



# Build It Right or Pay for It Later

How to Start a Real Business—With  
Legal Protection, Tax Strategy, and  
Room to Grow

# The Business Startup Blueprint...

Starting a business is exciting—but too many entrepreneurs jump in without the right foundation. That leads to wasted time, lost money, and unnecessary frustration. This guide is your roadmap to doing it right from the beginning—lean, professional, and aligned for long-term success.

While this whitepaper gives an example based out of **Texas**, the process is **nearly identical in every state**. If you're in a different location, you can follow this same roadmap with only minor adjustments.

We'll walk you through the practical steps to launch and grow the right way, while introducing you to the **5by5 Business System** and showing you how an **IBA United advisor** can walk with you every step of the way. Whether you're just getting started or ready to upgrade your structure, this guide is your launch pad.

If you have questions after reading this, contact us at [IBAUnited.com](http://IBAUnited.com)



# Common Mistakes to Avoid

Before we dive into the steps, here are a few costly mistakes we see over and over again:

- **Mixing personal and business finances** – This creates tax and legal complications. Open a separate business bank account right away.
- **Waiting too long to form an LLC** – One lawsuit or tax audit can be devastating. Don't delay forming your entity if you're earning more than \$10,000/year.
- **Missing the S-Corp election deadline** – You only have 75 days from forming your LLC to make the election. Miss it, and you lose thousands in potential savings.
- **DIY business taxes** – Filing your own return may sound smart, but you're likely missing deductions or strategies that could save you money.
- **No real structure** – Running everything in your head might work for now—but it will break under growth. Systems matter.







# Step 1: Start Lean — Use a Schedule C

Every great business starts small. Whether you're freelancing, selling products online, or offering a service, you don't need to overcomplicate things in the beginning. A simple **sole proprietorship** using your personal name or a "Doing Business As" (DBA) name is enough to start earning income and proving your idea has traction.

You'll report your business income and expenses on **IRS Schedule C** as part of your personal tax return. It's fast, inexpensive, and low-risk—perfect for side hustles or early-stage business experiments.

## Benefits of starting lean:

-  No formal registration required (yet)
-  Quick and affordable
-  Great for testing offers and gaining traction
-  Focus on building income, not legal paperwork

But once you start generating real income—especially over \$10,000 a year—it's time to take the next step to protect yourself and build a real foundation.



# Don't Forget Sales Tax – The Silent Liability

Right after you've figured out your income taxes, there's another potential tax waiting to bite you — **sales tax**. Depending on what you sell and where you operate, you may be required to collect and remit sales tax to your state (and sometimes even your local jurisdiction). This isn't just a retail issue — many service-based businesses are surprised to learn they're on the hook too.

## Why this matters:

Sales tax debt doesn't go away. In many states, including Texas, unpaid sales tax becomes a **personal liability** — meaning even if your business closes, you're still responsible for paying it. It's one of the few debts that can follow you, no matter what.

## What to do:

- Check with your state's department of revenue or a tax professional to determine if your products or services are taxable.
- If you've already been operating without collecting sales tax, act now. Many states offer programs to help you register and start complying without triggering major penalties — as long as you take initiative before they come after you.

## **A Texas-Specific Note:**

In Texas, **most tangible goods** are taxable, including retail products, clothing, tools, and even prepackaged software. But here's where it surprises people: **some services** are also taxable — including things like:

- Janitorial services
- Pest control
- Telecommunications
- Data processing
- Certain IT or security monitoring services
- Amusement and entertainment services

Meanwhile, **many professional services** — like consulting, bookkeeping, photography (depending on how it's delivered), or graphic design — are often **not taxable in Texas**. But that doesn't mean you're off the hook — because if you





## Step 2: Form Your LLC and Set Up the Business the Right Way

If you plan to earn more than **\$10,000 per year**, or you're taking your business seriously, it's time to form an **LLC**. This isn't just about structure—it's about **protection**. A properly formed LLC shields your **personal assets** (like your home, savings, or vehicles) from lawsuits or debts the business might face. If anything ever goes wrong, your business is liable—not you personally.

This step also sends a clear signal to customers, vendors, and potential partners: you're serious, professional, and in this to win.



# What to do in your first 30 days:

- File your LLC with your state (ex: Texas – \$300)
- Appoint a Registered Agent (~\$100/year or serve as your own)
- Get your EIN from the IRS ([Apply Free Here](#))
- Open a business bank account — never mix business and personal funds
- Draft an Operating Agreement (*Texas provides a free default template*)
- Set up basic bookkeeping with QuickBooks, Wave, or Xero. (I prefer Quickbooks because I'm familiar with it. Its also easy to set up invoices from a cell phone and accepting credit cards.)
- Register your domain and build a basic website

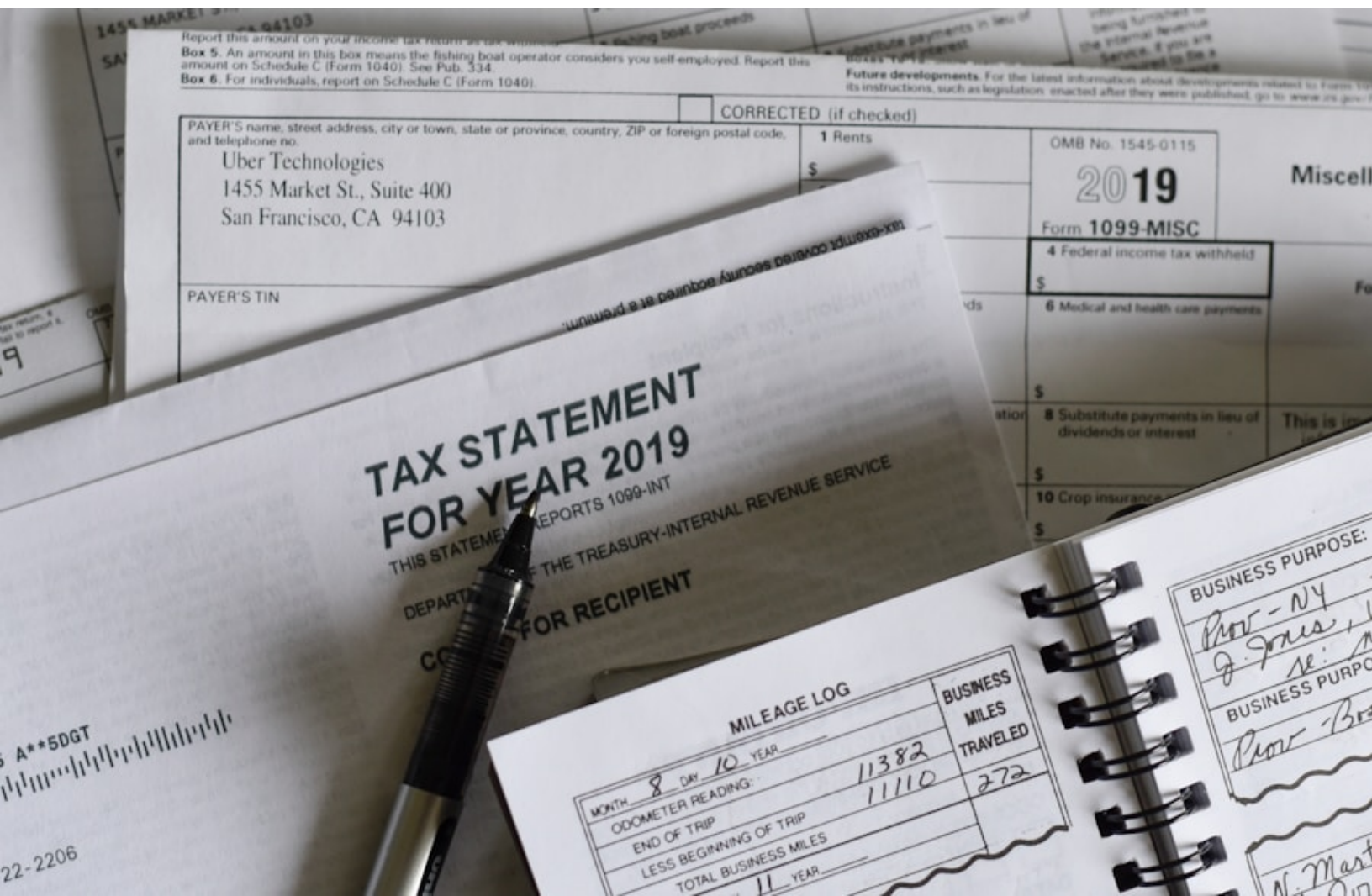
**IBA United advisors can help you form the LLC and make sure you don't miss any of these steps—or the key tax deadlines.**



# Step 3: Elect S-Corp Status When the Timing Is Right

Once you're earning **\$40,000 or more in net profit**, electing **S-Corporation status** can be a game-changer. It allows you to split your income between **salary and owner distributions**—and only the salary portion is subject to self-employment taxes. Self Employment tax is 15.3% of *your* hard earned money the government wants to take from you... and you don't have to pay that to them if you structure your business properly! The result? You pay less tax and keep more of what you earn.

But like everything in business, there's a trade-off.



# Here's how the tax savings typically break down:

- **\$30,000 Profit** → Savings are minimal and often **offset by the additional costs** of running a more complex structure (like hiring a CPA or filing a separate tax return). → This is the break-even point where you might **not see major savings** yet—but it's the point where you should still **get advisory help** to stay on track.
- **\$60,000 Profit** → Pay yourself \$30,000 salary and take \$30,000 in distributions. → You could save around **\$4,500–\$5,000** per year in self-employment tax alone.
- **\$100,000 Profit** → Pay yourself a \$50,000 salary and take \$50,000 in distributions. → You're looking at **\$7,500–\$10,000+ in annual tax savings**, depending on your state and setup.
- **NOTE:** The IRS requires your payroll amount to be a "reasonable salary" for the duties you perform and the time you work... otherwise they come after you. Many business owners will use a standard 50% election, receiving half of their income as salary and half as an "owner's draw". The draw is not taxed the 15.3% for self employment taxes... and this is where your main savings comes in.

# But Here's What Most People Don't Realize:

To take advantage of S-Corp benefits, you **must file IRS Form 2553 within 75 days** of forming your LLC. Miss that window, and you may be forced to either wait another year or dissolve and recreate your LLC from scratch.

And while the tax savings are great, **you will need to file payroll tax forms**, usually quarterly (or monthly depending on your state). Thankfully, this isn't a big deal if you use a system like **QuickBooks Payroll** or **Gusto**—they handle the forms automatically. But this is also the point where it makes sense to **hire a CPA, accountant, or payroll firm** to help you stay compliant and stress-free.



## One More Note on Business Taxes

If your LLC is taxed as an **S-Corp**, or if you form a **corporation**, you will need to file a **separate business tax return** (e.g., IRS Form 1120S). Single-member LLCs that are not taxed as an S-Corp typically report income on Schedule C as part of the owner's personal tax return.

That said, once you're forming an LLC and especially electing S-Corp status, you should strongly consider working with a tax professional. Not because you can't file your own returns—but because you'll almost certainly miss valuable deductions, credits, or compliance strategies that could save you thousands.

**A qualified accountant will easily pay for themselves.**



# Step 4: Build on a Real Framework — Use the 5by5 Business System





Once the foundation is in place, you need a way to focus and scale without losing control. That's where the **5by5 Business System** comes in. It's the operational playbook we use with clients to help them build businesses that grow **profitably, predictably, and eventually—without them.**

The five areas every successful business must align are:

1. **Vision** – Clear purpose and direction
2. **Sales** – Consistent, value-aligned selling
3. **Product** – What you deliver, how, and at what price
4. **Team** – Who you hire and how they perform
5. **Operations** – The systems that make it all run smoothly



# The 5by5 Business System helps you:

-  Stay focused on the right priorities
-  Fix what's broken before it costs you
-  Grow with systems, not stress
-  Build a business that's valuable—whether or not you ever sell

**IBA United advisors use this exact framework to help you grow smarter, faster, and with less chaos.**

Avoid costly business mistakes with the 5by5 Business System, get the book on our website at [IBAUnited.com](http://IBAUnited.com) or on [Amazon.com](http://Amazon.com)







# Step 5: Don't Go It Alone — Partner with an experienced IBA United Business Advisor

There's a lot of noise out there. You don't need another generic checklist or a Facebook group full of bad advice. You need an advisor who understands **what you're building** and can help you make smart decisions as you go.

Whether you're just starting or already growing fast, IBA United gives you hands-on support and real-world business strategy to grow with clarity—and avoid costly missteps.

## IBA United Business Advisors help you:

-  Form your LLC and elect S-Corp status at the right time
-  Set up financial clarity and clean operations
-  Build your 5by5 structure for real scalability
-  Position your business for maximum long-term value

## Get Expert Help from Day One

**IBA United can form your LLC, guide your growth, and help you build a business that works—so you're not guessing at any step.** Whether you're just starting or already bringing in revenue, we'll help you do it right.

And if you ever decide to sell? You'll be ready—because we build that in from the start.

👉 **Talk to an advisor today and get started at [IBAUnited.com](https://IBAUnited.com)**



# Case Study: How James Turned a Side Hustle into a Six-Figure Business

James had been running a successful web design side hustle while working full-time. He was earning about \$2,500/month on the side and wanted to go full-time. He had no formal structure—just invoiced clients using his name and reported income on Schedule C.

After working with an IBA United advisor, he filed an LLC and elected S-Corp status within 30 days. His advisor helped him set up accounting and payroll using Quickbooks and referred him to a CPA who now handles his filings.

By the end of his first year full-time, James made \$96,000 in net profit. Because he structured correctly from day one, he paid himself a \$50,000 salary and took the rest in distributions—saving over \$8,000 in self-employment taxes. And with his LLC in place, he secured two larger clients who told him they wouldn't have hired a freelancer without a formal business entity because they didn't want to trust their business to someone who wasn't taking their own seriously.

Now, James is planning to hire a part-time assistant and build out more of his 5by5 systems. He's not just working for himself—he's building something real.

**And it all  
started  
with a good  
foundation.**

👉 Talk to an advisor today and get started at [IBAUnited.com](https://www.IBAUnited.com)