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## BUSINESS ATTORNEY REVIEWS THE TOP 10 COMMON BUSINESS OWNER MISTAKES

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**Year Founded** 2002

**F**or some, this year will mark the beginning of a new business venture. On the way to success, many will make mistakes. Most of those mistakes will just be learning experiences. But there are some mistakes that can prove to be fatal. Here's a look at the 10 most common business mistakes, as seen by attorney Darren M. Baldo, a business law attorney in Princeton Junction, NJ:

- 1. Failure to hire and regularly use a qualified attorney and CPA.** Many small business owners think they don't need a qualified attorney or certified public accountant until they are in trouble. The trouble begins, however, when they don't obtain the necessary advice, particularly during the start-up period
- 2. Failure to maintain insurance.** Business owners who lack adequate insurance should be prepared to start again from scratch because that's where they may find themselves. Make sure your coverage is adequate and read the policy and the exclusions carefully.
- 3. Failure to set up and maintain a limited liability entity.** If you don't set up a limited liability entity, you're personally liable for everything. With a limited liability entity, you're liable only when there is a personal guaranty, professional liability not covered by insurance, fraud, theft, crime or gross under-capitalization of the entity.
- 4. Failure to have a written and signed detailed contract with parties.** Having a detailed con-

tract makes certain that the parties deliberately identify and agree on material terms and conditions of their business arrangement, from inception to termination and thereafter.

**5. Failure to have a qualified attorney negotiate and draft the contract.** Unless a qualified attorney drafts the contract, parties can make costly, if not fatal, mistakes.

**6. Failure to adequately capitalize the business.** All too often, business owners start a business on a "shoestring" and bootstrap their launch. Inadequate capitalization causes business owners to (a) hire the wrong people (b) not pay themselves (c) pay creditors late (d) ruin personal credit (e) develop poor reputations in the industry (f) fail to satisfy customer demands.

**7. Going into business with the wrong partner.** If your prospective business partner does not share the same vision for growth, is or was involved in criminal activity, has a history of breaching contracts, suffers from alcoholism or golf addiction, the odds are against you being successful together in your business. Find someone who compliments your strengths and weaknesses. Someone with more experience than you can be invaluable. And find an honest partner!

**8. Failure to file tax returns or pay taxes on a timely basis.** This is a common problem for business owners who are simply too busy for their own good. But beware, tax audits are very time-consuming and costly. Set up a system where taxes are deposited on a regular basis. Hire a competent and reliable bookkeeper. Do whatever you need to do file tax returns and pay taxes timely.

**9. Failure to stop the bleeding.** Many business owners invest substantial time and money in a business that just isn't profitable. They don't monitor their bottom line. So keep a close eye on how the business is doing. If it's losing money beyond what you've anticipated, stop the bleeding, make the necessary changes. If the business doesn't respond consider shutting it down before you lose any more money or put yourself personally at risk.

**10. Failure to understand how to manage a business.** Most business owners are very good at what they do, which is usually providing the underlying product or service. Yet they don't possess the selling and management skills necessary to successfully run their business. Outsource your weaknesses and job functions that don't generate revenues.

A business law and estate planning attorney for the past five years, Darren Baldo has the experience of a large law firm, but the ability to give his clients the individual attention of a small firm. He provides legal and tax advice to more than 300 clients, many of whom are in the Mercer County area. His areas of concentration include business law, corporate and LLC law, taxation, estate planning, employment law and commercial litigation, shareholder and partner agreements, business separations, independent contractor and severance agreements, and settlement agreements.

Darren M. Baldo is also a certified public accountant with a masters degree in taxation. As a solo practitioner, his mission is to protect the growth and success of his clients' businesses and estates. You can review more about his expertise and experience on his Web site [www.dbaldolaw.com](http://www.dbaldolaw.com). ■