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5 Mistakes to Avoid When Starting a Part-Time Business in Retirement

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If you're thinking about starting a part-time business in retirement, you'll want to avoid the following five mistakes:

1. Not having a well-thought out plan to make the business run.

"Don't make the transition on the day you retire. You need to research and make a plan" for your new business, says Philip Phan, a professor at the Johns Hopkins Carey Business School and an EIX (https://www.nextavenue.org/businesses-start-in-retirement-under-5000/) editor. (Full disclosure: EIX, the Entrepreneur and Innovation Exchange, is part of the Richard M. Schulze Family Foundation which is a funder of Next Avenue.)

Not only is it essential to have an early estimate of what size your business might be, expect that you may have to modify your original idea as customer needs or interests change.

"What I've learned is that you always have to think of what's next, because things change," says Lynn Zuckerman Gray, founder and CEO of Campus Scout, a New York City-based business providing strategic recruitment of college and grad school graduates for companies.

"You need an adviser who can really play devil's advocate and look at your costs and profits to see whether your business idea is working."

Researching your business idea also includes finding out which regulations may govern it. "Regulations and certifications of industries differ by state. For example, it might be required that production is done in a commercial kitchen if you are cooking food," to sell, says Kimberly A. Eddleston, a Northeastern University entrepreneurship professor and a senior editor on the EIX Editorial Board.

2. Not having a devil's advocate.

Once a plan is in place, the next important step is to establish some "clear-eyed advisers (https://www.nextavenue.org/when-starting-business-you-need-brain-trust/) " who can challenge your assumptions, according to David Deeds, Schulze professor of entrepreneurship at the University of St. Thomas, and EIX executive editor.

The advisers don't need to be specialists with expertise in the field your business will be in. An adviser, Deeds says, might be a friend or neighbor who'd agree to meet with you once a month to review your business goals.

"You need an adviser who can really play devil's advocate and look at your costs and profits to see whether your business idea is working. Advisers will ask the hard questions, like, 'Is there a cheaper way to see if something can work?'"

Your devil's advocate should push you on your business goals such as product design or developing customers.

3. Not separating your business' finances and your personal finances.

Keeping a clear division of the two can begin with something as simple as setting up a separate credit card for your business.

And, warns Eddleston, “be very careful about tapping into a mortgage or retirement income to start your new business.”

Eddleston also suggests setting up your new company as an LLC (limited liability company) or an S Corp (which doesn’t pay tax at the corporate level) to separate your personal assets from any business assets. For more about the different legal arrangements for entrepreneurs, see the Next Avenue article, “Starting a Business in Retirement: Using a Lawyer (https://www.nextavenue.org/starting--business-in-retirement-using-a-lawyer/) .”

4. Not being realistic about when revenue might start to materialize.

“People over-leverage themselves. If you do your homework, you will have a clearer idea of how long it will take to pay investors back, for example,” says Gray.

Nancy Clarke, of Ocean Grove, N.J., who provides management consulting for nonprofits through her home-based firm, Embury Consulting, says entrepreneurs shouldn’t expect revenue from a new business in retirement will start immediately. “If you take the day off, that’s a day you’re not marketing your company,” says Clarke.

> “You’re going to get it wrong. Do small experiments and get feedback.”

5. Not doing essential pre-market testing before making a full commitment.

Don’t launch until you try out your idea with friends and family, says Gray.

Notes Deeds: “You’re going to get it wrong. Do small experiments and get feedback.”

Eddleston says a key aspect of test marketing when establishing a concierge business providing personal errands for people is to vet your clients before going into their homes.

“Consider using an app like Life360 or something similar, so (your family or business partners) know where you are. If you are going into people’s homes with your business, you need to make sure you are safe.”

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