

SelfInformed

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*NASE Member
Christian Birky*





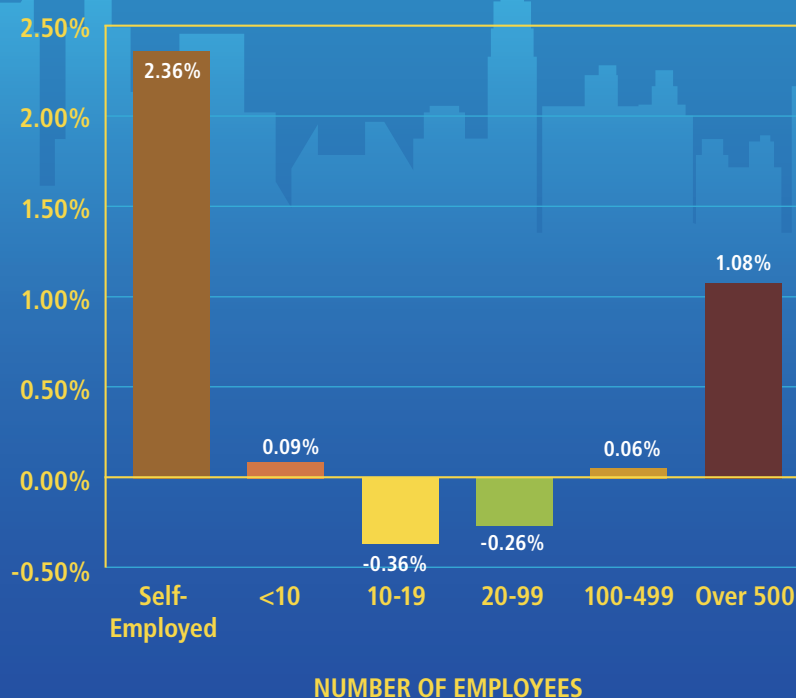
GUIDE FOR BLOOMING ENTREPRENEURS: How to Avoid Wilting in the Heat

If you are reading this article you probably already recognize some of the advantages of owning a small business or micro business or being self-employed. Entrepreneurship is by no means easy and it's not for everyone; but it has some tangible and intangible benefits for those with the right mindset and something good to bring to the marketplace.

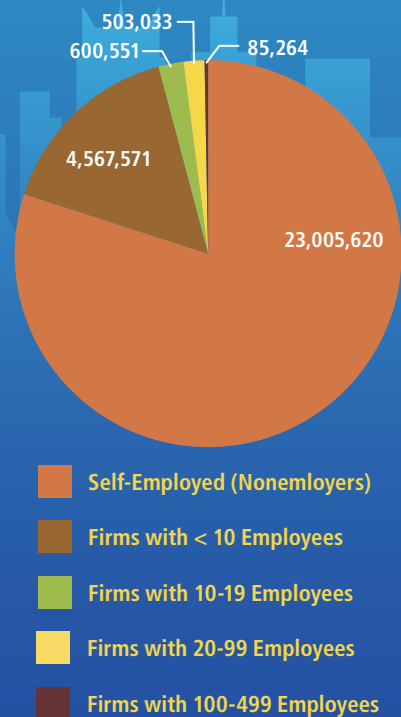
In this article, we will discuss some of the motivations that drive people into starting a business. We will also discuss ways in which you can continue building a business into the long-term success that all entrepreneurs hope for. At The National Association for the Self-Employed, we know that knowledge in the hands of small business owners is a powerful tool for both the business community and our economy.

And we are not just saying that to promote our own agenda, the **data from the US Census Bureau** backs it up! The number of self-employed and small businesses is growing steadily. Over the last ten years, self-employed individuals has

AVERAGE GROWTH RATE OF ALL BUSINESSES, 2003-2013



US SMALL FIRM SIZE IN 2013 (<500 EMPLOYEES)



grown 2.36%. Over that same time, small businesses with fewer than 10 employees has grown 0.09%. Though the growth is certainly smaller, it is still positive growth; whereas small business with 10 to 99 employees has shown a negative growth rate.

Since the boom years and the early days of the subsequent recession beginning around 2006/2007, only two segments have shown to expand. The most recent data suggests that the self-employed and businesses with over 500 employees have greater numbers now. Small businesses with between 1 and 499 employees all had peak numbers in 2006/2007.

While you may hear anecdotally that being self-employed is great, we can confidently say that the data confirms just how many people are transitioning to self-employment.

WHY START YOUR OWN BUSINESS?

There are so many good reasons for starting a business. In a June 2014 article, [Mike Templeman in Entrepreneur](#) offered *20 Reasons to Start Your Own Business*. While the author noted that financial independence may be the most widely-held reason for starting a business, he also noted some other reasons that are equally important.

One reason noted for building a business was to develop new skills. This is often unintentional. Imagine something challenging that you've learned in life—like driving a car or working with new software. When you first started using them were you really good at it? Honestly? With time we improve at driving or running

that application. It's the same with building and growing a business. You learn new skills all the time and you just get better and better as you perfect those new skills; and you and the business become more valuable in the marketplace.

The other standout reason from the Templeman article was what he called "doing good." Templeman noted, "While this isn't exclusive to entrepreneurs, it's definitely a perk. You control where your company profits go and if you choose, you can give [or] allocate your financial gains to others. You can sponsor a charity, a non-profit or just personally give back to the community. This is quite honestly one of the best parts of being an entrepreneur."

GOOD PRODUCTS AND SERVICES MAKE GOOD BUSINESSES

From the operational and financial perspectives there are some other very good reasons for starting a business that go directly to your bottom line.

Not only are these three good reasons for starting a business, but these items should also be addressed in your business plan to ensure the success of your venture:

- Demand – You have a product or service that the customer needs; or a market can be easily created.

There is a desire for and a social benefit to something you have to offer.

- An efficient marketplace – For your specific product or service, there are usable mechanisms in place in which to promote, market, sell, deliver and track sales in a cost effective manner.
- Revenue Over Cost – There is a high potential that once up and running, the business can generate revenue and manage its costs in a way that creates adequate margin and total profit. Selling product isn't enough; you have to make money at the end of the day.

THE FIVE-YEAR WALL

Even the most successful entrepreneurs will tell you that they are not immune from business failures. The reality is that all businesses need to plan for the short- and long-term; and managing your way beyond the first five-years in business takes a good amount of skill, tons of hard work, and a bit of luck.

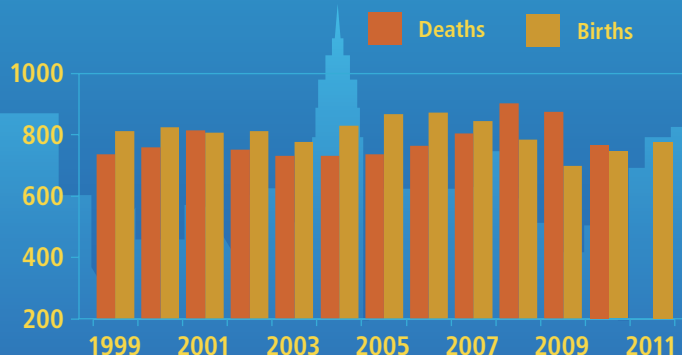
Developing a good initial business plan and your ability to adjust to challenges and adversity will prove essential. As previously mentioned, being a small business owner is not for everyone.

However, survivability rates for new businesses are better than some would imagine. According to the **US Small Business Administration (SBA)**, “About half of all new establishments survive five years or more and about one-third survive 10 years or more. As one would expect, the probability of survival increases with a firm's age. Survival rates have changed little over time.”

The charts below are from the **SBA's FAQs**:

FIGURE 4:
STARTUPS AND CLOSURES

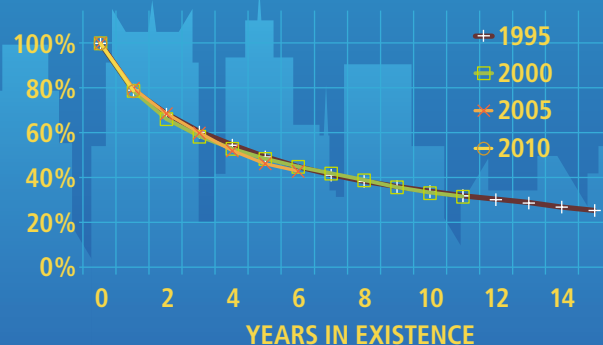
(thousands of establishments, seasonally adjusted)



Source: Bureau of Labor Statistics, BED.

FIGURE 5:
CUMULATIVE SURVIVAL RATES FOR
ESTABLISHMENTS BY BIRTH YEAR

Percent of establishments



Source: Bureau of Labor Statistics, BED.

FRANCHISES AND THE MOM AND POPS

While the old-fashioned “mom and pop” business might be a vestige of the past, it may not be as bad as it seems. As it turns out, mom and pop were self-employed entrepreneurs all along.

Not only do family businesses still thrive as stand-alone entities today, but many franchises are also owned by family partnerships.

Franchises are also a viable option for micro business owners, investment consortium and other partnership structures as well as family businesses. The **SBA estimates** that there are more than 600,000 franchises operating in the US, many owned by small business people.

The US Federal Trade Commission (FTC) has an **excellent webpage and documentation** that anyone considering a franchise opportunity should check out. Information covered includes the franchise business model, selecting a franchise, franchise documentation and things you should know before you sign a franchise agreement.

RESOURCES & INFORMATION

While it can be tedious and hard to quantify, research and information will certainly become part of the backbone of your business if it is to last beyond five years. From daily news and other journalism, academic research, government data, to what you learn from colleagues and even your competition, it all contributes to your ability to succeed as a small business owner.

Check out these useful web resources to help you acquire greater knowledge and the confidence to start, build and grow your own small business:

The Small Business Administration's Starting & Managing a Business Website offers data, information, news and research for those starting and operating a small business.

The SBA's Loans and Grants page provides information and links to public financing opportunities for small businesses.

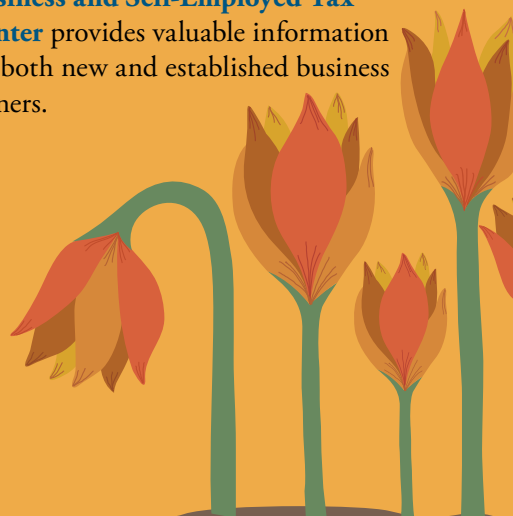
The US Office of the Controller of the Currency (OCC) provides access to more than a dozen resources for small business owners:

The **disability.gov website** has resources to assist those with disabilities start their own business; and the information is good for anyone interested in starting a business.

The US Federal Trade Commission (FTC) Franchise Website: A Consumer's Guide to Buying a Franchise.

The US Census Bureau Newsroom offers archived and current economic and business news from a research and data-driven perspective.

The Internal Revenue Service Small Business and Self-Employed Tax Center provides valuable information for both new and established business owners.



Get listed. Get noticed.
Get going.

Get a free business listing in the extensive NASE Small Business Locator/Member Directory.

Get listed now >

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Ask the Expert

Q: *I am attempting to complete my first Schedule C for my new business and I am not sure what is deductible. Do you have a list of deductible expenses that I can use?*

A: There are certainly expenses that are common to all small businesses and those that are common to specific industries. Perhaps the best place to start a list of common expenses is right on that same Schedule C that you are preparing to complete. Part II of the Schedule C is titled “Expenses” and provides a great place to start from advertising to car and truck expenses to insurance and interest expense to travel and wages. The fact that the detailed expense items are listed right on the Schedule C indicates those are indeed common expense categories for small business owners.

Having said that I encourage you to avoid reviewing any specific list of expenses but instead simply look at all of the cash disbursements incurred in connection with your business. Keep in mind that almost all deductible items begin with the spending of money. The general requirement for a disbursement to be considered a deductible business expense is that the item was an ordinary and necessary expense for doing business in your specific industry. If you spent any money in connection with your business, most likely it will be deductible.

If you have not already done so, consider opening a separate bank account exclusively for your business. All business income will be deposited into that account and all ordinary and necessary business expenses will be paid from that account. At the end of the year, you will have already decided which expenses are business expenses as you pay the bill. If the service or product is primarily for business, then use the business debit card or a business check to pay the bill.

There are some expenses that don’t show up in that business checkbook or as a normal business disbursement so extra care should be taken to avoid missing those key deductions. Among the most commonly missed are the business use of your automobile, the home office deduction, and options you may have for making deductible retirement plan contributions. So make sure to look at all the expenses you incurred in operating your new business but also look outside the lines as well.



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from our experts for every
business question.

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As always, don’t forget that you are not alone. Bookmark our website at **NASE.org** and if you have a specific expense that you are unsure about, just let us know and we can help.



Member Benefits

Visit www.NASE.org to learn more about the following benefits!

New!



The **NASE Minute** is a series of videos created by our own experts and released weekly. The videos are designed to help your business succeed!

If you are like most business owners, your time is valuable and often you run out of it. That's why we aim to keep our videos less than **3 minutes** in length. We pack a lot of helpful information into each video, so if you find you have a question, be sure to **ask our experts directly**.

Browse All of the previous NASE Minute business videos such as:

- Deducting Health Insurance Premiums
- Preparing an Audit Proof Tax Return
- Small Business Benefits from NASE
- Hire Your Kid and Reduce Your Taxable Income by \$6,000
- Small Business – Most Important Success Factor



NASE has partnered with Office Depot® to bring members a national discount program.

Office Depot and OfficeMax are now ONE company! NASE Members can save up to 80% on over 93,000 products. Great for your printing, hardware, software and all of your office supply needs. Shop online or in any Office Depot or OfficeMax store. Enjoy FREE next-day delivery when online orders over \$50 are placed.

NASE Program Benefits Include:

- Up to 80% off preferred products
- 93,000 products discounted below retail price
- FREE next-day delivery on online orders over \$50 (excludes furniture)
- Conveniently shop online or visit one of our local stores
- Exclusive low printing costs
- 100% satisfaction guaranteed



Member Directory

Get Your Business Listed and Noticed!

NASE Member Directory:

As an NASE Member, you receive a **FREE** business listing in NASE's online Small Business Locator/Member Directory! To help grow your business, this free listing provides you with:

- Increased Web presence with more than 20,000 unique visitors per month;
- Quality leads to fuel your marketing efforts;
- The opportunity to do business with other small business owners; and
- A complete company listing - FREE, including website and email information

Access to the member directory is available to the general public and promoted throughout the year on www.NASE.org, and within the NASE's e-newsletters, Self-Informed and Washington Watch. In all, hundreds of thousands of marketing impressions will attract qualified buyers to the Small Business Locator who are looking for businesses like yours. It's a win-win, and it's **FREE!**

Get Listed Today!


Simply click on **My NASE** located on the top menu bar, login to your NASE account and click the section header that reads **Small Business Locator**. Follow the on-screen instructions, confirm the information you entered and click on the Save Changes button. A description of your services along with contact information will be added to the directory.

If you need help or have questions, please call one of our customer service professionals at **(800) 232-6273**.



Sewing Self-Employment

***Christian Birky** is the founder of **Lazlo** located in Detroit, Michigan. Lazlo is designing menswear essentials and hiring returning citizens to manufacture them in Detroit. From developing the best possible products and implementing sustainable business practices, to creating jobs for marginalized workers, every decision is focused on developing a profitable model for clothing as a force for social change. Christian was awarded an NASE Growth Grant in December 2015 and we look forward to his continued success at Lazlo.*



We've learned the value of sharing the story behind our products, and that's gotten a positive reception.

When and why did you join the NASE?

I joined the NASE in early 2015 on the advice of my parents, who are self-employed and have been members of the NASE for years. My sister and Lazlo co-founder Kathryn was actually named the 2007 NASE Future Entrepreneur for a business we started together as kids, and here we are almost a decade later with Lazlo.

What inspired you to enter the field you are in?

As American industries chased cheap labor overseas in the late 1900s, unemployment and poverty led to increased crime. Combined with the implementation of “tough on crime” measures, the US now has 5% of the world's population, but 25% of its prisoners. Poor, undereducated and minority urban men are disproportionately incarcerated. Returning citizens often lack basic job skills, and nearly 50% are illiterate. Up to 60% of returning citizens do not have jobs a year after release. Not surprisingly, 50% end up back behind bars with three years of release.

Meanwhile, fast fashion is based on ever-increasing consumption: overseas factories churn out poor quality garments designed to be worn only a few times. The garment industry relies on exploitative working conditions to keep prices low, leading to tragedies like the 2013 garment factory collapse in Bangladesh that killed over 1000 workers. The textile industry is also the second most polluting in the world, behind oil.

When and why did you start your business?

I hold an undergraduate degree in politics from Princeton University, where I wrote my thesis on American prison policy and spent time tutoring in a prison. That, combined with a brief foray into modeling, prompted me to begin working on Lazlo after graduating in 2013.

What challenges have you faced in your business?

One challenge was our search for a domestically produced organic jersey that would allow us to back our t-shirts for life. We sampled fabrics from mills around the country; unsatisfied, we realized that we were going to have to build a custom fabric. We learned that Supima® cotton was the highest quality, but that the vast majority of the organic Supima goes over to the European market. A mill told us we were on a wild goose chase to try to get our hands on organic Supima, especially as a new brand. Nevertheless, we were able to build a relationship with a mill in LA. The owner bought into our vision for sustainable, high-quality products, and he picked up the phone and convinced the Swiss yarn spinner to work with us on a small run. We didn't feel great about shipping fabric across the Atlantic Ocean and back, but because we believed strongly that quality is a key factor in sustainability, we were willing to prioritize access to the best yarn spinners and best fibers. We also knew that our next production run would be large enough to be spun at a sister company in Georgia, which would reduce transportation emissions.

How do you market your business?

We haven't done a serious push for publicity yet, as we have been focused on building out our space and getting production off the ground. That said, we have a presence on **social media** and we network as much as possible. We've learned the value of sharing the story behind our products, and that's gotten a positive reception.

Do you have any employees?

We hired our first two full-time sewers this winter. During an interview last fall with our first employee, Aaron, he couldn't stop smiling. He was close to completing a 22-year sentence in prison, and he had spent the past

18 months in a prison garment factory, sewing guard uniforms and straitjackets. This program has led to a win-win situation; Lazlo can access experienced sewers, and a marginalized population becomes an asset. We are starting Aaron off at \$15 per hour (compared to the \$.30 he made in prison), enough for him to move to a stable neighborhood and begin taking college classes.

What's your schedule like, what's a typical day for you?

Our cut and sew facility is based in a creative incubator in our neighborhood, so I bike to work in the mornings and work on anything from product development to meeting with clients about contract manufacturing to drafting content for publication.

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

To me, the best part about being self-employed is the freedom to work outside established norms and take risks to facilitate change in an industry that has a status quo of exploiting workers and the environment.

What's the best compliment you've ever received from a client?

We have received many compliments, especially for our vision "The shirt fits me like a tailored suit. Please don't change it... My only issue with the shirt is that I don't have a closetful."

What's the most important piece of advice you would give to someone starting their own business?

Tell your own story. As consumers, we are looking for alternatives to the faceless brands that dominate the market, so give us a reason to get excited about supporting you.



Want to be Featured in Upcoming Issues?

Log onto **NASE.org** and fill out the **Get Publicity** form. Don't miss this unique opportunity to showcase your business and get noticed by your fellow NASE members.



Learn More in the NASE Member Directory

Learn more about other Self-Employed businesses in the **NASE Member Directory**. You can add your own company to the NASE Member Directory at no charge – it is a free benefit to NASE members.

NASE Supports Phased in Approach to Overtime Regulation



The National Association for the Self-Employed voiced its strong support for the Overtime Reform and Enhancement Act, a bill that will update the overtime rules while allowing universities, non-profits, and businesses the necessary time to be able to plan and comply with the new rule.

In May 2016, the Department of Labor announced its final overtime rule, which increases the salary threshold for overtime eligibility by 100% to \$47,476. Currently, all employers must comply by December 2016 with the DOL's new overtime salary threshold which will have a significant impact on our nation's small business community, from costs to labor management.

The Overtime Reform and Enhancement Act, introduced and sponsored by Rep. Kurt Schrader (D-OR), would update the Department of Labor's (DOL) overtime rule giving universities, non-profits, and businesses the necessary time to be able to plan and comply with the new rule by phasing in of these new regulations over

time, and provide businesses an opportunity to comply. This phased system would guarantee small businesses a fair chance to protect their employees and plan for future regulatory costs. It is essential that a serious new rule such as this gives the small business community adequate time to prepare.

After the initial overtime increase set for December 2016 to \$35,984, a three-year annual phase in process initiates to gradually meet the DOL's new overtime salary threshold. The bill also eliminates the automatic three-year increase to the salary threshold established under the new rule. The bill recognizes that future administrations can and should update the overtime rules, as they are required to under the Fair Labor Standards Act, but limits the ability of the DOL to update the rules on autopilot. This will allow stakeholders to comment on proposed changes and require the DOL to ensure the rules are working as intended.

Katie Vlietstra is NASE's Vice President for Government Relations and Public Affairs; You can contact her at kvlietstra@nase.org.