I don't know

If you didn't answer yes to both of these questions, consider your options. It will be harder, though not impossible, to get financing if your personal financial situation isn't in good shape. Credit scores can be used to determine not only if you would qualify for a loan, but also the interest rate. Having higher interest will result in more monthly cost, as well as more interest paid in total. Many business loans have 2-3% interest rates, while credit cards may be 18-24%. Look into what options are available to you and consider taking some time to improve your personal finances before starting a business. Having personal savings can help with unexpected expenses you may encounter.

Finance:

It is important to consider what your financing options are for starting a new business. If you don't have, or can't get, the money to get started, you won't be able to get your business going. Make sure to check into financial resources directed towards Native Americans.

Do I have personal assets such as a home or savings I am willing to risk? Yes No Maybe/I don't know

Can I start this business without borrowing money? Yes No Maybe/I don't know

Do I have family or partners willing to finance me? Yes No Maybe/I don't know

Can I use specialized loans or grants for Native Americans? Yes No Maybe/I don't know

You don't have to answer yes to all of these questions, but the more "yes" answers you have, the more options you'll be able to consider. Research which route will be best for your personal situation and your business. If you have a lot of "no"

answers, you might have to work harder to find a good way to move forward with your business. There are various programs that provide lower interest loans for starting businesses. These may take more time to find and apply for, but often the interest rates are much lower. Examples include Small Business Administration, USDA-Farm Service Agency, and community development financial institutions. A credit card may be a fast and easy way to get funding, but will be much harder to pay off. For example, USDA-FSA loans will have an interest rate of less than 3% while a credit card may have an interest rate of 18%.

Your Idea:

You need to consider who will buy your product or service and why. You may have an amazing idea, but if you can't get access to the people who will purchase it, it isn't going to be a profitable business. You also need to consider if you have the training or experience to be able to provide the service or create the product. Also consider using the uniqueness of Native American heritage to differentiate your product or service.

Do I have a well-defined target market? **Yes** **No** **Maybe/I don't know**

Does my idea solve a common problem? **Yes** **No** **Maybe/I don't know**

Do I have training or experience in this area? **Yes** **No** **Maybe/I don't know**

Is my product unique or does not have a lot of competition? **Yes** **No** **Maybe/I don't know**

You should have at least two "yes" answers in this category. No matter how good things look in the other categories, if your idea isn't viable, the business won't be successful. Once you're able to answer yes to these questions, you can proceed to preparing further to start your business. Use the guidebooks in this series to help you dive deeper and fill out more information.