

SelfInformed

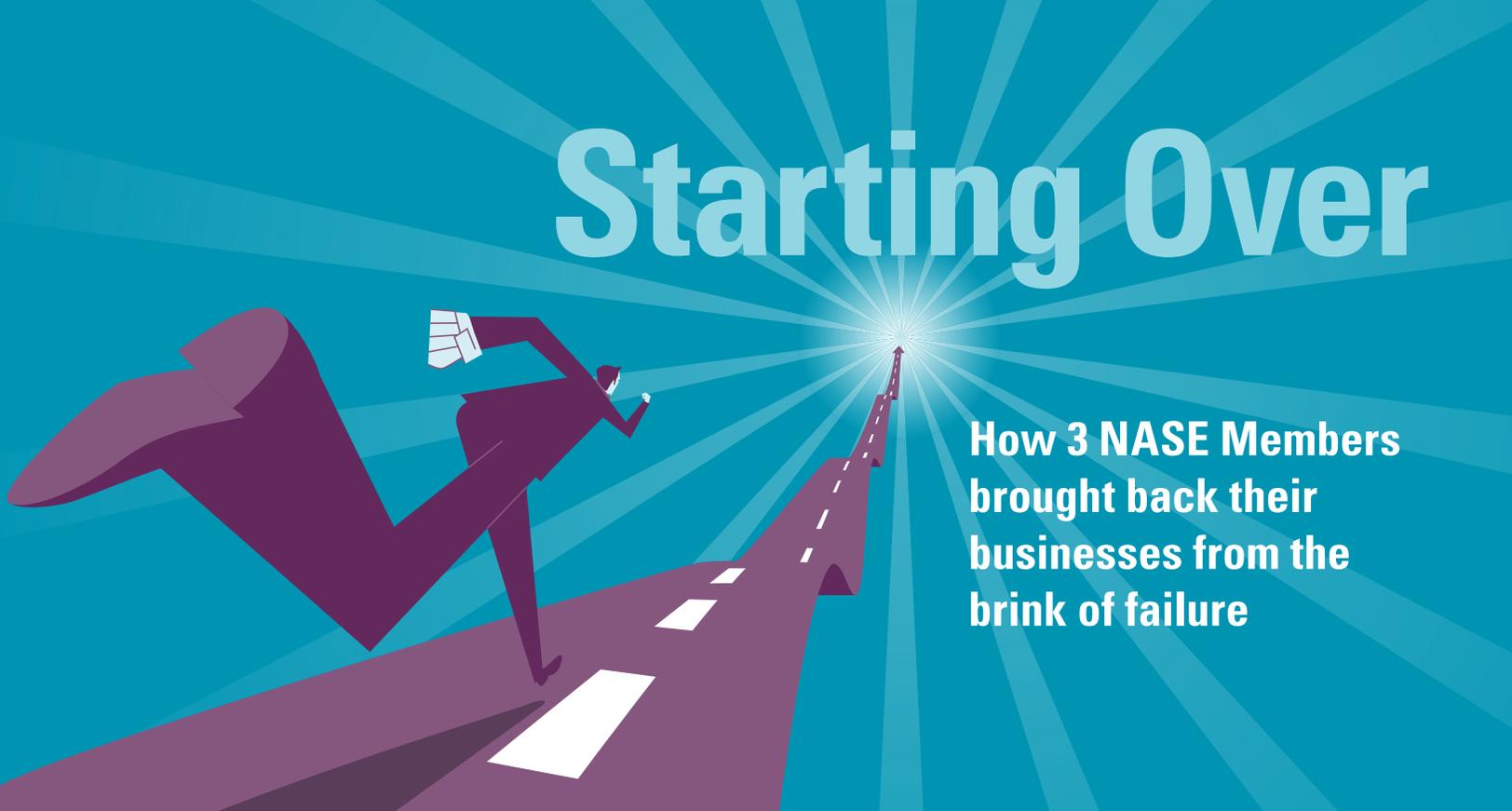
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NASE Member Elizabeth Power believes in the importance of continued learning.

Starting Over



How 3 NASE Members brought back their businesses from the brink of failure

By Alexandra Walsh

Career setbacks and restarts can be particularly challenging for the self-employed.

Rather than just focusing on updating one's resume and strategizing on whom to send it to, the self-employed often have to reinvent their brand, find a new way of doing business and uncover a fresh customer base. This can be a gut-wrenching process requiring a lot of introspection, faith, courage, and above all, confidence.

Determined to Survive

With the end of her 32-year marriage recently behind her, NASE Member Pam McDuffee looked around her jewelry store that had already expanded multiple times and knew she wanted something better. "I wanted something substantial that I could pass on to my children," recalls McDuffee.

Her tax adviser told her to think about buying instead of renting. That literally led her a mile down the road from the strip mall where her business had been located for nearly 25 years to a new site in Harrah, Okla., where she would construct a freestanding building to house her business.

Even though she had run a successful business for decades, McDuffee says as a single woman, it was very challenging getting financing to build the store. "I built this business myself, never asked for a loan and had perfect credit, but the only way I could get financing was to put my house up as collateral." She adds, "That was very hard. I was in my 60s and now had a loan on my house that had previously been paid off." But McDuffee had a long-established business and viewed this as a painful step on the way to bigger and better things.

Just months after moving into her new store, disaster struck twice. First, the local General Motors plant, where many of her customers worked, closed. And then the line of merchandise McDuffee carried, and upon which her customer base was built, closed her account.

McDuffee spent a lot of time thinking, trying to find something that would get her customers back. She thought, "I'm in this deep, I can't give up and I was brought up to believe that when you start something, you finish it."

She added that when she thought about dumping the business and getting a “real” job, she felt a strong obligation to her customers, as hers was the only jewelry retail and repair store for 25 miles. “I had multiple generations of loyal customers that felt like family, so I felt I owed it to them to stick it out and stay, and that’s one reason I’ve kept on.”

McDuffee says that the last 10 years have been a very emotional ride. She does share her worries somewhat with her longtime employees and gets their feedback, but for the most part, she coped during this difficult time by doing what she had been raised to do—deal with the problem.

“I’m a survivor; it’s just who I am and how I was raised. I started working when I was 15 and my mother instilled in us that you work for what you want because it won’t be handed to you,” says McDuffee.

“I put on my happy face at work all day and then I go home and make quilts—that’s my release.” She says she looks at her quilts and can associate them with the difficult times with her business.

McDuffee did eventually find a replacement line of merchandise, but as it was totally different from what she sold before, she still lost customers at first and now has a completely different customer base.

She’s happy to report that business has been very good this year.

Trading In for Quality of Life

When NASE Member Jeff Rooney decided to give up his thriving nonmedical orthopedic service in San Antonio and move to rural Northern California, some people thought he was crazy.

He recounts how all through the economic downturn, his business was successful with 2007 through 2009 representing the peak of his success. “I had a pretty solid referral base, I had a niche service that no one else was providing, I was continuing to get better at what I was doing, and I didn’t have to advertise—I was pretty well set,” says Rooney.

And then Rooney and his wife decided to leave behind his full practice for a better quality of life in beautiful Sonoma County, Calif. “If I had been relocating in the hopes of finding a job, I would have been scared to death, but I wasn’t,” explains Rooney. “I knew what I wanted to do and I knew there was a niche for it.”

Rooney had researched the area and discovered that the nearest clinic that offered his specialized services of medical massage and Egoscue alignment exercise therapy for chronic pain sufferers was more than an hour’s drive away. “I’m pretty analytical and I want to know what the reality is. My rudder is my ability to see what’s really happening.”

Tips to Kick Start Your Business

Career/executive coach and leadership consultant Marshall Brown echoes what McDuffee, Rooney and Buchanan discovered—overcoming fear and changing “buts” into “ands” goes hand-in-hand with regaining one’s confidence.

“The first step to self-confidence is to accept that the setback didn’t come about because of something you necessarily did wrong,” says Brown.

Brown also has this advice for entrepreneurs trying to restart their business:

- Determine what it is you’re passionate about and what excites you and create a vision of what your service should be and what you want to provide.
- Determine how you will brand yourself and/or your service.
- If you don’t have all the skills you need to make that vision a reality, understand what’s missing and get those skills.
- Do your research and know what today’s economy can support and your target audience.
- Know the trends and open your mind to look at different perspectives and all possibilities.
- Form a board of advisors consisting of people you trust who can act as a sounding board and help evaluate your services, your weaknesses, and your options.

Brown adds, “The economy is still tough out there but if your business is rooted in your passion and your vision, the more likely you are to recover and succeed.”





NASE Resources to Help You Reboot

When times are tough or your business needs a makeover, the NASE can help. Check out these benefits:

- **Business Learning Center:** The NASE helps you stay ahead of the curve with educational resources and advice from our expert small-business consultants. Get the information you need from our e-newsletters and publications, and submit your questions on business strategy, taxes and more to our experts.
- **crowdSPRING:** Whether you plan on rebranding your business or simply giving it a fresh look, consider this online marketplace for graphic design and writing projects. If you need anything from logos and stationery to websites and brochures simply post what you need, when you need it and how much you want to pay. Once posted, over 53,000 designers and writers from more than 170 countries around the world will submit actual designs—not bids or proposals—for you to review.
- **NASE Web Services:** If there's one marketing tool no business should be without, it's a website. NASE Web Services can help with website design or redesign either by helping you design your own website, or by allowing our experts to use your content and design a website for you. NASE Members receive special pricing on design and hosting packages.

Rooney says he has always been impressed by how creative entrepreneurs are but that they need to be reality-based and get a clearer picture of their terrain. "People have a tendency to not do their homework and make emotional decisions, which lead to unfortunate mistakes."

Rooney realized the market was different in his new home and that he would have to be more innovative and define his niche differently. He started by using technology to his advantage. "In San Antonio I didn't have or need a website. Here, I'd be lost without one. Most of my initial referrals came from my website."

As he was located so close to the land of internet start-ups and the population was very tech savvy, he decided to incorporate

Skype into his business model. This allowed him to visually assess and work with his clients anywhere in the world.

Not to say that the transition was without its hiccups. "What I've learned this past year is that there is so much uncertainty out there that can be transformed into fear and the more fearful I became, the more my creativity went out the window," explains Rooney. "Fear is a constricting thing and when it's chronic, it's debilitating and very toxic."

"My wife and I began to look at this move as a big adventure and remembered how fortunate we are to be living in one of the prettiest places on Earth," says Rooney.

They also learned to enjoy a simpler lifestyle closer to nature and focused on building up Rooney's clientele. "It helped us focus on what's really important, personally and professionally."

Redefining Success

In her early 20s, NASE Member Aly B. Snider decided overnight that she would become an independent licensed contractor. She'd been turned down for a raise by the contractor she worked for. Knowing she was a good worker and what the contractor was billing her out for, she realized she was worth more than she was being paid and thought she had nothing to lose.

She started a painting business and went from working alone to having 20 full-time workers. "I had no life managing that many employees, but I was successful," she says.

In July 2008, her jobs started to slow down and by November, she realized she'd hit a wall. "I had way too much overhead, work was not coming in and I was competing with people who were charging nothing. People were also not paying us."

Snider recalls it was a really frightening time for her. She borrowed all of the money she could through an equity line of credit on the business and put payroll on personal credit cards. She went without a paycheck for a year. When that proved to not be enough, she ultimately turned to her father for advice and financial help.

"After working my way through college and tasting the sweets of success, it was a huge blow to my ego to have to go running to Daddy," she admits. "But he made me realize that I hadn't done anything wrong, that no one in his or my generation had experienced a downturn like the one we were in, and that it wasn't possible to be responsible for all these people."

She says he impressed upon her that what was of the utmost importance is that she take care of, and stay, in business to support herself and as many employees as possible.

She sold her trucks and laid off 16 of her 20 employees. "I did everything I could to help them, including putting myself at risk of losing my house. It was very hard to handle those feelings of having let people down."

In her business, the painting process became deliberate, precise and streamlined with her crews working 10-hour days, four days a week so she could keep her trucks off the road one more day.



She did all of the driving to and from the paint store so the crews were always onsite painting. She stopped using paper and used emails for contracts and project updates for the customers, and paid bills online to save on postage.

“I started to feel effective when I downsized. I went from feeling out of control to deciding that I did not believe I was meant to fail. I had been in business for eight years by working really hard and I was determined to be in business for another eight years by working smarter,” says Snider. “I took my adrenalized, freaking-out energy and put it to use in a logical way to figure out where I was being wasteful and where I could save money. It gave me a new mission and it felt good.”

Not able to afford a website, Snider started a Facebook page and rebranded her business so people wouldn't think she was just a decorative painter. That tactic produced many projects that took less time and overhead and since then, she says she has been rebuilding her business and paying back all the credit she borrowed to stay in business.

Today, Snider is married with a six-month old and has no desire to go back to 20 employees despite the “sweet paycheck.” She says the experience of nearly losing everything was humbling and she believes she's a better person for it.

She also knows her definition of success is different and more realistic. “I first thought success was my name on five trucks, tons of equipment and people wearing my name on their uniforms. Now I think what's important is living in a house you're comfortable in and eating healthy food and having everything that's required to meet your basic needs versus slaving for someone who doesn't value you,” says Snider. “Success for me is happy employees and good relationships with everyone in my life.” ■

Alexandra Walsh is the vice president of Association Vision, a Washington D.C.-area communications firm. She has a 30-year career as a communications professional, which has included no small number of reinventions, restarts and recharges.



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Ask The Experts

Q: *I'm an independent graphic designer and occasionally contract with copywriters. In the past my expenses have not exceeded the \$600 maximum, but in 2012 they did, so I need to set up a 1099. I have the writer's W-9 form, but I don't know where to go from here. I found a service by Intuit for \$25 that will do the work and file it for me, but I'm sure there must be a way to do it myself. I use Sample Pay to help figure out how to fill out and file my 944, W-2 and W-3 forms, but don't see that they offer a service for 1099s.*

A: The completion of the form 1099 is very easy. There are certainly accounting software programs and services such as the one you mentioned to help with the filing, but you can also easily do it yourself. If you have a large number of them it might be easier to go the software route, but if you only have one or two, my recommendation is to simply complete them manually.

The only information that is needed for the Form 1099 is the recipient's name, address, tax ID number and the amount that you paid them. All of this information (except payment amount) is included on the W-9 form that you have for each independent contractor. You will also need a form 1096, which is just a summary form showing the totals of all the 1099s that are attached. You can download a copy of the form 1099-MISC directly from the IRS website along with detailed instructions at irs.gov.

Note that the online form is for informational purposes only and should not be filed with the IRS. Instead, you can get the forms you need for filing at any office supply store such as Office Depot or Staples. You can also order them free from the IRS by calling 800-TAX-FORM.

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's 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!

Q: *Can I deduct my NASE Membership dues on my taxes?*

A: Yes, most of your NASE dues are deductible. The IRS does not allow the deduction of any business association dues that are related to lobbying efforts. The NASE certainly promotes the interests of small businesses in Washington, D.C. Thus, a portion of your dues must be considered lobbying costs. The NASE has determined that \$17 of your annual dues are allocated to those efforts of promoting small-business legislative issues and therefore must be excluded from the deduction. So, the amount of your dues actually paid during 2012 less \$17 will be deductible on your 2012 business tax return.

Keith Hall, NASE Tax Expert ■

Member Spotlight

Lifelong Learner

Elizabeth Power has been an NASE Member since 2004. She owns EPower & Associates, Inc., in Nashville, Tenn.

Tell us about your business.

We provide instructional design, development, delivery, and evaluation services as well as documenting applications and processes. My work in instructional design focuses on the “behind the scenes” work that increases the risk of your actually learning something—and maybe even enjoying it a little—as opposed to trying to learn something in a formal setting. Sometimes people allow me to help them figure out if the problem they’re trying to fix will be solved by training; sometimes they tell me they’ve already figured that out.

When training or learning something is the right solution, or when people need guides for things like software, an instructional designer crafts the measurable objectives the training has to meet, gets approval, then generates the content needed, validates it, and based on the content and situation, decides on the instructional methods (lecture, simulation, case study, group discussion, and so on) to use. We produce the learner guides and the facilitator guides and any tests required to assess if the learning actually occurred—then test the work we have done and adjust it. There’s a lot of detailed work, mapping, and ensuring alignment to business needs, content, and testing. I’ve designed training in automotive manufacturing, finance, home health, even for an emu farmer—I really love to help people learn.

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

I’ve used a number of NASE benefits during my time as a member. The Ask the Experts program has helped me answer questions in the middle of the night and saved on professional services costs. The *SelfInformed* e-magazine helps me get new ideas. I’m also thinking of starting a not-for-profit organization, and the information in the Startup Kit has been useful.

What’s the best thing about owning your own business?

I can occasionally take a nap in the afternoon, or walk outside and tinker in the garden when I am in my home town. I can manage my own inner life and match my work pace to it, so that my self-care is often much higher than that of my colleagues who are employees. I get to work with exceptionally cool clients while doing some good here and there!

What advice would you offer to your fellow NASE Members?

Be persistent, and always keep going. Take care of yourself—put your oxygen mask on first—eat, rest, care for yourself well. If you’re missing a skill, find someone who has it. Be grateful—always give thanks for what you have. And keep learning and applying what you learn. ■

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](#).





2013:

Paychecks Will Be a Little Lighter

By Kristie L. Arslan

The American Taxpayer Relief Act of 2012 was signed into law by President Obama on January 2, 2013. While the Act avoided hitting many self-employed Americans with higher income tax rates (individuals making less than \$400,000 and couples making less than \$450,000 will see their income tax rates remain the same), those with income exceeding those levels will see their tax liability increase to a rate of 39.6 percent. In addition all Americans will see their paychecks a little lighter in 2013 due to expiring tax holidays and two new health reform law-related taxes.

While addressing the individual rate captured most of the attention, Congress did address other expiring tax issues in its last-minute deal. Two of interest to the self-employed are the Alternative Minimum Tax (AMT) and the Estate Tax. In a bold move, Congress approved a permanent fix to the AMT, a tax mechanism that when created was not indexed to inflation. This meant that every few years, Congress would have to approve a “patch” to increase the tax threshold so that middle-income earners were not taxed at a higher rate. With respect to the Estate Tax, Congress made permanent the \$5 million exemption level, indexed to inflation, while also allowing a \$5 million lifetime gift to children and grandchildren.

However, with all of the talk about ensuring that the middle class and America’s small businesses were not hit with an increase in their tax liability, this is simply not the case. All Americans will see their tax liability increase in 2013 due to expiration of the payroll tax holiday (i.e. the Social Security tax), the increase of the hospital insurance tax (pulled from the payroll tax deduction), and the *new* unearned income Medicare contribution tax established under health care reform law.

No doubt the situation could have been much worse if Congress had not acted. Yet, for many of the self-employed working hard each and every day, the addition of new taxes will undoubtedly cause a few headaches during the first quarter of 2013. ■

Individuals making less than \$400,000 and couples making less than \$450,000 will see their income tax rates remain the same.

Kristie L. Arslan is president and CEO 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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