

# From Student to Entrepreneur

## A Guide to Starting Your Own Business Right After College

### MEET THE EXPERT

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## What's on this page

Small businesses have long been the backbone of the American economy. In the past, founders of such companies were usually older, but 2017 research from the [Center for Generational Kinetics](#) shows today's entrepreneur tends to be younger – 30% of millennials have already started a small business of some type and 26% are able to live off of their small business. On top of that, 49% had plans to start a business within 3 years. Many students, however, don't know where or how to start. In fact, 74% of millennials said they would be more likely to start their own business if they knew where to get help and 59% said they'd start one within the next year if they had the right resources. If you're thinking about starting a business right out of college, read on to get those resources, as well as information and advice from two successful students turned entrepreneurs.

## Types of Businesses

If you're considering starting a business, the first step is to decide on the type of business. There are three major types:

As the name suggests, this type of business provides a service to its customers rather than tangible products. People in this type of business usually have specialized skill or expertise in a certain area. Examples include salons, accounting firms, hospitals and consultants. Sometimes called “buy and sell” businesses, this type of business buys products at wholesale price then sells them as is at retail price. The profit comes from selling a product at higher prices than their purchasing costs. Examples include grocery stores, resellers and distributors. Combining raw materials, labor and overhead, manufacturing businesses buy products and use them to make a completely new product. These goods are then sold to customers. Some businesses may fall into more than one type, such as restaurants. Restaurants buy ingredients to make something new (manufacturing), sell bottles of wine as is (merchandising) and serve customers (service). In such cases, the business can be classified according to its major purpose. Because a restaurant offers an overall dining experience, it can be categorized as a service type.

## Choosing a Business Structure

Your business structure can affect every aspect of your company, from the day-to-day operations to legal protections. Certain business structures fit certain businesses better than others and each requires different tax filing. Below is a quick look at the most common business structures. For more information on these and other business structures, visit the [U.S. Small Business Administration](#). When you’re ready to take this step, it’s best to consult with a business counselor, attorney and accountant to ensure you make the right choice.

- **Sole proprietorship**

Typically used by small business entities, a sole proprietorship is a business owned by only one person. Your business assets and liabilities are not separate from your personal assets and liabilities, which means you’ll be held personally responsible for any business debts and obligations. This can be a good choice for low-risk businesses or owners who want to test their idea before creating a more formal business. Keep in mind, however, that there may be restrictions and tax consequences for converting to a different business structure later on.

- **Partnership**

This is a business owned by two or more people, where profits are divided among all owners. There are two types: limited partnerships (LP) and limited liability partnerships (LLP). With the former, only one general partner has unlimited liability, while all other partners have limited liability. Partners with limited liability also have limited control over the company, and the general partner must pay self-employment taxes. With the latter, all owners have limited liability, which protects each partner from debts against the partnership.

- **Corporation**

Sometimes called a C corp, this is a legal entity that’s separate from the owners. This structure offers the strongest protection from personal liability, but it’s also the most expensive and can be

difficult to manage as it requires extensive record-keeping, operational processes and reporting. An elected group of stockholders, called the board of directors, controls the corporation's activities.

- **Limited liability company (LLC)**

With an LLC, you have the benefits of the corporation and partnership structures. This means you're protected from personal liability, and profits and losses can be passed through to your personal income without facing corporate taxes. Members of an LLC, however, are considered self-employed so must pay self-employment tax contributions towards Medicare and Social Security.

An LLC can be a good choice for medium- or high-risk businesses and owners with significant personal assets.

## Launching a Start-Up Right Out of College

Forming a start-up is a big leap for anyone. Though there's no one-size-fits-all path for getting a start-up off the ground, there are a few steps that aspiring entrepreneurs can take to help ensure a new business has the best chance of surviving and being profitable.

Transizion founder Jason Patel shares his story and tips for becoming a business owner right after college:

### Identify your motivation and make that your business idea

Long before deciding what their business should be, emerging entrepreneurs need to understand why they want to start a business in the first place. In a [Forbes](#) article, business owner Neil Patel says this comes down to knowing yourself. He advises anyone considering this path to spend time understanding what brings them happiness. Ask yourself 'What gives me fulfillment and satisfaction in life?' then do that – or some variation of it – for a living.

Jason Patel turned to his immediate surroundings to find his motivation. While in college, he served as a career ambassador and realized he loved helping students prepare for college and ready themselves for careers. "Helping young people and veterans cultivate their dreams and solve their anxieties became a passion of mine," he says. After graduation, Jason applied his political communications degree to a job in the communications industry but soon found himself feeling unfulfilled. That's when he decided to focus on his passion.

Though Jason still wasn't sure how to make a business out of his love of working with students, he began volunteering in Washington D.C. He focused his time on helping young people apply for college and helping veterans find work. "After one of my 'clients' ended up receiving a full-ride to a great

university, his mother recommended I start a business to help students with college and career skills, so I did,” he says.

## Create a business plan

It’s hard not to dive headlong into building a business after you have the initial spark of an idea, but long-term success requires long-term research and planning – especially if you want to avoid the pitfall of being one of the **96% of businesses that fail in the first decade**. The tried-and-true method for translating motivation into a tangible idea is to create a business plan. Creating a business plan requires entrepreneurs to think through every single piece of the puzzle. Entrepreneur provides several articles about what goes into this crucial step.

## Make sure you do due diligence

Due diligence is the careful and thorough process of evaluating a potential investment. For aspiring entrepreneurs this typically means finding out whether your service or product has been done before (and if it has, is there a way for you to do it better), whether it’s really needed and who your target audience would be. **Business Insider** reports that 42% of small businesses fail because they don’t have a market for their service. 19% fail because they can’t beat their competitors. Due diligence requires extensive research from all angles and can include focus groups of both prospective customers and investors, talking to other entrepreneurs about the product, surveying prospective markets and gathering and analyzing customer feedback.

Although Jason initially fell into his idea, he put in time and effort to ensure it would be successful before launching. “There was a lot of testing and failure to validate the idea,” he says. For instance, he initially thought boot camps on subjects like college essay preparation, interviewing for internships and writing resumes was a great idea, but his research led him in another direction. “We found that offering those services separately – especially college essay tutoring – was best for product delivery,” he says.

## Understand your target audience

Even if you think you’ve got the best product or service imaginable, it won’t be profitable if it doesn’t speak to your target market and they don’t hear about it. Patel learned this firsthand while trying to get Transizion up and running. “When I first started, I didn’t research the target market quite enough and went straight into the service. Big mistake,” he recalls. Jason created a product that spoke to him, but he soon found out it wasn’t what his customers needed.

Jason relied on feedback from his customers to make changes. “I studied my first customers, asked them questions and observed their pain points and common themes,” he says. “But I also read blogs, community forums and Reddit posts from other entrepreneurs in similar industries to see what they had learned.” Jason maintains that absorbing information from others is the best way to figure things out.

“It’s all about learning from the experiences and perspectives of others. Trust and social proof are also significant factors, so we’re working to leverage our case studies and 100% positive reviews.”

## Secure financial backing

As reported by [Business Insider](#), 82% of small businesses fail because of cash flow issues while 29% fail because they’ve completely run out of cash. Depending on the type of business you want to start, it may be necessary to raise significant amounts of funding before your business can actually come to life. Some entrepreneurs may use their own funds, while others may seek out investors to expedite the process. [Quickbook](#) offers a list of 12 ways to fundraise for a new business. For Jason, he used a mix of his own money and an outside investor. “At first, I bootstrapped and took two side jobs to support myself,” he remembers.

Eventually Jason asked one of his older professor friends who had always taken an interest in his work to become an investor. Because Jason already knew his potential investor, the process of pitching his business was a little less daunting. “He already knew me so I met with him and proposed the idea, proof of concept, marketing strategy and future products. He knows I’m a man of my word, so the vetting process wasn’t anything intense.”

Many entrepreneurs, however, must jump through hoops to get funding. The vetting process used by venture capitalists and angel investors can be rigorous, and entrepreneurs need to consider whether their company is ready before reaching out. [Salesforce](#) offers some insight on what these funders are looking for when considering potential investment opportunities.

## Build a team

Hiring the right people can make or break a company – especially when it’s just starting out. Before the hiring can begin, however, you have to decide if you can support another employee. According to business publication Inc., three signs that you’re ready for your first employee include turning down work, a new revenue stream or constant complaints about timeliness.

When deciding to hire an employee, keep in mind their actual cost. While salary will likely be the largest, you’ll also need to factor in recruitment, payroll taxes, equipment and training. Entrepreneurs also need to decide if they will offer a benefits package.

It’s important for entrepreneurs to have a good sense of how to evaluate people and their capabilities before starting this process. [As Business Insider](#) points out, 23% of small businesses are unsuccessful because they don’t have a solid team in place. [Entrepreneur](#) offers a list of tips for recruiting and hiring well-suited professionals. For Jason, recruitment meant leveraging numerous platforms to find the best people. “I recruited through social circles, Upwork and neighborhood job postings,” he says. Transizion now has eight tutors, designers and content marketers.

# Starting a Nonemployer Business Right After College

Approximately **24.3 million** businesses were nonemployer organizations in 2015. As the name suggests, these companies are run solely by the entrepreneur who founded them and don't have any employees.

As the owner of Heritage Creatives, a nonemployer business, a lot of what Jason said resonated with me, but there were a few steps that were also different. For anyone considering starting a nonemployer business, I offer the following advice based on my own experiences:

- **No matter how small your business, you still have to go through the steps**

I went through many of the same steps as Jason when starting Heritage Creatives in 2015 – understanding my sense of motivation, coming up with a business idea and then researching the concept over the course of several months. I never even considered attracting clients during this time period. I wanted to make sure what I was offering was as good as it could be before unleashing it on the world.

- **Take care of all the legal matters**

Start-up founders with significant funding behind them often hire employees or freelancers to take on the jobs they don't want to do, but nonemployer businesses rely on one person – the founder. When just starting my business, I was completely confused about the structure my company should take. LLC, S-Corp, C-Corp, DBA – I became so fully immersed in acronyms that I felt my head was spinning. Though it took a while to understand it all (I went the LLC route), the **U.S. Small Business Administration** has some helpful resources on figuring out which structure might be best for you and your services.

- **Figure out your finances**

It took me a while to understand how to maintain my business finances. Even though I'm the only employee drawing a salary, it's still important that your business and personal finances be kept separate when it comes to taxes and deductions related to the work you do. In order to receive the tax ID required to open a business account, I had to register the company with my state's Department of Revenue and Secretary of State and pay a small fee. Inc. provides some great information on things to consider before opening a business bank account, and the IRS gives new business owners an overview of expenses they should start tracking from day one.

- **Focus on your clients**

When running a nonemployer business, it can often feel like your to-do list is never-ending. On top of ensuring your clients and customers are happy, you likely have notes everywhere about possible marketing strategies, upcoming meetings, potential social media posts and reminders for

important dates like when to pay your quarterly taxes. However, outside of legal matters, the highest priority should always be your customer and what you're providing them. Even if you have the best website and wittiest social media posts, you won't have business if clients are dissatisfied with what you're providing.

- **Set realistic monthly income goals**

Nonemployer businesses are typically funded by the work of the entrepreneur alone rather than venture capitalists or investors. Because of this, it's important to have a clear sense of how much money you'll need to bring in each month for the company to be viable. Set a monthly income goal early and work towards it with each month you're in business. You can also set goals for how much the business needs to make before bringing on an employee and how much needs to be set aside for taxes. [Entrepreneur](#) has some great tips on how to set realistic goals.

## What to do While Still in School

Students who want to start a business don't have to wait until after they graduate to get started. There are plenty of steps aspiring entrepreneurs can take to prepare themselves – and their concept – for the real world while still in school. In fact, college can be a great place to start forming your business as this environment offers many free resources that aren't typically available to those who aren't in school.

Jason used his time at George Washington University to both develop his talents and build the skills and knowledge he would need to be successful. “Even though I started working as a career ambassador to support myself, I ended up discovering my passion,” he says.

He also worked diligently to grow his business toolbox by working on his social skills. “Social skills involve more than just handshakes and meeting people,” he notes. “You need to be legitimately interested in other people's stories, be invested in their success and treat them well. In business, I've learned that cultivating relationships is all about demonstrating – not just talking about – that you're a trustworthy person.”

He also used those four years to make money. “I worked all four years in college,” he remembers. “Even after paying student loans, I still had some cash to bootstrap at first.”

In addition to Jason's tips, here are some other ideas for students who want to get started on their business while still working on their undergrad degrees.

## Make your classes count

While it's important to get training related to your actual business idea (e.g. if you want to be a writer, don't pass on English classes), coursework in other areas like entrepreneurship, finance, accounting, marketing and communications can also be important. Most degree programs allow students to take

electives, so evaluate the options carefully and enroll in the ones that will cover the skills and knowledge needed to become a well-rounded business owner.

## Lean on your professors

Teachers get into teaching because they have a passion for sharing what they know about their field. Your professionals often had careers in the areas they lecture on before they moved into the classroom, so their wisdom and mentorship can be invaluable, both while you're a student and long after graduation.

## Lean on your peers

Have an idea but aren't sure if it'll stick? A college campus can be a great place to get quick and direct feedback from a large group of people. Ask your friends, dormmates and classmates to use your product or service and get their feedback after a few weeks. Once you're out in the real world, it may not always be as easy to get this type of customer insight.

## Build your circle

Because college puts you in constant contact with all kinds of people, this is the best time to build a network. In addition to getting to know other motivated, focused and successful students (and alumni), colleges also frequently bring in business leaders to share their stories and meet with learners. Make full use of these opportunities, ask lots of questions and stay in contact with individuals whose knowledge, skills or network could come in handy later on.

## Use the free services available to you

Your college's career center can be a wellspring of support, offering advice about business plans, start-up competitions, upcoming events and other campus services that can benefit your future business. Counselors may even be able to put you in touch with alumni who currently work in your industry. Other campus resources you should take full advantage of include free Wi-Fi, library access, entrepreneurial incubation centers and discounted student software and technology.

## Think about funding

Because banks typically want to see at least two years of work experience before approving a business loan, new grads may find themselves at an impasse if they don't think creatively about funding. In addition to working while in school, other ideas include crowdfunding or asking for a family loan.

# The Benefits & Realities of Starting a Business Right Out of College

Starting a business right out of college can be an exhilarating, empowering and incredibly fulfilling experience for some young entrepreneurs, but the process is not without its challenges. Before taking the plunge, think about the following benefits and realities:

- For many students, the years right after college are an ideal time to accept the financial risks and time commitment of starting a company. Without kids to take care and a mortgage to pay, new grads can give everything they have to their business idea.
- Whether you need advice, mentorship or market feedback, there are so many (free) resources still at your fingertips – alumni organizations, professors, peer networks and campus services, to name a few. Older entrepreneurs have to pay for things like consulting and career advice, but recent grads can lean on their professors, peers and alumni for support and guidance.
- You can set your own schedule, work from anywhere and decide how many vacation days you get per year.
- Even if your business doesn't succeed or you eventually realize this isn't for you, you still gained a ton of valuable experience. Running your own company is incredibly impressive to hiring managers and provides you with experience that isn't normally gained until much later in a career, which can make you a strong candidate for jobs at other companies.
- You'll get to work on something you're passionate about and will be able to run things the way you see fit.
- Most new businesses can take a while to get going and you may not see much income – if any – during those first few months, or even years. Depending on your business plan, it may be necessary to take outside jobs to support yourself until the business can.
- Starting a new business can be a big source of debt, especially in those early years when you're not making much money. New grads who already have a lot of debt from student loans will need to carefully consider everything before taking on more debt to start their business.
- Every student is different, but it's important to keep in mind that you have relatively little experience or awareness of what to expect in the business world when compared to those who have been in the industry for decades. You'll have to work extra hard to fill in your learning gaps quickly.
- Starting a business can feel lonely, especially in the early days. In addition to tackling significant business problems right out the gate, young entrepreneurs spend much of their time alone since they don't have the funds to hire employees just yet. And outside of work, things aren't that much different – long hours spent on the business also means less time with friends and family.

- Unlike traditional jobs where each employee fills a specific role, business owners wear all the hats – they’re the marketer, administrative assistant, accountant, human resources manager, sales rep and content developer all at once – at least for the first few years. The day-to-day grind can be exhausting and can pull entrepreneurs away from their overarching goals.

## Advice from a New Grad Turned Entrepreneur

Learning from the mistakes and triumphs of other entrepreneurs further along in the process is one of the best ways new entrepreneurs can avoid disappointment later on. Below, Jason shares what he’s learned since starting Transizion and offers advice for fledgling business owners.

### Get a side job

Many young entrepreneurs want to throw themselves completely into their idea, but building a company takes time and money. “When I first started my business, I worked two side jobs – teaching martial arts and cleaning bathrooms,” shares Jason. These two side jobs were crucial because, as Jason points out, “Starting a business isn’t always glamorous, and you’ll burn through cash faster than expected and your initial budget will definitely grow.”

### Develop industry expertise

“It’s in our youthful nature to just jump into things thinking we know it all,” but that’s not the best course of action, says Jason. “Know who the big players in your industry are, how they deliver services or products and how your customers purchase them.” It may seem tedious in the moment, but this extra legwork is the foundation of our business.

### Learn organic Search Engine Optimization (SEO)

Organic SEO brings customers to companies via search engines like Google. “SEO is all about getting in front of your customers,” says Jason. But it can be expensive to hire digital marketers, so new business owners need to be creative.

“You won’t be able to pay for services like AdWords and Facebook ads all the time, but SEO, over time, pays for itself,” notes Jason. He also points to Ahrefs (an SEO backlink checker and competitor research tool) and SEMrush (a competitive intelligence suite for online marketing) as two great tools. In terms of SEO influencers, he suggests checking out Neil Patel and Brian Dean for a great deal of free advice on the subject.

Another important part of this equation is ensuring you have engaging content for visitors to read once they find you. “Content marketing is how you get in front of your customers naturally,” notes Jason. “Find where your customers are and then promote your excellent content to them. Otherwise, they have no way of knowing they need the services or products you provide.”

## Your product needs to be customer-influenced

Young entrepreneurs often think they know what their customers want, but more often than not, their ideas need some tweaking. “Trust me. Your idea will shift,” Jason says. “Always talk to your customers about what they think about your product – especially customers who have actually purchased the product.”

## Be prepared for the pivot

You may think you have the ideal product or service already, but Jason says that’s hardly ever the case. “You will pivot. Your product will likely change, as will your delivery method. Every entrepreneur thinks his/her product is the best; that is, until customers actually interact with it.”

## Work backwards

Jason says new entrepreneurs often make the mistake of creating a service or product before doing due diligence to see if it’s actually needed. “Find a problem, find the customer and then backtrack to develop your product. Don’t develop a product and then try to find a problem.”

## Develop discipline

Passion for an idea will only get you so far. “Passion is a sore subject for young people, but discipline is more important,” says Jason. “Passion will fade when times get tough and you go broke, but discipline will keep you going.” Feel like you’re lacking in the self-discipline department?

[Entrepreneur](#) has some tips.

## Leverage social media effectively

While social media is an important component in any company’s marketing strategy, providing engaging content for popular platforms is sometimes more difficult for some companies than others – especially ones like Jason’s that doesn’t really offer viral content. When deciding on a social media strategy, look at your competitors to get a sense of how they’re leveraging these tools and consider what you can do to be outside the box.

# Resources

In addition to the many support systems available to current students and alumni via their alma maters, tons of online resources are available to help fledgling and established entrepreneurs alike.

- [Bumble Bizz](#)

No longer is Bumble just for dating. The successful app expanded its platform for young entrepreneurs who want to connect with other business owners and potential clients via a 21st century medium.

- [Google Drive](#)

“In addition to Google Calendars keeping your blood pressure low, the entire Drive is a cost-efficient platform that keeps your business life in front of you and reduces stress,” says Patel. Google Drive is great for sharing files, co-editing, uploading photos and backing up data.

- [MicroMentor](#)

This innovative organization connects successful business owners with those who are just getting started to provide a range of mentorship services. Best of all, there are no costs to be mentored.

- [Noobpreneur](#)

Designed specifically for newbie entrepreneurs, this website covers a lot of the lessons that more established business owners wish they’d known earlier on. It also features numerous interviews with successful company founders.

- [SBA – Business Guide](#)

The U.S. Small Business Administration offers this comprehensive guide on starting a small business. Get information and resources for every step – planning, launching, managing and growing. The section also includes a helpful [10-step overview](#) on the process of starting a business.

- [Startup Grind](#)

This international community brings together nearly half a million entrepreneurs working in 85 countries. Some of the helpful tools available include forums, events, partnerships, media opportunities, meet-ups, and other networking resources.

- [TEDTalks](#)

The immensely popular TEDTalks program has an entire series of talks by successful entrepreneurs discussing what it takes to get your business idea off the ground.

- [Under30CEO](#)

Aside from providing free mini-courses on how to build businesses, Under30CEO is also home to a popular podcast and a regularly updated blog on all things business.

- [Upwork](#)

Jason Patel has worked extensively with Upwork and says it's an excellent tool for meeting talented contractors. It's also a great resource for entrepreneurs who need freelancers to perform certain services but can't hire a full-time employee just yet.

- [Young Entrepreneurs Council](#)

This exclusive, invitation-only association counts among its members some of the most successful young entrepreneurs in the nation. Applicants must be 45 or younger and either generate \$1 million in annual revenue or have at least \$1 million in financing to qualify.

- [Young Entrepreneur Foundation](#)

This online network of business owners who are just starting out regularly shares videos and blogs and maintains an active Facebook page where members can network.



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