

SelfInformed

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Member Spotlight

**Chris
Bouchard**





SMALL BUSINESS START-UP FINANCING OPTIONS



Every year, choices for business financing are more plentiful: small banks, Internet banks, crowdfunding, grants and creative investment are just a few of the methods growing rapidly. However, running concurrently with this availability is a set of legal risks that also grows each year. Small businesses have less protection than corporations in banking and loan fulfillment areas, in general, but carry liability in every job they do or product they sell. This is especially true for sole proprietors, who usually risk home and family finances when starting or expanding their ventures.

Whether you have a great business idea or are planning a new segment for an old business, funding is probably your biggest challenge. A complete, sound business plan in hand, you enter the financial fray that has exploded with choices in this digital century.

We will look at traditional and emerging methods for financing with an eye toward the “risk vs. reward” dilemma that small enterprises always face.¹ Entrepreneurs know it well, whether they have begun one or a dozen businesses.

With friends like these ...

First-time business owners often approach friends and relatives about funding a business idea. They might ask for outright gifts or offer some part of profits or percentage of the company in return. New owners might offer partnerships in return for investment. These opportunities are vital to new business development provided the legal aspects are completely worked out in writing.

Gifts are a great way to begin a venture, but any money given must have absolutely no expectations attached by the giver. A gift must be specifically attested in writing. Remind givers that this protects everyone involved (in some cases gifts are deductible).

Investments are contracts between the financial parties. Friends and relatives are some of the best initial investors, but any contract must stipulate what happens if a business fails. The elephant or the 500-pound gorilla in the room is this fact: most ventures fail. Create a payback schedule and exit strategy as outlined in your business plan. Address the specific investor with each consequence in the event of failure.

Your wish is granted

Grants from government entities could be a big part of your financing strategy. State and local governments have a wide variety of grant programs for new businesses, but restrictions and requirements are rigid. However, many communities have in place revitalization plans that include generous grants for businesses that open within certain geographic locations.

If your enterprise has a retail or office-space component, these “revitalizing Main Street” grants



might work. They have particular interest in micro businesses and micro loans, generally under \$5,000. These loans allow individuals to get the basic funds to start an idea on its way. According to statistics², seventy-five percent of small businesses are sole proprietors and fifty two percent are home-based enterprises. Local grants are ideal for these individuals. Do your homework by finding out all the detailed requirements for getting a grant; grantors look dimly on applications that do not fulfill their requirements.

The Small Business Administration and **National Association for the Self-Employed (NASE)** are the best starting points for information about grants. There are many types and you can get help finding exactly what is available for your business start-up.

Small Businesses Are...



“SEEK LENDERS WHO
ADVERTISE EXPERTISE
IN YOUR BUSINESS
AND LOCAL AREAS”



Lend a hand

Business lending is one of the leading financial sectors in the United States. Every business needs capital on hand or promised. Developing a business generally means developing lending relationships with banks and others. Aside from personal loans from friends and relatives, commercial lending is a mainstay for American entrepreneurs.

Being a small business owner can be extremely fulfilling and very worrisome, and for the same reason: money. While owners love the freedom of being their own boss, most find that a lender or two are bosses as well. Don't let this become an impediment. Look at lenders as partners in helping your business succeed; whether a big bank or small loan company, you are helping their business succeed, too.

After getting your business plan in the best possible shape, seek lenders who advertise expertise in your business and local areas. Check credentials and reviews of local lenders. Check with friends who have their own businesses or deal with finances regularly. Accountants and managers at

local businesses are probably willing to help. This traditional lending arrangement is an alternative to using your own credit cards and finding friends or relatives who can help.

The Small Business Administration (SBA) offers government backing to lenders who make small business loans, so the risk to the lender is less severe. The SBA does not loan money directly. Like [NASE](#), the SBA offers guidelines for lending, business plans, insurance advice and more.

A less traditional but powerful form of funding is venture capital funding. Venture capitalist companies generally offer equity funding with fewer restrictions, accepting more risk than traditional banks. Venture capitalists usually invest in ideas that they believe have potential for fast or large profit.

Join the crowd

A new frontier has opened in fund sourcing. Crowdfunding, or crowdsourcing, is all the rage for financing small ventures. On its face, the situation seems ideal: a lot of people you don't know (and some you probably know) send small donations

in support of a great idea for a business. In its simplest form, the crowd out there helps the little guy with very little risk to either. This atypical form of capitalization has grown rapidly for the last decade, as social media has grown exponentially.

This explosion offers a platform for funding everything from injured persons to helping with natural disasters. Entrepreneurs quickly began describing their ideas and asking for funds to get started. The crowdfund is usually built around a unique product or service, but also could fund ventures that have a strong local appeal. Unique restaurants, high tech service and repair, and health/fitness operations are a few of the popular ventures recently funded on www.indiegogo.com.³

One downside to crowdfunding makes it a less obvious choice for many people: Crowds are unlikely to fund businesses that are not new and exciting. If you are starting a house cleaning business or lawn service, you are less likely to generate a crowdfund of any size. For these types of businesses, as well as franchise owners and operators, other financing as discussed above is usually more appropriate.

There are exceptions. An entrepreneur starting a standard business model but locating in an abandoned property might find that local crowdfunding works because the business has potential to upgrade the area.

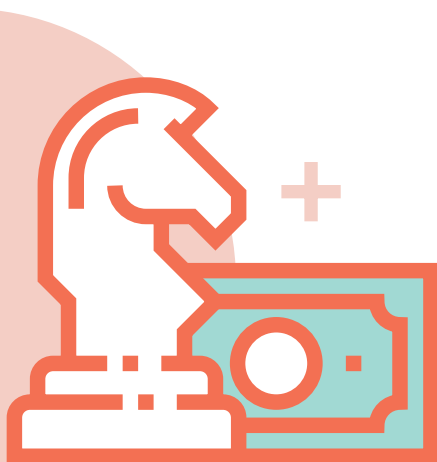
Let's get personal

Finally, we look at some personal financing options that could be ideal for sole proprietors in certain situations⁴:

- Use a 401k for start-up funds. If you have battled in the corporate world and are now looking to go on your own, you might have a substantial 401k retirement plan that you can borrow against. The plusses are that the funds have been saved and you will be paying yourself back rather than a lender. However, it removes some of your retirement funds which otherwise would be getting interest.
- Get a home equity line of credit. These funds are spent as you need them and paid back as a periodic loan. The funds are readily available but are a loan against your property.
- Apply for a personal loan. We end with perhaps the least palatable option for new business owners. A personal bank loan generally has higher interest rates, but you might need little or no collateral depending on your personal credit score. ■

Sources:

1. <https://www.fundera.com/blog/small-businesses-deserve-the-same-legal-protections-as-consumers-when-seeking-a-loan>
2. <https://www.forbes.com/sites/jasonnazar/2013/09/09/16-surprising-statistics-about-small-businesses/#681cea8e5ec8>
3. https://www.indiegogo.com/#/picks_for_you
4. <http://fitsmallbusiness.com/start-up-business-loans/>





Ask the Expert

“And Mom and Dad can hardly wait for school to start again”

One of my favorite Christmas carols includes that phrase about school starting again and as a parent I never really understood that. When the kids were out of school I always had a great excuse NOT to think about things such as estimated tax payments or year-end planning because there was always the beach and baseball and the pool.

But as we settle into September with the kids back at school it's time to pull out the business plan and take stock of where we are for the year. The third quarterly estimated tax payment is due by Friday, September 15th and now is a great time to make adjustments to your annual plan.

How has the year gone so far? More customers than you had

planned? Net income and cash flow are up for the year? Maybe down for the year? How about prospects for the remainder of the year? New business in the pipeline? New opportunities to explore?

September is a great time to stop and re-plan or update your existing plan for the remainder of the year. If your results for the business are better than you had planned then it is a good idea to make sure you have the cash flow to address the extra tax burden of success you will face next April 15th. If you need to increase your third and fourth quarter estimated tax payments then you will have the detail necessary to calculate those estimates. If on the other hand your business is lower than you

had hoped then certainly it is a good time to adjust the amount you anticipated sending in to the IRS. Never send them more money that you absolutely have to and never any earlier than you have to.

The bottom line is that NOW is the best time to stop and take a look at how the year has unfolded so far and how the remainder of the year is liking to look. Don't spend a whole week crunching numbers and consuming Advil, but take a few hours and look at the numbers. Ask yourself, “How are we doing?” Update your plan and if the numbers are different than you had planned then you will know you need to adjust your tax estimates as well.



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



Member Benefits

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



You could say we're
giving away money.

To small businesses just like yours! Apply for a business development grant from NASE today, worth up to \$4,000.

Apply for a grant >



APPLY FOR A BUSINESS DEVELOPMENT GRANT FROM THE NASE WORTH UP TO \$4,000!

Grants are designed to help address a specific business need.

Do you need **\$4,000** to help your business grow? **Login and apply** for an NASE Growth Grant Today! You could receive up to **\$4,000** for your small business through the NASE Growth Grants program. The NASE has already awarded more than **\$600,000** to NASE Members just like you.

Grants can be used for business improvements, expanding facilities, specific business purchases, equipment purchases, marketing efforts and hiring employees.

You could be the next grant recipient.



Connect Lending is providing an online platform to match business owners to the right lender for their business solution.

Their cloud-based database has access to thousands of lenders nationwide that offer over

42 different funding types supporting everything from startup financing, alternative lending and traditional lending.

Using Connect Lending's advisor networks, and with access to alternative and traditional lenders, CL is providing a community driven lending marketplace, connecting business owners to a lender of their choice.



Member Benefits

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



SAVE UP TO 32% ON UPS OVERNIGHT DELIVERY SERVICES WITH THE NASE/UPS SAVINGS PROGRAM.

Take advantage of special pricing discounts through UPS under the NASE/UPS Savings Program. Through this program, UPS offers **special shipping rates** for NASE Members on **overnight, international, and ground delivery services**. Enroll online at www.savewithups.com/nase.

UPS provides reliable overnight and international service to virtually anywhere in the world, serving delivery points within the United States and over 200 countries and territories worldwide. **UPS offers multiple ways to ship. Choose the access that suits your needs and budget:**

- Daily Pick-up
- UPS On-Call Pick-up
- Thousands of Drop-Off Options



HIRE YOUR KID AND REDUCE YOUR TAXABLE INCOME BY \$6,000

Why Should You Hire Your Kid?

Creating a job for your child can be a rewarding experience for both you and the child. A job can promote maturity, understanding, a sense of pride and self-worth. However, creating this new job does one thing for sure, and that is save you thousands of dollars in taxes.

That's why we are here! Your first thought to the Hire Your Kid Tool Kit most likely is that it is too good to be true. Create a job, do the paperwork, file the tax returns, report the wages, and you will pay thousands less in taxes on April 15th. The best news is that we will do all the work. You pay the kid and we will do the rest.



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Be sure that you access the directory, request a new password and update your listing. You can also upload your logo, profile picture, create photo albums, and promote your listing through social media. Offer coupons and get free leads.

Granting Self-Employment



Chris Bouchard is the founder and CEO of [Revgen Solutions LLC](#) located in Dayville, Connecticut. The vision of RevGen is to increase the impact that organizations have on society and the economy by assisting them to develop healthy, strategic, and sustainable initiatives. While working part-time as a case manager for a grant funded program Chris began to blossom and knew he found his calling in being behind the scenes and helping others fundraise for worthy causes.

When and why did you join the NASE?

I joined NASE in September of 2016. I was approached by a member of NASE who wanted to apply for the NASE Growth Grant. I prepared the business plan on behalf of that person to submit to NASE as part of the Growth Grant criteria. That's how I was introduced to NASE and I subsequently became interested in becoming a member myself.

I joined for a few reasons. First, I want to support the self-employed community and I'm proud to be a part of the small business and self-employment

movement. I can proudly display that with my NASE badge on my website. Also, being a member of NASE is an affiliation that shows commitment to professionalism, rather than giving the vibe of a "fly-by-night" freelancer. So essentially, being a member of NASE is a great marketing tool. And lastly, the benefits are immeasurable, and as the global marketplace continues to evolve and welcome self-employment as the new norm, an association such as NASE needs to be available for business owners- and for that I thank you.

What inspired you to enter the field you are in?

Winning my first grant award was undoubtedly my biggest inspiration. I had always enjoyed writing and I always considered myself somewhat talented with the English language, but getting that first letter was the confidence I needed. I knew, from that point on, that there was nothing more that I wanted to do with my life than to spread my abilities to help people secure funding for worthy projects.

When and why did you start your business?

I have been self-employed for most of my adult life—even between my hourly jobs. For the most part, I worked for employers long enough to get together start-up money and venture out on my own. I had many failed attempts in different business ventures, but I became serious about my fundraising business around 2011. In fact, it almost “fell in my lap”. I was asked to write a grant for a grassroots organization, which is when I became very interested in the grant world, and after my first successful proposal—I never looked back.

I did have side ventures and personal projects I worked on while I was developing my skillset, but my long-term goal has remained the growth and expansion of my fundraising business. I have been a full-time consultant since 2014 and by early 2016, incorporation was past due. I started this business because I love what I do and I get tremendous satisfaction out of helping people achieve their goals. I also believe that everyone has a purpose and I want my purpose to fuel the greater good.

What challenges have you faced in your business?

I've faced almost every challenge imaginable in self-employment, but the most obvious to me is not having enough time. As a business owner, time management is crucial because we are the business. Without proper planning and management, failure is very easy, especially since most of us are an all-inclusive department that handles production, sales, marketing, maintenance, customer relations, finance, human resources, and the unexpected.

With that being said, I've come to realize that I'm not able to take on every project, that some are better left for another contractor, and that daily exercise is a must-have. I don't mean to sound like a fitness guru, because I'm not (by any means), but I do make



it a point to take care of myself. I've found that time management and stress management are almost interchangeable terms, and if I want to meet the need of my clients, I must meet my own first.

How do you market your business?

Most of my work is direct referral, but I do work on a few online platforms—namely Freelancer and UpWork. I have a website and I utilize SEO (Search Engine Optimization) processes to continue ranking my website in search engines. I contribute in groups, on blogs, and wherever I find an opportunity to gain exposure for myself and my business.

Occasionally, I will run a small Facebook ad, but I think that staying up-to-date on social media platforms and engaging prospective clients is more important than direct advertising in this particular business. I also keep my News section of my website up-to-date with informative articles about fundraising and business development because positioning yourself as an authority in this niche is very important. Moving forward, I plan on creating a mailing list with an informative newsletter and giving away a free eBook as a method of increasing sales leads.

“ The best thing about being self-employed is the ability to choose which projects I want to take...

Do you have any employees?

I have 3 part-time employees. They are non-exclusive and they set their own hours and limitations. We have an understanding that they provide their availability for the week ahead and we work together remotely to accomplish the objectives necessary to meet the goals of our clients. I have found that this approach works best because it allows everyone flexibility (even me as the employer) and each team member brings a refined set of skills to our virtual roundtable.

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

I wake up between 5:30-6:00am, depending on how much work is waiting on my desk. I shower and get dressed. I check the emails and follow up on messages while I have coffee and wait for the kids to wake up. Once they're awake, the work gets put aside until they're on the bus. At 9am, I eat breakfast and get back to work until around noontime. My wife and I go for an hour walk. I eat lunch when I get home and go back to work until the kids get off the bus at 4pm. This part of the day varies, depending on the workload and family plans. Sometimes I work until 5pm and call it quits (ideal). Other times, I put the work down and come back to it around 7pm for a few hours. I do this Monday through Friday. I try not to work the weekends, but it's almost never possible because I'm always exploring new ways to gain exposure and develop my skills.

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

You're looking for something along the lines of—"working in my pajamas"—right? It's true. There are days when I can work in shorts and a t-shirt, but it's counterproductive. I've found that routine is necessary—that includes showering and getting dressed like the rest of the world.

Honestly, the best thing about being self-employed is the ability to choose which projects I want to take on and which ones I'd rather pass-up. It's simply a flexibility not offered in traditional employment settings and the same reason I ask each of my team members their "comfort level" with each project before we begin.

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

The best compliment I've ever received from a client had to be during a phone conference with two professionals. One of the women interrupted me mid-sentence and said, as if in awe, "wow, you really know what you're talking about". The fact that she urgently felt the need to interrupt me and validate my expertise was probably the biggest, and most sincere, compliment I've ever received. It sounds ironic, but for some reason that comment has stuck in my mind above all others.

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

Since I'm in the planning business, it would be most appropriate for me to say that planning is the most important component and that you should have a solid business plan in place, but my advice is to set a long-term goal and stick with it. Write it down. Don't forget it.

It's very easy for us, as entrepreneurs, to become easily sidetracked with every new business opportunity out there. And, that's okay! But, before you dive head-first into a tempting business opportunity, make sure you do your research and make sure it's in line with your long-term goals.

Any other information you would like to share?

Besides my business, Revgen Solutions LLC, I'm a published fiction author. My debut novel, *Boy Unraveled*, was published in March of 2016 so I also manage an author website with a blog and social media for my author profile. It's a lot of extra work but I really enjoy writing and the book was a huge milestone in my life. My father always wanted to write a fiction book and after he passed away, it was something I felt that I needed to accomplish. The book is available in paperback and eBook format at all major retailers. ■



NASE Supports Congressional Legislation on Fiduciary Rule

The NASE has publicly announced its support for H.R. 2823, “*Affordable Retirement Advice for Savers Act*.” Introduced in the House by Chairman Roskam (R-IL) and Dr. Roe (R-TN) the legislation puts the interests of the American small business community ahead of federal red tape by overturning the burdensome fiduciary rule. The fiduciary rule is a one size fits all regulation and places a significant financial burden on small business. The NASE feels strongly that burdensome regulation will stifle innovation and growth in the small business sector and superfluous rules like these are simply a barrier to economic growth.

We believe there is a common sense solution and we continue to work with the Department of Labor and Congress to finding a path forward.

The Fiduciary Rule was finalized by the Department of Labor in 2016, under the Obama Administration. The NASE has been active in its support in revisiting the rule to ensure that compliance would maintain important checks and balances to ensure that financial advisors are acting in the best interest of their clients and ensuring independent financial advisors are not pushed out of the market due to costly compliance costs. We believe there is a common sense solution and we continue to work with the Department of Labor and Congress to finding a path forward. ■

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