



## Starting a business when you are young

Many young people run successful businesses.

Setting up in business and sustaining it, especially in its early stages, is a real challenge. Young people can find it particularly hard to translate business ideas into a working reality but with the right approach, guidance and support, young entrepreneurs can succeed.

This guide looks at the first steps of setting up a business, choosing a legal structure and the rules and regulations you need to be aware of. It also has information about organisations that offer support and finance to would-be entrepreneurs under the age of 30.

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### Do you have what it takes to be a successful entrepreneur?

Before launching a business, it's worth thinking through your ideas and considering whether you have the typical characteristics of a successful entrepreneur.

These are often said to include:

- persistence
- enthusiasm
- creativity
- single-mindedness
- ambition
- willingness to take risks
- commitment
- self-belief
- talent

This list is not exhaustive, nor is it intended to be a blueprint for becoming a successful entrepreneur. Ultimately, there are no hard and fast rules. Many entrepreneurs start businesses based on their **hobbies** or particular **skills**. Already knowing your product and understanding your customers can be a big advantage. See our guide: are you ready to start up?

Consider your skills, interests and hobbies to see if any have the potential to be the basis of a profitable business. It is also important to think about your goals in the short, medium and long term.

For advice on how to turn an idea into a viable business concern, see our guide on how to research and develop your business ideas.

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### Starting a business

Starting up a business usually begins with a new business idea. Once you have a business idea, it may be worth giving it an initial test. You could do this by identifying and approaching potential customers and asking them whether they would be interested in the service or product you are thinking of selling.

You could also test your idea against existing businesses. Assessing the success of similar businesses by reading articles in newspapers and trade journals will give you some idea of how your chosen sector is performing in the wider economy.

### Choosing a legal structure for your business

When starting a business, you need to decide which legal structure to opt for. The choice you make will affect:

- the tax you pay
- the records and accounts you must keep
- your financial liability if the business runs into trouble
- how your business can raise money
- the way management decisions are made about the business

For more information on the different business structures and their various advantages and disadvantages, see our guide on legal structures: the basics.

### Steps you must take when setting up a business

Whichever structure you choose for your business, you must:

- Check whether you require any licences. Use our interactive tool to find regulations, licences, standards and trade bodies for your business.
- Choose a name for your business. See our guide on how to choose the right name for your business.
- Check if you are required to pay business rates. See our guide: business rates - an overview. If you are liable to pay business rates, you can use our interactive tool to get an indication of the business rates payable on your business.

When setting up a business, you should also:

- Prepare a business plan. See our guide on how to prepare a business plan.
- Think about how to finance your business. Use our interactive tool to identify the right finance options for your business.
- Make sure you understand your customers and markets. See our guide on how to know your customers' needs.

### **Sources of support for young entrepreneurs**

It is a good idea to seek professional advice to help deal with some of these issues. Business advice is available at your local Business Link office. Find your local Business Link through our Contacts Directory.

Accountants, insurance brokers, lawyers and bankers can advise and help you overcome any obstacles. You can also get help and advice from the Shell LiveWIRE community on the Shell LiveWIRE website (registration required) - [Opens in a new window](#).

The Prince's Trust can help you test your idea, write a business plan, access mentoring and may even offer you financial support. However, if you discover self-employment is not the right option for you, the charity can also support you in achieving other employment, education or training goals instead.

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### **Considerations for young entrepreneurs**

Young entrepreneurs may encounter obstacles when setting up a business because of their age.

#### **Finance**

Getting funding for your business may be the biggest hurdle to overcome. Without a track record and with few assets to use as security for a loan, it can be difficult to raise money. Similarly, if you are under the age of 18, you will not be able to use traditional forms of credit. There are a number of schemes that can help if you find it difficult to raise finance.

These include:

- the Prince's Trust
- Shell LiveWIRE
- Community Development Finance Institutions

To find out about the finance options available to you, read the page in this guide on securing finance.

#### **Experience**

A lack of business experience can be an obstacle to being taken seriously and getting your ideas off the ground. Talking to experienced entrepreneurs can be helpful as they may have faced similar problems and can offer guidance on how to overcome them.

You can get help and advice from the Shell LiveWIRE community on the Shell LiveWIRE website (registration required) - [Opens in a new window](#).

You can also access the Social Network on the Shell LiveWIRE website (registration required) - [Opens in a new window](#).

In addition, Business Link and local enterprise agencies can offer help and advice to small and growing businesses.

#### **Loans to help with ongoing training**

If you need to improve your business skills before or after starting up a business, you can apply for a Professional and Career Development Loan. This is a deferred repayment bank loan aimed at financing the training and qualifications that will help individuals further their career or business.

Search our business support finder for grants, loans, expertise and advice for which your business may be eligible.

Find out about Professional and Career Development Loans on the Directgov website - Opens in a new window.

### **Premises**

You may find that running a business from home is preferable because of low overheads, or you may decide you need business premises. This comes with responsibilities in terms of money and time and there are various options to suit different businesses. See our guide on how to choose the right premises for your business.

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### **Planning for business success**

A business plan is a document that sets out the **vision for your business**. In it you can define the purpose of the business and set goals for it. It then becomes a helpful framework for developing your business and for **monitoring progress**.

Your business plan will also be the basis for marketing your company, either to raise money or attract business partners. Be honest, but also try to put yourself and your business idea in the best possible light. Your business plan should include:

#### **A profile of you and your business**

Describe what the business does and what skills and relevant work experience you have.

#### **Market research**

Explain who will buy your product or service and identify any competitors. This will show potential investors or partners that you have researched and identified a gap in the market. You should also include any product testing and development that you have carried out. See our guide on how to create your marketing strategy.

#### **A marketing strategy**

Describe how you will market, price and sell your product or service. You should also identify methods of promoting your business.

#### **Financial information**

Provide realistic financial forecasts. These need to show that your business is viable and can generate enough cash to cover costs and become profitable. Include details of how you plan to fund your business.

#### **Detailed business information**

After thinking about all this, you also need to present your decisions about how your business will operate – for example its legal structure, whether you need premises and business insurance, whether you will employ other people and how you will pay any staff and suppliers.

Including all of this information in your business plan demonstrates that you have thought carefully about your proposed business idea, which in itself shows commitment. See our guide on how to prepare a business plan. You can also read sample business plans on the Bplans website - Opens in a new window.

#### **Your exit strategy**

You should also think about when and how you want to exit your business. This will add a helpful time element to your business aims and firm up your ideas about how best to achieve them. Outlining an exit strategy in your business plan can be beneficial for you financially - and for the health of the business - if you decide to sell it. See our guide consider your exit strategy when starting up.

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### **Securing finance**

As a young entrepreneur, you may not have a lot of your own money to invest in your business.

You need to think very carefully about how you are going to finance your business, especially how you are going to manage the risks involved in borrowing money.

There is probably less financial risk in earning your start-up capital or borrowing off friends and family than in borrowing from a commercial lender - so it makes sense to look to those sources of finance first.

The main finance options available to you include:

- loans
- overdrafts
- shares
- grants
- joint ventures

However, if you have no credit history or track record, few or no assets to offer as security, and/or you are under the age of 18, banks may be unwilling to give you a loan or overdraft.

If you struggle to raise money, the Prince's Trust may be able to help.

The Trust offers:

- advice on employment options
- business skills training
- business planning support
- start up funding
- ongoing support from a mentor

You can register your interest on the Prince's Trust website - [Opens in a new window](#).

The government provides financial support for businesses in a number of ways. Search our business support finder for grants, loans, expertise and advice for which your business may be eligible.

You can also look for finance from Community Development Finance Institutions (CDFIs). These organisations provide loans and support to businesses and individuals who have had trouble getting finance from sources such as banks and building societies. Discover more about sourcing finance from CDFIs on the [Finding Finance website](#) - [Opens in a new window](#).

Shell LiveWIRE Grand Ideas Awards offer up to five £1,000 prizes a month to the most innovative and unusual ideas submitted by young entrepreneurs aged 16-30 with new businesses in their first 12 months of trading .

Find out about criteria and how to apply for the Grand Idea Awards on the [Shell LiveWIRE website](#) - [Opens in a new window](#).

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## Financial planning and control

A successful business generates enough cash to cover costs and make a profit.

A profit is the difference between sales and costs. Most businesses are not expected to be profitable from day one, but they are expected to have a plan outlining when they are likely to become profitable. See our guide on how to prepare a business plan.

Your plan should include a **break-even analysis**. This is an estimate of when the price of your product or service will equal the cost required to produce it. The calculation of the cost to produce an item, or provide a service, should include a percentage of all your projected overheads, including premises, bills and labour. Indicating in your plan when you will reach the break-even point is important - as soon as you pass it, your business will start to make a profit.

Cashflow is the balance of all the money flowing into and out of your business. While a business can survive for a short time without sales or profits, without cash it will die. See our guide on cashflow management: the basics.

Businesses should also have proper financial controls. Keeping accurate records helps you fulfil your legal requirements. It will also help you monitor your financial position and keep a tight control on costs. See our guide on financial and management accounts: the basics.

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## Recruiting staff

Once your business is up and running, you may want to consider expanding your

company by recruiting staff. Taking on employees is a big step for any business, especially a new business. Before you commit time and money to looking for and hiring staff you need to carefully consider why you require extra help and how long you will need it for.

There are various options, depending on your requirements:

- permanent staff - either full time or part time
- staff with fixed-term contracts
- casual or agency staff
- freelancers and outside contractors

To understand the different ways of taking on staff and how to choose those who best meet your needs, read our guide on taking on staff - the options.

Use our interactive tool to create a written statement of employment.

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## Networking and mentoring

Talking to experienced entrepreneurs can help you make the right decisions about your business. These people may have faced similar problems and can offer guidance, support and act as role models.

To find out more about mentoring and how it could help you, see our guide on the benefits of business mentoring.

There are various valuable mentoring schemes available - some of the main ones are described below.

### Shell LiveWIRE

This online is aimed specifically at young entrepreneurs aged between 16 and 30. It allows you to tap into a pool of experts with specialised knowledge. You can get help and advice from the Shell LiveWIRE community on the Shell LiveWIRE website (registration required) - Opens in a new window.

The Shell LiveWIRE website also offers discussion forums where young entrepreneurs can share their experiences, and offer solutions to business problems.

### The Prince's Trust

The Prince's Trust can put you in touch with a business mentor - register your interest in business mentors on the Prince's Trust website - Opens in a new window. The Trust also provides marketing support and specialist advice through its helpline.

In Scotland, the Prince's Scottish Youth Business Trust (PSYBT) may be able to help with funding, support and advice. PSYBT offers financial help to young people aged 18 to 25 (or from 26 to 30 for young people with a disability). Find out about the support available from the Trust on the PSYBT website - Opens in a new window.

### Young Enterprise

Young Enterprise has several programmes aimed at giving young people an understanding of how business works through running their own businesses. Find details of Young Enterprise programmes on the Young Enterprise website - Opens in a new window.

### Mentorsme.co.uk

This is the new government-backed national mentoring network. Many of the UK's major business mentoring organisations are represented on Mentorsme.co.uk. It lets you search a network of more than 10,000 business mentors - many of whom are making their services available free of charge.

Find business mentors on the Mentorsme.co.uk website - Opens in a new window.

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## Here's how I set up a business when I was 23

### Marc Day

SwapGame.com Limited - Opens in a new window

### Marc's top tips:

- "Get as many facts and figures together as early as possible to back up your ideas."
- "Find a mentor you can ask for advice and run new ideas past."

- "Keep plugging away - even when you come up against obstacles."

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Marc Day founded SwapGame.com Limited, an internet-based, games-rental subscription service, two years after graduating. A professional attitude and thorough research has helped him finance and build his business, set to achieve a turnover of £1 million in its fourth year.

#### **What I did**

##### **Take time for thorough research**

"After I left university I took on admin-type jobs just to get by. During this time I did lots of research into my business idea. I also carried out field research, questioning people coming out of video games shops. I got as many facts and figures together as I could and found out all the costs involved before I approached anybody for money.

"It took about 16 months. I wanted to go into the market as quickly as possible, but I knew I needed to cover every angle before I did. I knew people weren't going to throw money at me and that they'd want to know all the details. Besides, it was important I knew that the business was going to be viable too."

##### **Explore all funding possibilities**

"When I was first looking for start-up capital I approached private investors and venture capital companies, but they all wanted to see more experienced management in the company. It was a difficult situation because I didn't have the money to bring that experience on board. The feedback was always that I had a great idea, but they'd like to see me start the company and how it went first. It was very frustrating.

"But I plugged away and eventually I got the money through loans - personal and family ones. Importantly, I also secured a £30,000 bank loan. The bank was apprehensive, but I was able to use my parents' property as security and I made my father chairman of the company, which gave the bank more confidence. My father was experienced in business and I used him as a sounding board anyway.

"Two years later I wanted to raise working capital for expansion, so I used the Department for Business, Innovation & Skills Small Firms Loan Guarantee scheme (now replaced by the Enterprise Finance Guarantee). Age wasn't a factor at all. It was my track record that counted, the partnerships I'd made and my growth strategy. We got £100,000 and can go back for another £150,000 if we reach certain targets."

##### **Show confidence**

"A lot of my contact with people when I started was over the telephone and nobody questioned my age because I came over in a professional manner, knew what I was talking about and wasn't frightened of negotiating with people. I think that makes a big difference."

##### **What I'd do differently**

##### **Scrutinise my business plan regularly**

"I finalised my business plan when I got my finance and though I kept figures in my mind that I had to achieve I didn't look at the plan again properly until I entered the Shell Livewire competition. It was then, a year after starting up, that I discovered how high my packaging costs were and how that was impacting the business on a daily basis.

"I managed to trim those costs down by about 40 per cent and it really affected profitability. If I'd looked at my business plan after, say, six months, I could have made the business leaner much sooner."

Read more case studies that describe first hand how people tackle real-life challenges and opportunities.

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#### **Business Link Helpline**

0845 600 9 006

#### **Prince's Trust Helpline**

0800 842 842

#### **Acas Helpline**

08457 47 47 47

#### **Related guides on [businesslink.gov.uk](http://businesslink.gov.uk)**

Manage your personal list of starting-up tasks with our Business start-up organiser

Starting a business from home

Listen to expert advice on starting a business in our series of audio interviews

Starting a business: the basics

Are you ready to start up?

Starting a business when economic conditions are tough

Research and develop your business ideas

Starting a part-time business

Different approaches to starting your own business

Common mistakes when starting up - and how to avoid them

Use our interactive tool to find regulations, licences, standards and trade bodies for your business

Use our interactive tool to identify the right finance options for your business

Legal structures: the basics

Set up and register as self-employed

Choose the right name for your business

Prepare a business plan

Know your customers' needs

How do I survive until my business is off the ground?

Use your business plan to get funding

Choose the right premises for your business

Grants: the basics

Consider your exit strategy when starting up

Choose the right finance when starting up

Cashflow management: the basics

Financial and management accounts: the basics

Budgeting and business planning

Set up a basic record-keeping system

Use our interactive tools to help you take on a new employee

Use our interactive tool to create a written statement of employment

Taking on staff - the options

Joint ventures and partnering

Online business networking and social networking

The benefits of business mentoring

Learning through networking with others

Support networks and facilities for innovation and R&D

Here's how I decided I was ready to start up my business

Here's how having an up-to-date business plan helped my business

#### **Related web sites you might find useful**

##### **Start-up information on the Connexions Direct website**

<http://www.connexions-direct.com/index.cfm?pid=78&catalogueContentID=121&render=detailedArticle>

##### **Self-employment guidance on the Directgov website**

[http://www.direct.gov.uk/en/Employment/Jobseekers/LookingForWork/DG\\_173931](http://www.direct.gov.uk/en/Employment/Jobseekers/LookingForWork/DG_173931)

##### **Start-up support for young people on the Shell LiveWIRE website**

<http://www.shell-livewire.org>

##### **Young entrepreneurs guidance on the Next Step website**

<https://nextstep.direct.gov.uk/planningyourcareer/wheretostart/waysOfWorking/Pages/Workingforyourself.aspx>

##### **Young entrepreneur support on the Prince's Trust website**

[http://www.princes-trust.org.uk/need\\_help/enterprise\\_programme.aspx](http://www.princes-trust.org.uk/need_help/enterprise_programme.aspx)

**Entrepreneur guidance on the Smarta website**

<http://www.smarta.com/advice/starting-up/starting-your-own-business/what-makes-an-entrepreneur>

**Young enterprise programmes on the Young Enterprise website**

<http://www.young-enterprise.org.uk/programmes>

**Start-up advice on the Enterprise UK website**

<http://www.makeyourmark.org.uk/>

**Advice on the Shell LiveWIRE website (registration required)**

<http://shell-livewire.org/>

**Access the Social Network on the Shell LiveWire website (registration required)**

<http://www.shell-livewire.com/network/home.php>

**Local Enterprise Agency search on the NFEA website**

<http://www.nationalenterprisenetwork.org>

**Professional and Career Development Loans on the Directgov website**

<http://www.direct.gov.uk/en/EducationAndLearning/AdultLearning/FinancialHelpForAdultLearners/CareerDevelopmentLoans/index.htm>

**Sample business plans on the Bplans website**

[http://www.bplans.co.uk/sample\\_business\\_plans.cfm](http://www.bplans.co.uk/sample_business_plans.cfm)

**Business plan templates on the Microsoft Office website**

<http://office.microsoft.com/en-gb/templates/TC010175201033.aspx?CategoryID=CT102530621033>

**Start-up support for young people on the Shell LiveWIRE website**

<http://www.shell-livewire.org/>

**Financial support on the Prince's Trust website**

[http://www.princes-trust.org.uk/need\\_help/enquiry\\_form.aspx](http://www.princes-trust.org.uk/need_help/enquiry_form.aspx)

**CDFI support information on the Finding Finance website**

<http://www.findingfinance.org.uk/>

**Online leadership course on the learndirect Business website**

<http://www1.learndirect-business.com/business-courses/leadership>

**Business mentors on the Mentorsme.co.uk website**

<http://www.mentorsme.co.uk/>

**Useful contacts on the Make Your Mark website**

[http://www.starttalkingideas.org/next\\_steps/networks](http://www.starttalkingideas.org/next_steps/networks)

**Online business mentoring on the horsemouth website**

<http://www.horsemouth.co.uk/publisha.content/work/topics.publisha?topic=Starting%20a%20business>

**Advice and forums on the Freelance Advisor website**

<http://www.freelanceadvisor.co.uk>

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