

SelfInformed

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*NASE Member
Susan Fortner*



ENCOURAGING

Young Entrepreneurs

By Sallie Hyman

It is amazing the ideas that children and young adults come up with. Many of these ideas can become successful businesses if children are given a strong foundation upon which to build. It is extremely important for children to be taught the principles of what it takes to become an entrepreneur, for if we don't prepare them for the future, who will become our next generation of entrepreneurs?

Very few people are born knowing how to be an entrepreneur. But it also doesn't require having a MBA. There are some simple lessons that we can teach our children to help them catch the "entrepreneurial spirit" and to become successful in business, as well as in life.

Duane Spires, a national motivational speaker who focuses on training and inspiring young entrepreneurs offers the following lessons and how to go about teaching them. His advice does an excellent job in summing up what young children need to know about becoming entrepreneurs.

1. Teaching children how to set and accomplish their goals is a fun and exciting activity. Written goals are over 80 percent more likely to be achieved.

How to teach: Ask children to define and write down their top 10 goals and then choose the one goal that would make the biggest positive impact in their life. That goal should be their main focus. Next, write down the steps necessary to accomplish this goal and encourage them to start taking action on those steps immediately.

2. Many people never meet their full potential because they fail to recognize opportunity. Teaching children to seek out opportunities and take action on them, will directly contribute to their level of future success. NASE member Marlene Cooper-Williams, Founder and CEO of [Heritage Home Conservatory](#), a music school, in Thousand Oaks, California, has mentored dozens of music teachers throughout her career. Cooper-Williams tells her teachers, "Find a niche and figure out a way to do it." She once partnered with piano dealers. She was able to help them sell more pianos by teaching customers what to do with them. A perfect opportunity taken!

How to teach: Praise children for pointing out small problems or setbacks in their lives that cause them distress such as: soggy sandwiches at lunchtime or not being able to reach items on a high shelf. Brainstorm solutions on how to resolve their troubles. This will teach them to focus on creating positive solutions, instead of focusing on the problem itself. This habit will allow them to create profitable ideas in their future businesses.

3. Selling is involved in every part of life. This one ability will last a lifetime because it is applied to all types of businesses and careers. From selling products and services to customers, to raising capital from investors, this skill is vital to the success of any business.

How to teach: Encourage children to start with small projects like selling their old toys, starting a lemonade stand, or selling handmade goods. Let them price their products, sell to customers, and facilitate the transactions when sales are made.



“GIVE CHILDREN THE OPPORTUNITY TO EARN THEIR OWN MONEY THROUGH CHORES, THEIR OWN SMALL BUSINESS, AND HELPING YOU IN YOUR BUSINESS.”

4. Financial literacy is a must. This is one area that we all could use help with. Teaching children about money at an early age will instill a financial foundation that schools often fail to teach.

How to teach: Give children the opportunity to earn their own money through chores, their own small business, and helping you in your business. Teach them about paying themselves first and then giving back. Educate them about investing and how their money could be used to create more money in the future. Help them set up a bank account and learn about how to budget their income.

5. Teaching kids about marketing is a great way to prepare them to attract customers to their future business. As you know, without customers, even the greatest business will fail. This is a very beneficial skill to learn while young. Gary Meddock, owner of AeroWorks Balloons, a hot air balloon company, in Madison, Wisconsin, says his children Jess and Jasper are the heart of his marketing team. Jessica has developed their website and Facebook page and Jasper does the photography for the company. Meddock says, “The kids bring skills of marketing and web/social media that I would never think of. It comes so naturally for the kids.”

How to teach: Motivate children to start observing marketing materials like billboards, promotional banners in front of businesses, printed advertisements in magazines, and television/radio commercials. Ask them what catches their attention about the message and also quiz them on how to identify things such as the headline, subhead, and “call to action.” Encourage them to create their own marketing materials for their business ideas.

6. In school we were all taught that failure is bad. In the entrepreneurial arena, failure can be a great thing if a positive lesson is learned. Allowing children to fail will force them to create new ways to accomplish their goals and learn from their mistakes. This will lead to confident children who know how to persevere when times are tough. Cooper-Williams follows this rule in mentoring her teachers. “Don’t be afraid,” she says. “If you fail, learn from it. Each experience comes with you into the next venture.”

How to teach: This lesson is simple. When children fail, don’t punish, but instead discuss what factors lead to the failure and brainstorm ways to prevent it from happening again in the future. Always seek to find the “learning lesson” in each adversity and encourage children to never give up.

7. Effective communication improves all relationships. Most children today are terrible at face-to-face and telephone communication because of the popularity of social media and text messaging. Successful businesses require that people actually speak to one another. Teaching your children to

communicate effectively will provide them with the winning edge in business and in their personal relationships. Meddock is proud to hear his customers compliment him on how polite, respectful, and professional his children are.

How to teach: First, lead by example. Teach your children to be polite and respectful. Most importantly, practice maintaining eye contact when speaking in person. When using the telephone, teach your children to speak slowly and clearly. A bonus activity would be to practice communicating to your children with e-mails. Do not allow them to abbreviate words and phrases, but instead, write grammatically correct sentences that flow together and convey a complete message.

8. The art of giving back creates happiness. Why start a business if it doesn’t support a greater cause? It is important for children to develop the characteristic of helping others.

How to teach: When brainstorming business ideas with children, ask them to choose a charity or special cause to support with a portion of the income that they generate. Explain the concept that all great businesses contribute to improving the lives of other people.

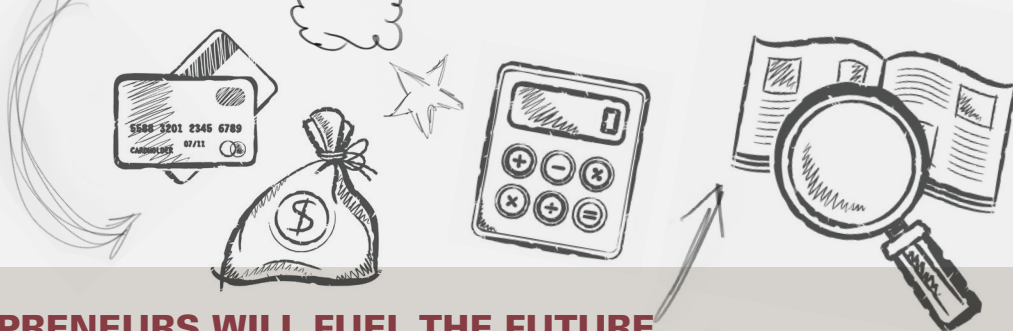
9. Independence creates confidence. The entrepreneurial mindset causes kids to depend on themselves for their own success, which leads to well-rounded adults and future leaders.

How to teach: The next time children ask for money to buy their favorite toy, this is your opportunity to ask them to brainstorm ways to create the money through entrepreneurship. This will inspire creative thinking and it will cause the entrepreneurial juices to flow. Allow children/young adults to experience things they like or want to try. Jess and Jasper Meddock have traveled the world, teaching English in Korea, doing photography in New Zealand, among other adventures before returning home to work in the family business. They learned many skills while experimenting with these other careers.

10. Get the advantage by becoming a leader now. Children are taught in school to go with the flow and follow the rules. They are programmed to learn and memorize facts instead of becoming independent thinkers. Entrepreneurship forces children to think “outside of the box,” create unique solutions, and lead others.

How to teach: Give children the opportunity to lead their friends in fun activities such as outdoor sports, book clubs, music practice, and small business projects. You can also encourage them to propose toasts and small speeches at family dinners and birthday parties to give them experience in public speaking.

Once a young entrepreneur has developed the confidence and skills to take on the challenge of starting a business or creating a product, it is very important to do some homework first. Make



“YOUNG ENTREPRENEURS WILL FUEL THE FUTURE AND BE THE NEXT INNOVATORS AND JOB CREATORS.”

sure that no one has a patent on what you think is your great “discovery.” You can check with the [US Patent and Trademark Office](#). Also do some marketing research or informal focus groups to see if there is a demand for your product or a glut of similar products or services already available in your area.

There are a host of organizations and networks that can help young entrepreneurs. Many are available through school, such as [Future Business Leaders of America](#). Organizations like [Girl Scouts](#), [Boy Scouts](#) and [4H](#) also develop a lot of these leadership and entrepreneurial skills.

Recent college graduates who are considering the entrepreneurial path but are hesitant due to high student loan debt can take advantage of the Income Based Repayment Program. Currently

the payment is capped at 15 percent of a graduate’s income. The balance of the loan is forgiven after 25 years. And if the entrepreneurial pursuit qualifies as public service, the loan may be forgiven after 10 years.

Young entrepreneurs will fuel the future and be the next innovators and job creators. It is essential that we encourage all children to consider entrepreneurship and to provide them with the best tools to get them started. ■

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



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Ask The Experts

Q: *I just hired my first full-time employee and have established a payroll account and a process to do all the required payroll reporting and tax withholding. My question is, now that I have the system in place should I add myself to the payroll system and pay myself a set salary as a W2 employee and then change how I file my taxes? I currently include the LLC income and expenses on an IRS Schedule C under my personal income tax return.*

A: Congratulations on creating a new job. Don't forget that over 70 percent of all new jobs come from small business owners just like you, so keep up the good work. The easy answer to your question is that you should not add yourself to the payroll system. The key point is that the owner of an LLC who is filing as a sole proprietorship is NOT considered an employee of that Limited Liability Company (LLC). The taxable compensation that you will receive as the owner of the LLC will be exactly the same as if you were indeed a sole proprietor, which is the net income from self employment that will ultimately be reported on your Schedule C.

It is certainly a good idea from a management standpoint to allocate a set amount of income or cash flow to you as the owner and operator of the business, but from a tax standpoint those payments to you will be characterized as 'owner draws' and, by definition, do not constitute wages or salary and are not subject to any other employee or payroll reporting requirements. The bottom line to your question is that the wages paid to your new employee will not affect the cash payments that you make to yourself as the owner of the LLC, nor will those payments initiate a change in the way you currently complete your annual income tax return.

Always keep in mind that the tax reporting requirements for an LLC are somewhat confusing. The IRS does not recognize the LLC form of organization in a specific way, so each LLC must elect how it will be taxed by the IRS and therefore which forms and reporting requirements it will use. An LLC that has

GET MORE ANSWERS

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only one owner can elect to be taxed as a sole proprietorship or as a corporation. An LLC that has more than one owner may elect to be taxed as a partnership or as a corporation.

In either case, an LLC that elected to be taxed as a corporation would indeed treat its owners as employees in relation to the compensation designed to recognize their earned income from the entity. If you, as the sole owner of your LLC, had elected to be taxed as a corporation and therefore chose to file a Corporation tax return, Form 1120, then you would be required to pay yourself a reasonable salary based on the services that you provide to the LLC.

Since you file a Schedule C related to the operations of your LLC, you have elected to be taxed as a sole proprietorship, which for most small business owners is preferable. As such, you are not considered an employee of that LLC and therefore you should not pay yourself as an employee. So keep doing what you are doing and keep creating more new jobs. Well done!

Keith Hall, NASE Tax Expert ■

Member Spotlight

Building Images and Business

Susan Fortner has been an NASE member since 2011 and has won both a growth grant and a scholarship grant from NASE. She is president of Bowers PR & Marketing.

Tell us about your business. How did you get started?

I own a public relations and marketing firm in central Ohio. I am also a partner in a woman-owned marketing collaborative effort. I started my business in 2007. Because of my extensive background in public relations and marketing I was asked by a friend to help her with her business because the agency she hired was not getting any press. With the success of my campaign, I felt it was time to stop working for others and open my own doors, and I haven't looked back.

What's your favorite thing about your business?

My favorite part is twofold—first, it is the great clients that I have been able to help grow their business and achieve their goals. When they are successful, they are able to grow and hire additional employees, which creates a stronger community. Second, I love the group that I have hired, watching them service our clients in a professional way and see how they have grown with their jobs. That has been a personal satisfaction.

Which NASE member benefits have you used and how have they helped your business?

I have looked into the insurance offered and was pleased to learn about their life insurance policy. I also checked into their buying power when I recently purchased a new car. I have introduced the real estate sales benefit to my client and am planning to find out how to get him active in NASE. Finally and most importantly I was able to take advantage of two grants—one a growth grant and the second a scholarship grant. The growth grant allowed me to secure office equipment and staff to double my business in less than one year. The scholarship enabled me to complete my accreditation in PRSA.

How do you market your business?

I have created a team that allows me to be my own marketing department. I spend most of my time in the field gaining clients. I feel no one can sell your services or products like the owner can. I have account people now, thanks in part to my NASE grant, who handle the day-to-day activities and allow me to focus on new business and management. We also have an internal PR process, some online marketing, and starting this fall will launch an advertising campaign.



Member Spotlight

What challenges have you faced in your business? How have you overcome them?

Growth and staffing is always a challenge. Also billing and getting clients to pay on time so that cash flow does not become an issue. First, with growth and staff the biggest challenge is making sure that your clients still get the same quality of service that they had received from the owner. It is a trial and error process finding the right people with the right set of work ethics to work on accounts. It is also a matter of easing new employees in so that I can oversee the quality of their work. Next, while you can never get completely out of the problem of collections if you bill your clients, you can minimize the problems. We put our clients on contract and require them to pay ahead, getting bills out in a timely way and letting them know when they get behind and work with them on catching up.

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

The best thing about being self-employed is that no one can fire me; I control my company's destiny. If I don't get out there and continue to build the business and grow it, the buck stops with me. It is sometimes scary knowing that I am also responsible for others but I have no doubt that if I work hard we will continue on our growth path.

What's the most common misperception clients and potential clients have about public relations?

They are under the impression that we can just put out a press release and all of media will cover it. We have to manage expectations all the time. We do this by carefully laying out

for the client, up front, how a PR campaign works as well as how a campaign needs to run to be successful. And if we feel a potential client's expectations cannot be managed then maybe they are not ready for PR. The bottom line is PR is a process that takes time to build and succeed.

What's the best business advice you can offer your fellow NASE Members?

Take advantage of all that NASE has to offer and encourage your sideline businesses to consider membership as well. Also, remember that success takes time and lots of hard work. I have worked with many startup businesses and some want to grow their business to sell it—if you love what you are doing you do not want to sell it for a long time and if you love it you will work hard and be successful.

What do you do to relax and get away from the office?

Well that happens very little but when it does I travel with my family, play tennis and sometimes I take an afternoon off and spend it with my kids.

Do you give back to your local community?

Giving back to the community is extremely important to my business model, is great PR and is also personally important to me. I sit on the board of Pleasure Guild of Nationwide Children's Hospital, volunteer at my children's schools and am involved with the Junior League of Columbus. I also volunteer my time to help coach startup businesses. ■

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](#).

NASE CO-\$PONSORS National Crowdfunding Contest

By Katie Vlietstra

NASE and the Small Business & Entrepreneurship Council (SBE Council), an advocacy and research organization for entrepreneurs, and Fundable, a crowdfunding platform partner focused exclusively on startup companies, sponsored a national crowdfunding contest in September 2013. The national contest was committed to supporting America's small business community in its goal of raising and securing capital through the powerful platform of crowdfunding.

With new rules pending at the Securities and Exchange Commission (SEC) to expand equity and debt-based crowdfunding, there has been an increased interest in the viability of this method to raise funds for new and growing businesses. A national crowdfunding contest is an effective approach to increase awareness, educate business owners and stakeholders, and promote entrepreneurship. The contest is also dedicated to elevating the issue of raising and accessing capital for small businesses.

"We are thrilled to offer this opportunity for these finalist businesses to raise capital through crowdfunding while providing an additional cash prize of \$10,000 to the business that reaches their fundraising goal first," said Karen Kerrigan of SBE Council, Katie Vlietstra of NASE, and Eric Corsi of Fundable. "Crowdfunding is a creative and practical way for a small business to grow. Crowdfunding unlocks new streams of capital, and allows determined small business owners the opportunity to live their entrepreneurial dreams."

The contest attracted a diverse set of companies, including The Cookie Bar, Christy Lane Enterprises, Ella Grace Designs, Faithful Athletics, Global Cancer Diagnostics, Indy Nut House, Kasten Automotive, LocalLux, and Taggabox. The Las Vegas-based business, The Cookie Bar, won the contest after reaching its fundraising goal of \$10,000 prior to the September 20 contest deadline. The company will receive the additional \$10,000 in capital as the contest winner.

Learn more about the crowdfunding contest at www.fundable.com/contest. ■

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

"Crowdfunding is a creative and practical way for a small business to grow."

– **Katie Vlietstra,**
NASE, and
Eric Corsi, Fundable

