

Five Minute “How To”: Starting a Construction Business

Executive Summary

Starting a construction business has its unique requirements. These plus the norms will get you up and running at your new construction business.

Step 1. Do You Know What You’re Doing?

This is the first question to ask yourself as you are getting ready to enter, as my banker put it, the 2nd riskiest business on earth. You’ve got to read to the end to find the 1st. And you better have the intestinal fortitude for the industry – you better be Patrick Swayze in this scene here (scan this QR code) if you’re going to start a construction business. [QR]



Step 2. Make All Your Mistakes Now

Make all your mistakes now with your current employer. I didn’t say to go out and make willful mistakes, you should just plan on learning on the job with someone else’s money. You’ll never know everything, but you should try to learn an awful lot before putting your name on the door and your assets on

the line.

Step 3. Do You Know What You’re Doing Yet?

If not, repeat Step 2.

Step 4a. Create a Business Entity

So you know, steps 4a, 4b, and 4c are concurrent. Back to Step 4a, you can do it on legalzoom.com or something like this, but if you plan on being of any size or taking on partners, you should drop a couple thousand bucks on an attorney and do it right. Some important, but simple, questions need to

be answered. The main question is to whether to form an LLC, an S-corporation, or a C-corporation.

Step 4b. Get your Contractor License

“Cheat” on your employer. Perhaps this is a bad verb choice – “cheat” – but that’s what most do. When I got my contractor license, I studied at the local contractor’s learning center during lunch because they weren’t open during the evenings. That’s where all the resources were. Use your relationships with your current employer and his/her suppliers and subcontractors to get qualified for your own license.

Step 4c. Get an Accountant

You’ll need a CPA (certified public accountant). You’ll probably need one to get your contractor license (many states require a financial statement certified by a CPA at time of application submission). If you don’t need a CPA at time of application, you’ll want to have one at tax time once a year. Again, if you start getting big you’ll need one to advise you on end-of-year spending to optimize tax liability.

Step 5. Get Clients

You should be seeking out clients who will be willing to pay you, not your current employer, for construction services. You cannot have a business without people who are willing to pay you lots of money.

Step 6. Get an Insurance Agent (maybe a Surety Agent?)

You may need an insurance agent to provide a general liability policy, a worker’s compensation policy, and/or a bond. Some of this may be required at time of contractor licensing. Get an insurance agent that knows construction. And if you need bonding for your work, I’d suggest finding an insurance agent that has bonding in house. If you’re going for bonding, you’ll need that CPA up in Step 4c again too.

Step 7. Pass the Licensing Exam

If everything above was completed, and you passed your exam, design a logo and slap it on a pickup truck. You're open for business!

My Story

The process lined out above is what I did and likely most other construction business owners did too, in one form or another related to this.



Here's a bonus: get a mentor. The sooner the better. Find someone who's been there, done that, and that you trust. You'll have questions now and for years to come. Some of the issues you'll run into may seem impossible to overcome. But, if you pick a good mentor, (s)he will probably have already experienced whatever you're maybe afraid to even ask. And you'll find it's lonely at the top, so having a confidant will be very, very valuable.

Oh, and by the way, #1 in Step 1 is the restaurant/bar business!

Work Safe!