

SelfInformed

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*NASE Member
John Collins*

PLANNING TO SURVIVE:

DISASTER PREPAREDNESS FOR SMALL BUSINESSES

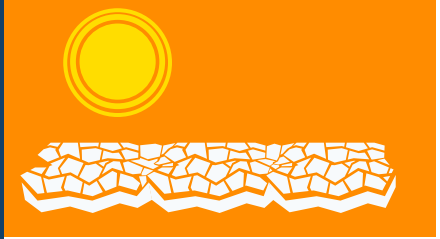
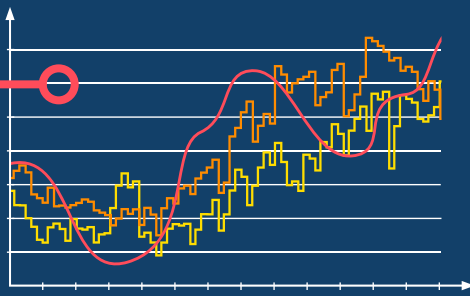
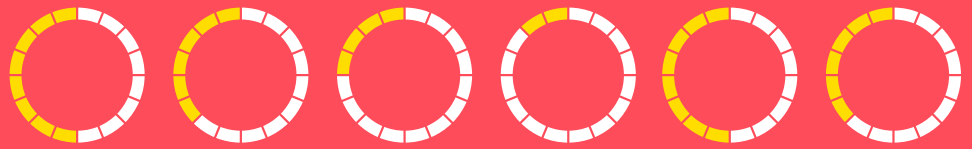
Sarah Hager Johnston | [Peregrine Information Consultants](#)



After a natural disaster or catastrophic accident, most news stories focus on individuals and families who suffered injuries, lost their homes or property, or lost loved ones. But after a few days, the TV cameras move on, and there is little exploration of the economic damage that emerges in the days and weeks that follow.

Just as homes can be swept away by a flood, or families displaced by hurricanes or power outages, so can businesses – especially small businesses and family-owned businesses – be permanently affected by emergency situations.

You've worked hard to establish and grow your business. How will you fare should a disaster strike?



SMALL BUSINESSES ARE VULNERABLE TO DISASTERS AND EMERGENCIES

Most small businesses operate at single locations, with employees, computers, machinery, equipment, and other resources concentrated in a single building. In a disaster situation, the entire physical and online operation is at risk.

Most small businesses also do most of their business locally. The U.S. Small Business Administration estimates that for 9 out of 10 small businesses, the majority of their customers are within two miles of their locations. And many small businesses depend on other businesses in the community for professional services, technical and mechanical support, supplies, and more. In a disaster situation, a small business is at risk of losing customers and suppliers, perhaps permanently.

Unlike larger multi-site businesses whose employees, offices, IT facilities, and physical assets are spread over a larger area, and whose customers may be found around the globe instead of across the street, small businesses are disproportionately affected by storms, disasters, and other emergency situations that can knock out power and telecommunications, interrupt supply chains, and make it impossible for employees to report to work.

In fact, the Insurance Institute for Business and Home Safety (IIBHS) reports that about 25% of small businesses that are affected by major disasters never recover. And according to the U.S. Chamber Foundations Business Civic Leadership Center, nearly 30% of the small businesses that were damaged or disrupted by Hurricane Sandy in 2012 eventually failed as a direct result of that terrible storm.

It's likely that the businesses that survived and thrived had effective plans in place to help them prepare for,

respond to, and recover from emergency situations. It's surprising, then, that only 4 in 10 small businesses have disaster preparedness and recovery plans in place, and of those that do have such plans, nearly all (9 in 10) spend less than one work day each month on emergency planning and preparedness activities. Those statistics are not surprising, given that small business owners, especially the self-employed, are hard-pressed to find time to even evaluate their risks, let alone develop comprehensive plans for response and recovery.

Like any essential part of your business – product development, staffing, sales, or marketing – emergency preparedness is a critical core function that requires careful planning, adequate resources, and regular review and refinement. Some industries are required by law to have adequate emergency plans in place, due to the essential nature of their services (such as utilities) or the hazardous nature of their operations (such as chemical processing plants). While most small businesses are probably not required to have emergency plans, it is good business sense to take all reasonable steps to be prepared.

If you don't have a plan in place, or if your plan has been gathering dust on a shelf, schedule some time to develop a new plan or refresh the one you've got. Though it will take time to develop a comprehensive plan, there are plenty of resources and templates available to get you started, and you can tackle one piece at a time. It can be a challenge to set aside the day's pressing business to plan for unpleasant events that may not even happen, but the exercise is a worthwhile opportunity to assess all areas of your business, from employee schedules to office supplies.

IDENTIFY POTENTIAL EMERGENCY SITUATIONS

As a first step, conduct a risk assessment to identify the emergency situations to which your business is vulnerable.

The IIBHS offers an **online tool** that identifies (by ZIP code) the natural disasters that could occur in your area, such as hurricane, flood, tornado, ice or snow, lightning, extreme temperatures, wildfire, wind, hail, drought, etc.

But natural disasters are just part of your risk profile. What other emergencies might affect your business?

- Building system failures, such as loss of refrigeration, water, or heat, or failure of a water heater
- Technological failures, such as loss of power, telecommunications, or data systems, whether due to outside circumstances (truck hits a utility pole) or inside problems (computer failure, no back-up)
- Civil disturbances (riot) or terrorism
- Civic events (parades, running races) that affect traffic near your business
- Accidents, such as a fire or explosion at your facility or at a nearby business, or a truck crashing into your office
- Disruption to your supply chain, such as if your primary supplier is affected by a disaster, strike, or other emergency
- Pandemic disease, such as a severe outbreak of flu that affects many employees

UNDERSTAND HOW EMERGENCIES COULD AFFECT YOUR BUSINESS

Once you've identified the emergency situations that could affect your business, undertake a *business impact analysis* to explore the degree to which an emergency could affect your business operations and to identify the information you'll need to plan a rapid recovery. In the business impact analysis, consider how an emergency situation will affect you...

- **FACILITY** How will your building (or rented/leased space) be affected by any of the potential situations you've identified?
- **REVENUES** How much lost or delayed income can your business bear? Without your usual revenue stream, will you be able to keep up with payroll, rent, loan payments, and other recurring expenses?
- **EXPENSES** What might be needed to cover emergency-related activities and resources? Your "rainy



day" fund might not be sufficient to support your business during an extended emergency.

- **CUSTOMERS** How will your customers be affected if your operation is shut down for an hour, a day, a week, or a month?
- **EMPLOYEES** How will your employees be affected by an emergency situation at your business or in the community? Can you bear the added expense of hiring and training replacement employees, should that be necessary?
- **SUPPLIERS AND VENDORS** What will happen if a key supplier is unable to deliver critical supplies or equipment? Even if your business is not directly affected by an emergency, your suppliers may be.
- **PRODUCTS OR SUPPLIES** How will an emergency affect products or supplies you have stored on site? Do you need to maintain certain temperatures or other conditions, such as for food storage?
- **CONTRACTUAL OBLIGATIONS** Will you incur penalties from unfulfilled contracts, or lose contract bonuses?

Consider how the timing and duration of an emergency event could affect your business, such as if road construction blocked entry to your parking lot during your busiest week of the year.

Depending on the complexity of your business and the nature of your operations, you may undertake this analysis on your own or engage a professional risk manager or emergency planning consultant.

DEFINE YOUR DISASTER PREPAREDNESS PLAN

Whether you call your process emergency planning or disaster preparedness, it should cover three phases:

1 PREPAREDNESS

2 RESPONSE

3 RECOVERY

1 PREPAREDNESS

Preparedness — Develop a proactive *business continuity plan* to minimize disruption to your business operation and sustain essential business functions should an emergency occur. In this phase of the plan, you should:

- Summarize your risk profile, enumerating potential risks and their potential effect on your business, customers, and employees
 - Assemble a disaster preparedness team. Depending on the size and nature of your business, this could include employees responsible for finance, IT, staffing, legal, warehousing, purchasing, etc.
 - Designate employees (and back-ups) assigned to lead the project and to handle specific tasks, and define their roles, responsibilities, and authority.
 - Define in exact terms what needs to be done to keep your business running, or to recover quickly from any down time during or after an emergency. Anticipate situations where manual processes may need to be used, rather than automated.
- Document every element of the plan in clear, easy-to-understand language, with specific instructions about what to do in specific emergency situations.
 - Gather or develop essential information, such as:
 - ▶ Contact information for all your employees, major clients, suppliers, contractors, bank, insurance agent and insurance claim representatives
 - ▶ Contact information for local emergency responders and local and state emergency management officials; for local hospitals, emergency care clinics, disaster relief agencies, etc.
 - ▶ Information about all essential equipment and supplies that you need to run your business.
 - Identify alternative sites from which you can run your business during recovery from an emergency situation. Depending on the size and complexity of your operation, your headquarters might be at a home office or in a rented space in another town. Consider establishing a reciprocal agreement with another business.
 - Include telecommuting in your continuity plan. Make sure that essential employees have the hardware, software, and connections they need to work from remote locations. Create a Virtual Private Network (VPN) for secure access to company data. Establish

clear policies to guide telecommuting employees on safe access, transfer, and storage of remote files.

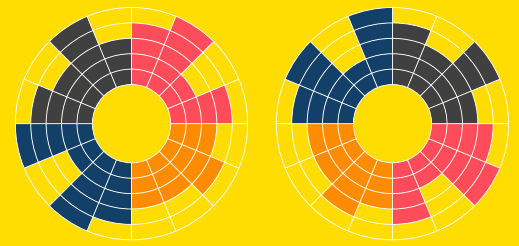
- Ask your most important suppliers about their emergency plans, and identify alternative vendors for essential supplies, equipment, and services.
- Make arrangements for safe, secure, frequent, comprehensive off-site back-up and speedy recovery of all software and data. Maintain current, secure records of passwords and other system information. Essential software protections include anti-virus software, robust firewalls, and proxy servers.
- Inventory all computer hardware and software, and ensure that licensed, up-to-date copies of critical software on all backup computers and servers. Essential hardware protections include surge protectors, backup batteries, and duplicate servers (offsite).
- Identify essential business and legal documents, such as titles and deeds, contracts and leases, tax records, licenses and permits, financial, bank, and insurance records, employee records, warranties and service plans, etc.
- Keep originals of essential legal and financial documents in a safe deposit box, and retain copies (print and electronic) with your business records. For onsite storage of essential documents, use a safe tested and listed by Underwriters Laboratories that is resistant to fire, heat, burglary, and torches
- Schedule regular reviews to ensure that this plan is kept current and relevant to your operations. Update the plan when you make changes to your business, such as when you add new equipment, open a branch office, make changes to your supply stream, etc.
- Keep copies of the plan in designated off-site locations, as well as on your remote data backup service. Provide copies to key employees and designated local emergency officials, and schedule a meeting to go over the plan together.

The Insurance Institute for Business and Home Safety offers a free online tool with guidance, forms, and checklists to help business owners develop business continuity plans.

2 RESPONSE

Response — Develop an *emergency response* plan to protect employees, customers, and property during and immediately after emergency situations; to prioritize activities and resources for recovery and restoration; and to support clear, continuous communications. In this phase of the plan, you should:

- Refer back to the risk analysis to identify specific situations for which you need to prepare a response.
- Document and inventory your physical layout, and use this information to develop emergency evacuation routes and procedures.
- Define steps to control damage during the emergency, and have a plan for conducting post-emergency inspection.
- Inventory all fire, carbon monoxide, security and smoke alarms; fire extinguishers and sprinkler systems; water detection devices; and emergency communication systems. Test these regularly.
- Identify what resources, supplies, and equipment will be needed during the emergencies identified in your risk analysis, such as first aid kits, generators, snow shovels, plywood to cover windows, flashlights and batteries, water, nonperishable food, blankets, digital camera and recordkeeping supplies, etc. Obtain these supplies and keep them stored in strategic locations.
- Ensure that designated employees are trained to use emergency equipment safely.
- Establish policy and procedures for activation of your emergency plan.
- Document exactly what should be done before and during an emergency to protect employees, customers, visitors, products, supplies, and data; and to protect and stabilize property, equipment, machinery, vehicles, etc.
- Identify qualified contractors (roofers, electricians, IT consultants, etc.) who can assist you after an emergency,



and share with them relevant portions of your emergency plan that would enable them to help you quickly and efficiently. If you anticipate a critical need (such as restoring refrigeration), arrange in advance for priority service, and be willing to pay a little more.

- Provide relevant information to all employees, and hold regular training drills for evacuation, emergency shut-down, protecting supplies, etc.
- Develop an emergency communication plan to manage the flow and release of information, to maintain your business's good reputation and brand even in an emergency situation. The plan should:
 - ▶ Specify who is authorized to represent your business to employees, customers, local officials, and the media;
 - ▶ Identify who should be contacted in various types of emergencies;
 - ▶ Direct how and when to contact employees, clients, and other key people;
 - ▶ Include plans for receiving and responding to questions from employees and their families;
 - ▶ Outline how and when to release information to the media and respond to inquiries; and
 - ▶ Detail by what means information will be released (phone, email, news release, website, Facebook, Twitter, toll-free number for inquiries, etc.).

3 RECOVERY

Recovery — Develop a *disaster recovery plan* to restore IT, telecommunications, building systems, and other critical infrastructure; support affected employees at home and at work; and resume services to clients and customers. In this phase of the plan, you should:

- Refer back to the risk analysis to establish priorities for support of affected employees, restoration of critical systems and services, and continuity in customer service.
- Establish short- and long-term goals for disaster recovery.
- Develop plans for the support of affected employees, including physical and financial assistance, housing, and medical and mental health services.
- Develop procedures for assessment and documentation of damage and loss (including photos) and for salvage and recovery.
- Develop procedures for inspection and repair of facilities and equipment.
- Document step by step procedures for the orderly restoration and testing of IT, data, communications, etc.



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WHAT ABOUT INSURANCE?

Many small business owners, are shocked to discover that their business insurance policies may not cover all losses after an emergency situation, especially certain damages associated with floods, hurricanes, and earthquakes. Take time to examine your policy – and not just the short version that your insurer sends to you at renewal time. Ask for a copy of the complete policy, and review it with your agent or broker to be sure that you understand fully what is – and is not – covered. Be sure that you are aware of and understand any deductibles, exclusions, and policy limits. Ensure that your policy covers all your assets, including data and backup systems. Look for gaps in coverage, and purchase extra coverage if necessary to ensure that you have the best possible coverage. Check to see that your policy includes:

- **BUILDING COVERAGE**, for the insured value of your building(s), and *business personal property*, to cover building contents or business inventory. These policies cover damage from covered causes (e.g., wind, hail, fire), but generally *not* from floods, storm surges, or earth movements caused by landslides or earthquakes, unless you have specifically added these coverages through endorsements to the policy. Additional coverage can be purchased for protection of awnings, fences, and other fixtures.
- **BUSINESS INCOME COVERAGE** covers operating expenses and lost revenues if your business site is unusable after an emergency and through the repair and recovery period, or if a key supplier or essential utility cannot provide service. To ensure adequate resources during a recovery period, some business owners also purchase *extra expense coverage*, which

would cover (for example) relocation of equipment, leasing temporary offices, etc. The IIBHS estimates that the median cost of “down” time during recovery from an emergency is about \$3,000 *per day*.

- **ORDINANCE OR LAW COVERAGE** ensures that funds will be available to rebuild or repair in compliance with the latest building codes, and *tenants improvements and betterments* helps cover expenses for fixtures, additions, or alterations if you rent rather than own the space.

Some insurers offer discounts to businesses with sound emergency plans in place. Ask your agent or broker.

FOR MORE INFORMATION

The insurance industry sponsors the **Insurance Institute for Business and Home Safety** and the **Insurance Information Institute**, both of which offer disaster preparedness resources for business owners.

The federal government offers assistance and guidance to small businesses through the **Small Business Association** and the **Federal Emergency Management Agency**. The **Occupational Safety and Health Administration** offers information on emergency planning for businesses of all sizes.

Many insurers, agents, and brokers offer risk management services to their business clients, and many have free products and resources tailored for small businesses, including disaster preparedness plans, templates, and guides, and in some cases, consultations. Check with your agent or broker.

Many professional associations or trade groups offer resources to help their members manage various aspects of their businesses, including disaster preparedness.

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What's in Your Business Disaster Recovery Toolbox? Insurance Institute for Business and Home Safety.



Organizing Your Business with Google

Let me start out by saying that I love Google. I work with their applications all day, every day for both personal and work and here's why.

I'm rather paranoid. I know that one day my house can burn down, the critical papers could get flooded and destroyed, or a hurricane may well come and take everything away. For that reason I went paperless years ago. It wasn't difficult. I built a simple computer and used it as a file server. I purchased an inexpensive scanner and scanned directly to the server. I then backed up the server to a portable hard drive on a recurring basis and stashed it in my office desk "just in case". This was nice. I finally had a backup of everything and could easily send documents and such to people when needed.

I had the above solution (typical file server) in place for a few years when my laptop died. I didn't have the funds to buy another as a replacement because what I needed would cost over \$1,000. Instead, I decided to try a Chromebook which only costs about \$250. This was a few years ago and I haven't looked back. The Chromebook runs the Android operating system and has no moving parts. It boots quickly and runs today just as well as it did on day one.

Since buying the Chromebook I've subscribed to Google's "Apps for Work" offering for my personal needs. I pay \$10/month for each email/gmail account I have and that gets me access to all of the Google applications with unlimited storage. This allows me to drop the file server entirely. Now all my documents, music and family videos are sitting on the Google Cloud. I can control access. I determine who

has access for sharing. I don't have to pay and maintain expensive hardware. And as a bonus, my phone (Galaxy S5) will do anything my Chromebook will do.

I know that if something is accidentally deleted I can restore it using Google Vault. I can create multiple calendars and share them with others, create my own website, video conference with others and share the desktops (Hangout), make lists and notes (Keep), create all sorts of documents and more all within that same \$10 package.

Imagine putting a system such as this in place for your business just as I did for the NASE. The price point is the same for the Office 365 platform we were on previously but you get so much more in terms of functionality and ease of use. Migration was a breeze. Now our users have more options to work with. Access and sharing of content is incredibly easy and efficient. We don't need a computer domain and file server. Everything I do is on the cloud now (over the internet). I use my Chromebook for most of my office tasks now as it's easier and faster. I don't even need to carry a computer around anymore. I can work from any internet connected device.

Microsoft has made a lot of progress in this area lately but I don't feel that they are on the same level as Google. Google simply offers more for less and they are making improvements all the time.

If you are curious, try the [trial account](#).

By Cameron Brown
The "IT" Guy for the NASE

Can You Afford to Not Have Dental Insurance?



By Tom Dimmer, VP, Renaissance Dental

Nearly 40 percent of the U.S. population lacks dental insurance even though research has shown that when preventative oral health is neglected, costly procedures and missed days of work can result.¹ For the self-employed, these repercussions can have a tremendous financial impact. As an extension of an individual's overall health and wellness, dental care is directly connected to long-term productivity and profitability.

According to the CDC, 164 million work hours are lost each year due to dental-related illnesses in adults.² According to the National Association of the Self-Employed (NASE), being unable to go to work is one of the biggest worries for members, because if a self-employed person misses a day of work, he or she doesn't get paid.

Even minor issues, such as dental caries (cavities), can become a monumental problem if left untreated. Untreated caries can cause distracting pain and tooth loss, and may lead to infections with major health consequences, all of which add up to time lost from work.

Preventing oral-health problems before they start is one of the best ways to keep dental costs — and, in many cases, overall health costs — down. Regular **dental checkups** and cleanings help people keep their teeth and gums healthy. That's why most insurance plans cover 100 percent of the cost for preventative exams every six months.

Regular oral-health exams can also help detect significant, or even life-threatening, medical conditions before

they become serious. More and more dental practices are checking blood pressure and indicators of overall health as part of routine, comprehensive patient care. A dentist can find more than 120 symptoms of non-dental diseases — including certain cancers, diabetes, heart disease, kidney disease, and osteoporosis — during a routine oral exam.³

For the self-employed, the stakes are high. Time spent trying to understand healthcare mandates can mean time away from their business. Therefore, many end up paying more for premiums on individual products that add unnecessary weight to their shoulders. That's why NASE has partnered with **Renaissance Dental** to offer members the opportunity to purchase dental insurance at an affordable group rate comparable to that of mid- and large-size companies.

Through this partnership, NASE members have access to dental coverage that helps keep them at work, pain-free and focused on their business.

Tom Dimmer

*Vice President of Business Development,
Individual Market, and Exchanges*

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Member Spotlight



Dissecting Self-Employment

***John M. Collins Jr.** is the President and Founder of the Forensic Foundations Group. As a 20-year veteran of forensic science in federal, state, and local crime laboratories, John founded the business in 2013 to help build advanced occupational competencies among employees and administrators working in the forensic laboratory sciences. In 2013, John joined the NASE as he was starting his business and found it critically important to him that NASE advocate for the interests of the self-employed in Washington, D.C. Not only that but also that we keep members informed of what we are doing, which in turn keeps our members informed about what is happening on the Hill and how that impacts their business.*

What inspired you to enter the field you are in?

I was 13 years old in 1983, which was the 20th anniversary of President Kennedy's assassination. Because of all of the television coverage leading up to the anniversary, I, for some reason, became very fascinated by the science behind the investigation and the intrigue related to possible conspiracies. Coincidentally, Michigan State University, close to where I lived, had one of the most renowned forensic science programs in the country. So basically, I attribute

my career choice to the timing of the 20th anniversary of the Kennedy assassination, which occurred during a very formative time in my life. My parents were also very supportive of my career choices.

What was the most recent job you held before starting your own business?

It was in 2010 when I returned home to my native state of Michigan to direct the 7 laboratories of the Michigan State Police where I was fortunate to lead the laboratories and their 260 employees to their first-ever international accreditation.

When and why did you start your business?

Over the years, I took an interest in the HR side of forensic science, specifically as it relates to the development of employees and organizations that do forensic science work in criminal cases. Most laboratories fall under the control of a police agency, so the HR function is often lacking in specialized support for scientific personnel. I reached a point where I had developed this niche expertise, and had done so much speaking and writing on the subject, that it would have seemed more ridiculous not to start the business and become self-employed than to actually do it. I finally had to confront the very odd feeling that my own employment was holding me back. I asked myself, “why on earth would I not do this?” and I found the answers to that question pretty unimpressive. So I did it, and am glad I did.

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

My biggest challenge is also my biggest opportunity. I signed a contract with Academic Press to write the first-ever text book about the management of human resources in forensic science laboratories. This has been an incredibly challenging project in light of the fact that I am also getting a new business off the ground. I have dealt with this by dedicating more time and energy to the management of my schedule utilizing online services and mobile apps to expand my “production-footprint” whenever possible. In other words, I make the management of myself a more important priority than I ever did before.

Is any of your managed time spent on marketing your business?

Yes, my business is marketed through two primary channels. The first is a publication I started about 8 years ago with a close colleague called Crime Lab Report. We write highly thought-provoking articles on criminal justice policies related to the use of scientific evidence. The nature of what we write attracts a lot of attention and readership, which serves as a vehicle through which I can also market my consulting services and workshops that I teach. It is a very robust platform that seems to be working well so far.

What's your schedule like, what's a typical day for you? Do you have high energy moments?

I begin working between 6:30 and 7:00 in the morning by taking care of basic administrative responsibilities such as record keeping. I also like to review my social media presence in the mornings and plan what postings I feel need to go out. As far as energy, it seems that I experience two different kinds: executive and creative. There are times when I feel energized to simply engage in the execution of tasks that are necessary for my business to succeed. This seems to peak in the morning and late afternoon for me. It is the creative energy that is harder to predict. Because of the amount of writing I do, I have to ride the creative waves of energy when they happen. Unfortunately this can come at 11:00 at night or 2:00 in the morning sometimes. But I find that riding these waves of energy is like surfing, and it seems to keep me moving forward more quickly than when I was employed with organizations that simply required me to work a standard day.

Is that surfing the best thing about being self-employed? If not, what is?

This is the easiest question for me to answer. I am more productive now than I ever have been because of two things. First, I have 100% control of my time and energy. Second, my work schedule is no longer based on a clock, but on the energy output I can deliver to a particular work task at any one time. If, for example, I feel a strong creative urge to work on my book at 1 o'clock in the morning, then I do it – and I give it 100% effort for as long as I can. If I



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feel a strong urge to review my QuickBooks records and reconcile my financial statements, then I take advantage of that energy and run with it. So what this all does is help me to work, on average, at a much higher level of energy and motivation than I could by simply adhering to a time-based, or clock-based schedule. Being a scientist by trade, I like to think of this approach as “energy-output-averaging,” which has been the single most important ingredient to the success I have had so far. It has also helped me recognize patterns in which I tend to work more productively and efficiently on certain kinds of tasks at certain times. Obviously, I have deadlines and schedules that I need to honor, but I pay close attention to what my motivations are and how they change through the day, week, month, or year.

Between the science and business management, it sounds like a lot of technology, what role does it play in your business?

Technology basically IS my business. Because of the online platforms and communication services that are available, I am probably doing, right now, what it would have taken four or five people to do 25 years ago. So I think that using the right kind of technology can sometimes have the same benefit as hiring additional people. For my websites, telephone services, social media, and even mailing/shipping capabilities I use software programs that amplify what I can do in any given period of time. It also keeps me accessible when I am traveling. The challenge is learning how to use each platform and keep my eyes open for new ones that might give me a competitive advantage.

We have covered some great topics so far, let’s lighten it up: How often do you get asked about TV shows like CSI?

All the time! It doesn't bother me because it's good that the public understands how important science is to our administration of justice, even if the shows like CSI exercise some creative license for dramatic purposes.

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

That I inspired a student to reexamine his/her priorities and recommit to their chosen profession. Unlike what you see on CSI, forensic science can be a brutal profession. My workshops force students to be introspective, which helps reveal new opportunities for self-improvement. I am often told by students that I helped them “wake up,” which always makes me feel good.

One more before we end, what’s the most important piece of advice you would give to someone starting their own business?

The management of your energy is far more important than the management of your time. Both are important, but energy is what builds and sustains a business. If there are certain things you hate doing, see if you can get help from someone else or maybe do those things when your mind seems to tolerate them more easily. The more time you spend in a heightened state of motivation and energy, the more you will achieve and the more successful you will be.



Learn More in the NASE Small Business Locator

Learn more about John M. Collins Jr., Forensic Foundations Group, and other Self Employed businesses in the **NASE Small Business Locator** directory. You can add your own company to the NASE Small Business Locator in up to three categories at no charge – it is a free benefit to NASE members.



Independent Contractor Legislation Re-Introduced in 114th

Representative Erik Paulsen (R-MN) re-introduced legislation that hopes to clarify the relationship between a business owner and independent contractor. Mr. Paulsen has worked collaboratively with interested groups to address concerns raised by small employers over the changing landscape, especially with the growth of the “freelance economy,” in recent years.

H.R. 2483, Independent Contractor Tax Fairness and Simplification Act of 2015, creates a two-part test that establishes a formal definition of who is an independent contractor. The two criteria to determine status would be: “the individual either has investment in equipment or is subject to income fluctuation” and “the individual has control of time worked and performance of services.” The legislation would also clarify a safe harbor provision of the tax code which will also help define an independent contractor. Additionally, the bill provides a new section to the Internal Revenue Code (Section 3511) which will assist businesses in making the proper classification. By adding this section, the goal of H.R. 2483 is to assist businesses with compliance and proper classification of individuals as independent

contractors. In 1978, Congress enacted Section 530 of the Revenue Act of 1978 to provide a safe-harbor for businesses with respect to the employment classification of individuals. This came as a result of inconsistent employment tax audits where the definition of “employee” was unclear. Congress affirmatively acted to make the Section 530 Safe Harbor permanent in 1982. However, this issue wasn't included in tax reform in 1986 and therefore was not codified as part of the Internal Revenue Code.

The NASE has supported efforts by Mr. Paulsen in past years to clarify the relationship between business owner and employee. A coalition, led by the Customized Logistics and Delivery Association (CLDA), has worked closely to ensure that business owners have continued flexibility in hiring independent contractors but also, that independent contractors are properly classified and are aware of their rights.

The bill is under deliberation by the House Ways and Means Committee.

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