

# SelfInformed

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## 6 Effective Tips For Starting a Small Business and Saving Money While Doing It





# 6 Effective Tips

## For Starting a Small Business and Saving Money While Doing It



Starting a business from scratch can be both a liberating and exhilarating experience for the aspiring entrepreneur. However, it is not a decision to take lightly as it requires the person to willingly make significant changes to their lifestyle, mindset, and level of commitment that is required for building a business. After all, it is significantly different being a small business owner rather than being an employee that works for someone else. For instance, a person that is someone else's employee enjoys the reliability of receiving wages and benefits for their daily efforts in helping the business stay functional. It also means the employee has vast amounts of company resources at their disposal, whereas the small business owner has to develop it themselves.

Building up resources that help aid in making a small business operational, functional, and income generating takes time, money, and patience. It also requires one to determine their level of willingness to take risks while knowing their limits, as well as understanding the potential for failure and intense scrutiny by others. This is why an organization **like ours (NASE)** was created as its sole intention is to offer entrepreneurs and small business owners a wide range of resources and tools to help people run their businesses more successfully. This article will discuss three ways to starting and growing a small business as well as three ways to save money when doing it. Whether you're a small business, micro business, or a family business, there are valuable points to be taken for all seeking to become their own bosses.

## Starting and Growing Your Small Business

### 1.) Know Your Customers and Niche Markets:

You've decided to start and grow your own small business. In other words, you've decided to become your own entity. This creates an invigorating sense of independence. However, it's always important to stay focused on the rationale that you are still a business that must continue to operate like a business. When meeting with potential clients or dealing with existing ones, it's important to remember the fact that it's your job to produce results as well as solving an important problem

for them. In this case, it is not about you, as it is more about the client and their needs.

This is why it is extremely **crucial to figure out which niche markets and industries your business is going to cater, as well as understanding the specific customer needs.**

These are two crucial areas that the small business owner can easily marry together since they tend to synchronize perfectly. After all, it enables them to know in greater detail their clients' industries, changing needs, and current capabilities in regards to their overall strength and competitiveness. Focusing on every industry or niche market makes it harder to specialize and develop a high-level reputation and expertise for your small business. It will also make it significantly harder for your small business to climb the client totem pole. In addition, it can also prevent the business owner from gaining the capability of receiving higher quality and higher paying **clients that immediately require someone to begin solving their problems** and needs at day one.

## 2.) Be Willing to Take Risks and Finding Out What Works:

Being an entrepreneur, small business owner, or even a micro business owner means that one cannot afford to always be risk averse. In fact, taking risks is part of the everyday mindset of any business owner since they decided to become an independent entity. With that said, **knowing the ability to calculate and manage risk** is needed in order to learn how to capitalize on great opportunities. The key to risk reduction is to reduce the level of uncertainty when making big decisions for your business growth projection.

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In addition to risk management, it is **always important to experiment and find out what works and what does not work for your business model.** This means that you cannot be afraid to experience failure while undergoing the process of starting your business. In fact, being able to learn from failure can provide the business owner with a valuable and strategic edge when reaching a vital point in their entrepreneurial careers. Experimentation of business ideas and practices can help elevate your business in ways that the business owner may not have even considered previously. Knowledge gained is knowledge earned and it provides the entrepreneur with both a long-term edge and life long expertise that can be repeatedly incorporated throughout their lives.

## 3.) Concentrate on Establishing Loyalty and Dependability with Clients:

Whether you are handling new, existing, or potential clients, it is always important to continue reinforcing your business persona as the primary go-to entity for their needs. This should be a top priority for



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every business owner for several reasons. The two most important reasons are to **establish brand loyalty in regards to your services, products, and expertise as well as dependability**. In other words, show your client that you are the most reliable business vendor that they can do business with at all times. After all, there are always other businesses looking to compete for your client's attention as well as seeking ways to steal them from your business. As a general rule, it is **wise to keep your client relations in pristine condition** at all times. Never take them for granted, especially if they become an economic lifeblood for your business survival.

## **Bang for the Buck Money Saving Tips When Starting a Business**

### **1.) Focusing on Hiring Older Professionals:**

For ten plus years there has become a growing trend for businesses to hire only young professionals for their positions. Between the retiring baby boomers and Gen Xers the numbers are becoming more staggering each year. A **comprehensive study by the San Francisco Federal Reserve** showed that job applicants who are above the age of 49 are more likely to experience age discrimination at higher levels. This is a growing problem but it also spells a potential opportunity for the small business owner looking to hire and expand their growth. Making it a policy to hire older and seasoned professionals can be an excellent way to gain access to high quality talent but at lower prices. It would be considered a pay cut for them, however, it also gives them the incentive and determination to see the business succeed. More importantly, any professional development with them can be considered more cost-efficient and streamlining as a result of their seasoned experience.

### **2.) Work from Home and Purchasing Used Equipment:**

One thing new entrepreneurs should realize is they don't really need to start out with all the fancy new gadgets and have a perfect ideal location for



their new business. In fact, it will end up eating their limited budgets that they need to extend and conserve for an unknown period of time, until their business is fully profitable. **Working from home** is a key money saver for the new business owner and it provides additional capital that can be used elsewhere. For instance, that additional capital can be used for purchasing used equipment that is needed for the business startup. The added expenses of purchasing new and advanced equipment are something established businesses might be able to afford. However, the new business starting out is most likely unable to afford them.

Instead, it is **wise for them to purchase used and reliable equipment that is significantly cheaper** than their newer counterparts. This is truly getting bang for the buck for a piece of equipment that has a proven track record of use and reliability.

### 3.) Don't Hire Full Time Employees in the Beginning:

It can be extremely difficult to hire a full time staff for your business startup venture. After all, the business is being built from scratch **with limited resources** while having an abundant amount of goals and objectives that need to be achieved by the entrepreneur. Funding and allocating resources to daily operations and future vision will require both a strategic and tactical mindset. In other words, it is best to hire people whenever the entrepreneur

truly needs them to fulfill a specific task. **Hiring freelancers is a great way** to do this. They're in business for themselves to help other businesses grow and thrive without the entrepreneur having to worry about doing things in-house.

### Conclusion

In conclusion, these are some great tips for new, existing, and aspiring entrepreneurs to start and grow their business startups while saving expenses at the same time. It takes a great deal of time, patience, and willingness to test what works for your business model. Also, markets and trends fluctuate all the time and that is why the small business owner must always be prepared to adapt and take advantage whenever times are volatile and advantageous for growth expansion.





# Ask the Expert

## Too Early to Start Thinking About Taxes

I hope 2018 was a great year for you and your business and that your expectations for 2019 are even better. Most of you haven't even begun to think about taxes for 2018, but I wanted to start the year asking you to think about taxes for 2019. I know, I know, who cares about a tax return that isn't due until April of 2020 but I will put my money where my mouth is. You may have heard me say that almost all tax savings ideas, the really good ones, end as the New Year comes in. Most great ideas have to be considered and implemented before the end of the year and before you actually start filling out any of those silly IRS tax forms. I want to help you save up to \$5,000 in taxes for 2019 just by reading this idea and then saying, "Yes!"

The new tax law that took effect beginning in 2018 made significant changes to the amount of the standard deduction. The standard deduction is basically the amount that we can all earn tax free before having to file a tax return. The new tax law changed that number from about \$6,500 all the way up to \$12,000. That means that if you have a summer job and make \$12,000 and that is your total earnings for the year, then you will pay no tax. You don't even have to file a tax return.

The point of this tax savings idea is that the \$12,000 tax free earnings level applies to all single taxpayers... including your kids! That's right...each of your kids can earn up to \$12,000 tax free. So where can they get a job to earn that much money?? If you are a self-employed business owner with a kid at home, ages 7 to 17, its time to put them to work. Create a job! Instead of just paying for their clothes and activities and savings accounts out of your personal household budget use the money that they earn as an employee of your business.

### But it even gets better....

The wages you pay your child, the \$12,000 that is tax free to the kid, is fully deductible on your business tax return reducing your taxable income for federal income tax and for self-employment tax. If you are in one of the middle tax brackets at 22% or 24% that would mean

about \$2,700 in lower federal tax and another \$1,800 in lower self-employment tax. A savings of about \$4,500 for money that you are already giving the kid anyway in a different form. And if your state has a state income tax, the savings are even higher.

As I talk to small business owner all across the country and talk about the benefits of creating a job for kids, I always get that same concern...."This is too good to be true! Is this legal? Does this create a red flag for the IRS?"

Let me answer that with two simple links, one from the IRS itself and one from the Small Business Administration...

[www.irs.gov/businesses/small-businesses-self-employed/family-help](http://www.irs.gov/businesses/small-businesses-self-employed/family-help)

[www.sba.gov/blogs/5-reasons-hire-your-child](http://www.sba.gov/blogs/5-reasons-hire-your-child)

In fact, if you type "Hire Your Kid" in your favorite internet search engine you will find links from the IRS, from the SBA, from Forbes Magazine, and even from the NASE promoting the benefits of hiring your child.

This is truly a tax planning no brainer. If you are self-employed and have a kid at home aged 17 or under, there is absolutely no reason not to create a job for your kid. The catch is that you can't wait until the end of the year. You can't wait until tax time and just take a random \$12,000 deduction. You have to act. You don't need anyone to do this for you, but you just need to do it. If you need help, use that search engine and find the help you need. Or even better, contact the NASE through your favorite expert and we will help get you started. There is about \$4,500 lying on the floor waiting for you to pick it up. Now is the time! Don't let this get away for another year.

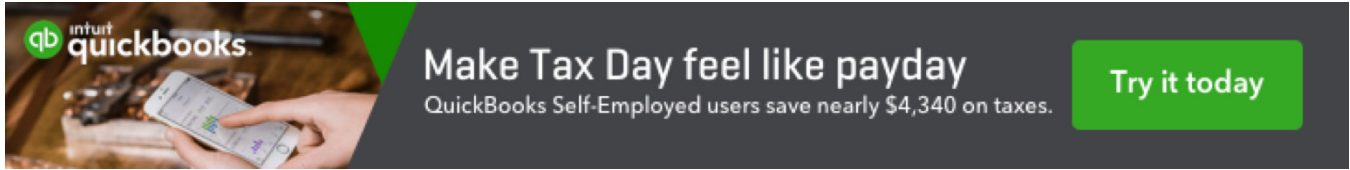
As always, don't forget that you are not alone. Bookmark our website at [NASE.org](http://NASE.org) as well as the IRS website at [IRS.gov](http://IRS.gov) you will always be able to find the help you need.

New!



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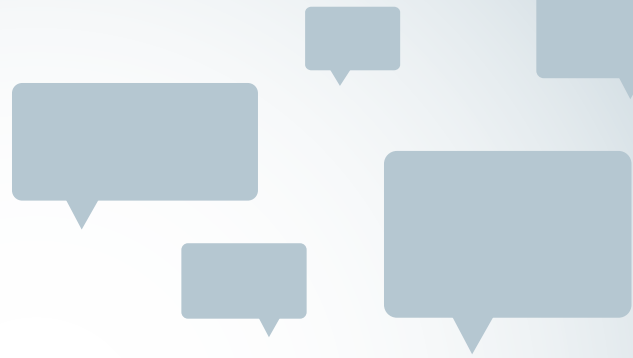
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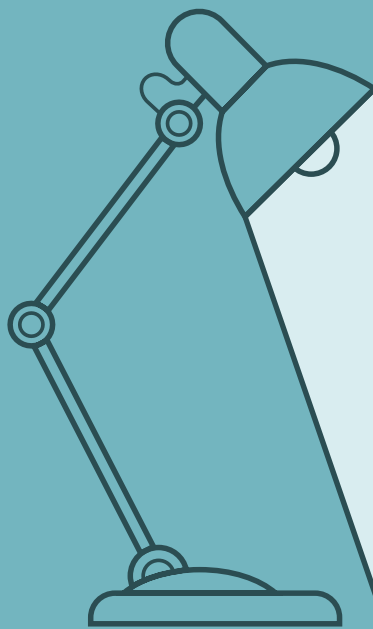


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# NASE Submits Comment Letter in Support of HRA Regulations



In the waning days of 2018, the National Association for the Self-Employed submitted comments in support of rules around health reimbursement arrangements (HRAs) that are being proposed by the U.S. Departments of the Treasury, Labor, and Health and Human Services.

The NASE has long championed and advocated for a reversal of treatment of Health Reimbursement Arrangements that were implemented by the previous Administration. We have advocates strongly in the belief that the self-employed and micro-business owners should have as many tools available to them to deal with rising health care costs and having access to HRAs is essential to ensuring that all Americans can have affordable health care.

With the vast majority of Americans, roughly 180 million, receiving health care through an employer-sponsored system, the self-employed and micro-business owners have largely been unable to offer coverage to their employees due to costly burdensome requirements and mandates, resulting in them being unable to offer health care benefits, in any form. In fact, the number of small businesses

offering group health insurance has declined by 25 percent since 2010. Currently, less than half of small businesses offer any kind of health insurance to their workers. The smallest of businesses are being treated unfairly in the current marketplace, however, the opportunity for a small employer to offer and a self-employed individual to benefit from an HRA for the purchase of individual health coverage (IHC) will help millions of businesses offer a meaningful benefit to their employees.

The comment letter further stated NASE's support for allowing an employee to fund an HSA that can be used with an HSA-compatible policy purchased with HRA funds. We requested that the Departments provide clarity in that an HRA that does not provide reimbursement for out-of-pocket expenses is compatible with a health savings account (HSA).

We look forward to quick action by the Departments of Treasury, Labor, Health and Human Services, in issuing the final rule. ■

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