

Investing in Business

“I never dreamed about success, I worked for it.”
— Estee Lauder, founder of Estee Lauder Cosmetics



Each business has its own needs and plans for the future. Finding the right ways to invest in it to support its goals is important to making it a successful part of the community and helping you reach your own goals.

Steps

1. Explore what it costs to start up a small business
2. Discover how to fund a start-up business
3. Learn how employees are paid for their work
4. Learn how governments and businesses work together
5. Discover how to invest in a business

Purpose

When I've earned this patch, I will know how to use money wisely to invest in businesses.

Step 1: Explore what it costs to start up a small business

Starting a business takes money. There are costs for supplies, people to work, possible fees and many other things. Each business has its own unique needs and costs to start. Look into what you need to start a business.

Choose one:

- **Interview a small business owner.** Meet with a small business owner to hear first-hand how a business started. Ask her what costs she had and how she found the funding to pay for her business.
- **Research the costs to start up your own business.** Do some research to find out what is needed to start up a business. You might check out other similar businesses or guess what your costs (expenses) will be to start.
- **Develop a startup budget.** If you are going to start a business, you will need to make a list of all of the things you will need to buy (your expenses) and the money you plan to make (your income). This list is a budget. Make a plan for your new business idea by writing a budget for it.

Step 2: Discover how to fund a start-up business

A small business owner has several choices to fund the start-up costs for her business. She has to choose which option fits her business and her goals.

Choose one:

- **Investigate the types of loans available to new small businesses.** A loan is a way for a business owner to borrow money to start or grow her business. There are different kinds of loans available with various ways to pay them back. Investigate what options a small business owner has to take out a loan.
- **Create a savings plan to self-fund your own business.** One option to pay for starting up your own business is to use your own money. By funding your business with your own savings, you get to keep all of the money you make – your profits. Design a plan how to save to pay for your business start-up costs.
- **Give a presentation to potential investors.** An investor is someone who buys a part of a company. Investors give money to the company in exchange for owning part of the business. Investors may receive part of the company’s profits and might help make decisions for the business. Make a list of who you would like to be an investor in your business and invite them to a presentation about why they should invest in your business.

Step 3: Learn how employees are paid for their work

When a person works for a business, she is an employee. She provides resources of her time, talents, and skills to the business and is paid income, which is also called a wage. The business may also offer employees other benefits like insurance, paid time off from work, and savings for retirement.

Choose one:

- **Research the wages of jobs in a business you might like to start.** If your business has employees, you will need to pay them a fair wage, meaning how much per hour they will earn. Think about what type of jobs your business would have, including your own, and then do some research to see what similar businesses pay their employees and what other benefits they offer. Use what you find out to write out a plan to compensate (pay) your employees.
- **Learn about deductions.** Before an employee gets her paycheck, some money is taken out of her wages (deductions). This money is for taxes and sometimes other benefits like health insurance or savings for retirement. Interview a Human Resources specialist or another employee about the kinds of deductions in their employees’ paychecks. Ask which deductions are required and which ones are optional.
- **Understand gross and net income.** What an employee earns for her work at her job is her income or wage. The total she receives is her gross income. For example, if Juliette works 7 hours a day for 5 days a week and earns \$15 per hour, she would have a gross income of \$525 per week. Employees must pay local, state, and federal taxes to the government from their gross income. The income left after paying taxes and any other deductions is the net income. If Juliette pays \$90 in federal and Social Security taxes and \$18 in state taxes, her net income is \$417. With an adult’s help, use an online payroll calculator to look at three different gross incomes to see what their net income would be in your state.

Step 4: Learn how governments and businesses work together

Governments use different kinds of taxes to provide goods and services to their people, the citizens. Income tax is a payment on the money you earn at a job. Sales tax is a payment on the items you buy from businesses. Governments charge taxes to businesses and also give businesses credits and incentives to help them grow in their communities.

Choose one:

- **Find out how your town helps businesses.** Local governments work with businesses to make the community a better place for its citizens to live. Meet with a local official to find out how your town encourages businesses to start and stay in your community.
- **Learn how the government uses taxes.** Each local and state government has different laws for sales and income taxes. Find out what your governments’ taxes are and how they are put to use to help the community. Make a list of what you would charge for taxes for if you could vote on the law.
- **Discover the benefits of being a good corporate citizen.** Businesses often work with their local governments and citizens to help the community. They might give money to a charity, sponsor community events or teams, or give donations of their products. Sometimes, businesses can get a tax credit from the government for their good works! Think of how some of your favorite companies help others. How would your business help the community? Create a plan to show how your business would be a good corporate citizen.

Step 5: Discover how to invest in a business

Investing in a business is a way that you can help a business grow and reach their goals and get something back in return. When you invest in a business with your money by purchasing stock, you are buying a part of the company called a “share,” and will receive part of the profits of the company. Stocks are traded on a marketplace around the world in person and over computers where people buy and sell the shares of many different companies. The prices of stock shares are reported in the news for the public to see.

Choose one:

- **Investigate crowdfunding.** When a business wants to raise money without sharing its profits, it might turn to a crowdfunding website. It can offer rewards for different levels of sponsorship or funding. With an adult, research how a business is raising money using crowdfunding.
- **Research stock of your favorite companies.** How does the cost of one share of stock in a company compare to another? It all depends on what people think the company is worth. The price will be higher if people think the company is more valuable or will be successful. Choose your three favorite companies that sell similar things and look at the price of their stock prices. How do they compare? Which is a better investment for you?
- **Compare the price of a stock for a week.** The price of a company’s stock might change throughout time based on many things like how people think the company is doing and even the news. Look at the price of your favorite company’s stock every day for a week. How did the numbers change or stay the same? Do you think this would be a good investment?