

SelfInformed

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NASE Member Scott Ford helps other small businesses reach their creative potential.



TRANSITIONING FROM Employee TO Business Owner

By Sallie S. Hyman

When the frustration of the daily grind or the thoughts that “I could do this and be my own boss” start to cross your mind, then it is time to sit down and plan how to get from the “here” of a job to the “there” of starting your own business.

READY FOR A CHANGE?

Employment with a company has solid perks of stable work, a fairly routine schedule, a steady salary, health insurance, 401(k) plans, and other benefits. Sometimes, however, the routine is boring, the hours are too long, or the possibility of career growth is not there. Sometimes we need to follow our passion.

Take stock as to what is most important to you. Do you want more time with your family? Do you seek greater professional freedom or advancement? Do you want freedom to work when or where you want?

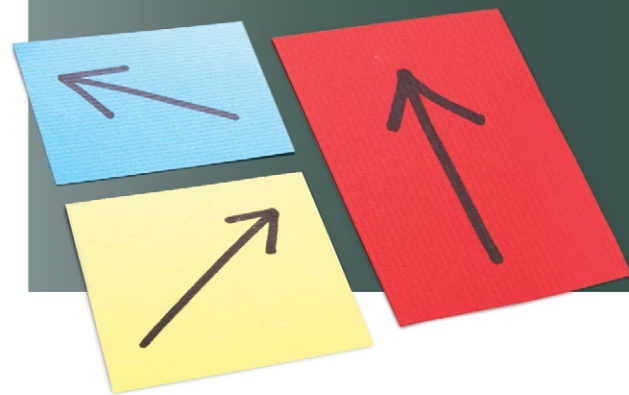
If you answered yes to any of these questions, it might be time for you to start your own business. Then you can dedicate your time and energy towards your own priorities.

HAVE A PLAN

Leaving the comfort zone of nine to five and a steady paycheck can be a frightening prospect. Taking that leap need not be so scary when you prepare and plan for the change. And no doubt there is a lot of planning that should go into transitioning from full-time employment to business ownership.

Many experts recommend freelancing or moonlighting with your business if possible before making the transition. This will take careful time management, but can give a wealth of information, such as market demand for your product or service. You can also begin to build up a client base during this time so you are not starting from zero when you leave your full-time job.

“Networking is an invaluable tool when starting out on your own.”



Even if you are planning to start out freelancing or working on your own business part time, write out a business plan. Have a business plan with defined goals and how you intend to meet them. Set time frames so you have motivation and don't get stuck on one aspect of the start-up. Having this plan will also show potential financial sources that you are serious about this venture.

FIGURING THE FINANCES

This may be the hardest part about leaving a full time career. And the one that takes the most planning to do right. Unless you are as lucky as NASE Member Tiffany Washington, owner of Washington Accounting Services in Waldorf, Md., who won \$8,000 in Las Vegas after having been let go from her job, saving will take some effort. Most experts recommend that you have at least six months worth of living expenses saved up before you leave your job.

It is probably time to make some changes in your financial habits as well. Bank as much of your paycheck as you can so that you have money for living expenses and cash flow to start your business. Cut personal expenses in half if possible and save the rest. Write out a budget to help you save and stick with it. If you change your habits before you leave your full time job, you will be able to save more and be prepared for tighter times that might lie ahead.

NASE Member Warren Croce of **Warren Croce Design** in Belmont, Mass., spent 18 years in the corporate world before starting out on his own. He started saving while still working and was able to bank 12 months of living expenses before leaving. He strongly recommends that anyone wanting to go out on his own should meet with a financial planner to help prepare for this transition.

Once finances are set, it is time to transition your mindset from employee to boss and what your new work life routine will entail. This can be a source of much stress for many entrepreneurs who were used to a defined workday. Being able to work any time from anywhere sounds nice, but for many start-ups it means working all the time from everywhere as you begin to grow.

FINDING THE BALANCE

You need to set daily goals and boundaries to help keep you on task and try to find that balance that probably set you about starting your own business in the first place. First and foremost, keep a schedule. Define times throughout the day that are set aside for certain tasks. It is also very important to keep organized so that you know when and where meetings are taking place, as well as where information for your business and projects are.

Technology offers a plethora of applications to help. Microsoft Outlook will keep you on schedule. **Remember the Milk**, a smartphone app, helps you remember what you need to be doing when. **Evernote** allows you to write down your thoughts, like that next brilliant business idea, wherever you are.

YOU ARE NOT ALONE

Being your own boss often also means that you now work alone. And that can mean gaps in business knowledge. Sometimes it may be necessary to find a partner who can complement your knowledge.

Elizabeth Sichinga of Africa Global Super Center, LLC in Wyomissing, Pa., an import/export business, knew that she needed help and found it in her partner. Now her business has expanded to include five partners.

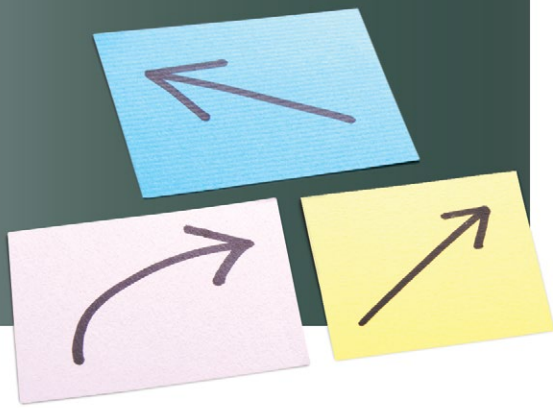
NASE Member Al Rickard of **Association Vision** in Chantilly, Va. recalls his transition working as an association professional to partnering with a colleague to form a new company, “I never considered myself an entrepreneur. That's why partnering with my colleague (who has the entrepreneurial spirit hard-wired in his DNA) was important for me.”

Gone also are the colleagues with whom you could hash out ideas and the reputation of the company you left. Two aspects of going out on their own that struck NASE Members as some of the most important to address were marketing and networking.

Author and NASE Member **Skip Press** had developed a lot of skills in the corporate world that he found transferrable to the “outside world,” but then realized, “outside, you have to market yourself.” Web designer Croce found the same thing and was surprised at the amount of marketing that was necessary to get his business going.

Networking is an invaluable tool when starting out on your own. Sichinga found that networks were the key to her success. Get involved with your **Chamber of Commerce**, **Small Business Development Center**, and associations affiliated with your business. An often overlooked idea in our age of technology that Press finds so important is getting together with people in person, especially friends. This network is there to help and support you. And Press adds, “Always give back, as well.”

An organization such as the NASE is also an important ally when starting out on your own. Washington said joining was the best thing she did when deciding to start her business. The NASE was able to offer her information from experts in all areas of business development, discounts on insurance and other products, and opportunities to connect with like-minded



“Have a business plan with defined goals and how you intend to meet them.”

individuals. Sickinga seconds the sentiment. The NASE can also provide administrative help that is common in corporate life, but not readily available when you are on your own. Press says that is something valuable to take advantage of.

LEARNING FROM BEING THE BOSS

If you are fortunate enough to start out with employees, the transition to being the boss of other people can be difficult. Being responsible for the livelihood of others can be stressful, but it can also be motivating. Washington found it to be a continual learning process so that she could find ways to keep her employees motivated. She says, “Having employees has been motivating. It makes me work more to do more for them.” There are a lot of good books and other resources for learning how to be a good boss and how to motivate employees. Take time to read and learn so you can be an effective leader.

Congratulations on having the courage and fortitude to make the transition from full time employee to boss. Don't let others judge you or discourage you, especially if they haven't had the courage to do this themselves. Starting out may be a slow and scary process and there are sure to be some failures along the way. Don't let the failures prevent you from reaching your goals. Don't give up. With proper planning and a lot of hard work, the transition from “here” to “there” will be manageable. ■

Sallie Hyman writes on small-business issues and owns and operates her own small business in Purcellville, Va.



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Ask The Experts

Q: *We operate a fast-growing tutoring business with more than 20 tutors. Although we are still small, we've decided to form an LLC. This is an exciting time in our business, and we want to make the best choices regarding structure and entity. Does the NASE offer a step-by-step guide to help small-business owners make these difficult and important decisions?*

A: A great resource for you is the **NASE Startup Kit**, which includes a summary discussion of each entity form. The Startup Kit is free for NASE Members and can be downloaded from the website.

As you might guess, each entity form has pros and cons. The most effective entity form for your particular situation will depend on your specific facts and circumstances. My recommendation is to review the Startup Kit for its general discussion as a starting point.

Keith Hall, NASE Tax Expert

Q: *I'm looking for a template for a contract. I work as an independent, 1099 contractor for a non-profit organization and need to create a contract for the work, compensation, reimbursement of expenses, etc.*

A: As you might imagine, there are contract templates all over the Internet. I don't have anything better. How can I say that? Anything I have may or may not fit your situation.

Let me instead give you some thought on what you need to include. First, you want language that will clearly set out what your responsibilities are and what the other party must do as a result. Since you are an independent contractor, the other party will not want to be so controlling and detailed that they make you an employee (which would cost them money).

Some key items to consider: When are you paid? How are expenses handled? What happens if either party wants out—how much notice do you get? Who provides the tools or computers?

GET MORE ANSWERS

The NASE's small-business experts are here to help you understand the ins and outs of operating a successful small business. And access to these professionals is free with your NASE Membership!

Just go online to the **NASE Business Learning Center** where you can ask the experts questions about:

- Taxes
- Marketing
- Financial issues
- Employee relations
- Accounting rules
- And much more

The experts are available 24/7 and ready to help!

What is the term of the contract? What if something goes wrong? Do they defend you in a lawsuit? Are you included on their liability policy? Are they asking you to indemnify them if you make a mistake? Is there any guarantee? What happens if they don't assign you the work? What if an "act of God" such as a storm makes the work impossible to do?

Most of the boilerplate you see in form contracts addresses these issues. The key is to understand what you are putting in the contract. If you are investing in equipment, I would be more careful about the term and perhaps seek some part of it in guaranteed payments. Also, as you evaluate the arrangement, if you are doing work only for the other party and no other clients, and your work is not overly specialized, evaluate if you are giving up too much by not being an employee. In short, after you describe the work, term, payment of expenses and payment for your work, think through the scenarios of what might go wrong and look at some of the phrases in existing contracts to come up with something. If you have a major investment, then having a lawyer at least review your work makes sense.

Rather than choosing the first form that pops up in your search results, make sure you understand the contract. It's better to be simple and understandable than have something that looks official but is not what you want to agree to.

Mike Beene, NASE Legal Expert ■

Member Spotlight

Consummate Creative

Scott Ford has been an NASE Member since 2005. He owns Twerp in Hollywood, Calif.

Tell us about your business.

Established in 1997, Twerp is a creative consulting company specializing in art direction and design for print media as well as a high-end web developer with emphasis on server-side software products and social networks. We help corporations, startups, and small businesses and nonprofits get their creative ducks in a row and help our clients create stunning creative for their brands.

What's the genesis of the name "Twerp"?

"Twerp" is a tip-of-the-hat to all those unpopular nerds that got picked on in grade school, but turned out later to be the ones everybody wished they were as cool as. Twerp was a super-hero character I created in the sixth grade and was going to be featured in a graphic novel. But, my business partner liked the name and talked me into using it for the company. As Twerp grew into developing creative for the latest technologies, plus the fact that we annoy the competition with our low prices and top-notch talent (read: little overhead + all the good talent are free agents,) the name has become a perfect fit over the years. I'm sure the creative director at that big agency down the street has called me a twerp a few times.

Only promise what you know you can deliver on budget and on time, but push yourself to deliver something 10 times better.

What's the best thing about being self-employed?

The best thing about being self-employed is being in control of my own time management. Time is way more valuable than money. In fact, I can actually choose to make less money than being at a big design firm in exchange for more free time, so that I can do the things in life that I enjoy. Then when it comes time to work again, I am fresh and ready for the next creative challenge.

What advice would you offer to your fellow NASE Members?

I've been in business for 16 years now. I have never advertised my services even once. The secret to my business has been creating happy customers who tell their friends. To do that, my advice would be to only promise what you know you can deliver on budget and on time, but push yourself to deliver something 10 times better. You will surprise your client and yourself. Learn to improvise at the drop of a dime—that's what small businesses can do that large corporations cannot. It's like being in a jazz band instead of a symphony. If you are not taking risks and doing things that are out of your comfort zone, you're not doing it right. ■

GET PUBLICITY FOR YOUR BUSINESS!

Your business could be featured in the *SelfInformed* Member Spotlight or another NASE publication. Let us know you'd like to be featured and tell us more about your business on our [Publicity Form](#).



LEGISLATION INTRODUCED TO PERMANENTLY DEDUCT

Self-Employed Health Insurance COST\$

By Katie Vlietstra

The NASE enthusiastically supports H.R. 886, *America's Small Business Tax Relief Act of 2013*, introduced by Representative Jim Gerlach (R-Pa.) and cosponsored by Rep. Ron Kind (D-Wis.), which makes several key small-business tax deductions permanent, including the health insurance deduction for the self-employed, the signature legislative priority of the NASE.

A Level Playing Field

Under the current tax code, corporations are able to deduct health insurance premiums as a business expense and to forego FICA (Social Security and Medicare) taxes on these expenses. In addition, their employees are able to pay for health coverage with pre-tax dollars. However, the self-employed are unable to deduct premiums as a business expense. Since they do not receive this deduction, they are required to pay significantly more in self-employment tax, their payroll taxes.

Since the passage of the Small Business Jobs Act of 2010, which included a one-year self-employment tax deduction for health insurance costs of sole proprietors, we have aggressively advocated and courted champions in both chambers. Congressmen Gerlach and Kind introduced identical language in the 112th Congress, along with many other pieces of legislation in the Senate and House that provided for an extension of the health insurance deduction.

The Burden of Rising Health Costs

In June 2012, the NASE released its national health care survey, in which 85 percent of respondents indicated that rising health coverage costs have been detrimental to themselves, their families, their businesses, and their "bottom line" during

the past three years. Juxtapose this against the fact that in 2011, the number of insured self-employed was at its highest: 77 percent. Yet, the self-employed pay an average of nearly \$1,800 in additional taxes that no other business owners face because they simply decided to purchase health insurance.

The self-employed are unable to deduct insurance premiums as a business expense.

"The ability for the self-employed to deduct their health insurance costs is paramount to the survivability of nearly 22 million Americans and their businesses. As it stands, the deduction averages around \$1,800 per self-employed individual and has an economic impact in the billions," said Katie Vlietstra, NASE Director of Government Affairs.

If the self-employed were allowed to fully deduct their health insurance costs as a business expense, roughly \$39 billion would be injected annually into the U.S. economy that would allow for individuals to re-invest in their businesses, purchase goods, and hire additional employees. ■

Katie Vlietstra is Director of Government Affairs of the NASE and provides critical insight to policymakers on issues affecting our nation's self-employed. You can contact her at advocacy@NASE.org.



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