



Self-Employment Tips & Traps

Self-Employment For One Stop Customers

STAY ON COURSE

So, you made it through all the start up hoops without too many scrapes, but the day-to-day operation of your new business will offer you lots of opportunities to test your perseverance. Don't be swayed from your dream; be strong and don't give up. This brochure has a few suggestions based on other people's experiences that may help you stay on course. They include:

- Keep business funds and personal funds segregated
- Write a business plan
- Recognize the areas where help is needed; utilize professional assistance when appropriate.
- Price your product or services properly
- Minimize your risk
- Identify your goals for the venture and make your business decisions in accordance with these personal desires
- Fear of Social Security Benefits loss is a barrier to both wage and self-employment. Take steps to learn about work incentives and manage your benefits.
- Make an effort to prevent your business from becoming isolating.
- The business may not take the direction that you originally outlined. Persevere through the business ups and downs.

KEEP BUSINESS FUNDS AND PERSONAL FUNDS SEGREGATED

This point cannot be over emphasized. Business funds and expense records must be kept separately from personal funds and records from the time that the business is officially opened. A business account should be opened with your initial investment and then used to receive all sales receipts and for payment of all, or nearly all, business expenses. It is both an effective business management tool and required to meet IRS guidelines.

Should you write a check, even for very small business purchases? Probably not, but your Petty Cash account should be used sparingly and according to strict guidelines set up by your bookkeeper.

WRITE A BUSINESS PLAN

Many entrepreneurs carry their business idea and the critical planning elements in their heads. They get excited and very wrapped up in their business venture without enough thoughtful consideration, and without evaluating the potential and the pitfalls. Exploration of the product market is critical. A feasibility study is often the first step.

A business plan should be used as a management guide to develop and to manage a business. If the business is a micro business, the plan can be relatively short. It should, however, be factual and capture the essence and direction of the business.

UTILIZE PROFESSIONAL HELP WHEN APPROPRIATE

Stuck on researching your product market? Try the Small Business Development Center. Accounting questions? Before buying accounting software, get some guidance from an accountant. For a micro business, the assistance for the setup of your books or for ongoing assistance, contract with a bookkeeper. See a professional for insurance questions, and, of course, an attorney for legal questions. While these are rather obvious points, these steps are often bypassed in the interest of limiting expenditures.

PRICE YOUR PRODUCT OR SERVICES PROPERLY

The right price is no more than the customer is willing to pay. Investigation of the proper level of pricing usually takes a good deal of investigation. Shopping your competition, surveying customers, or selling your product at a marketplace or fair are examples of pricing research. You must also calculate the direct expenses of creating your product or service.

Proper pricing can be a major step toward success in your business.

MINIMIZE YOUR RISK

One way to reduce your risk is to start small. Many entrepreneurs begin their business venture at home while holding a wage job. Test your business idea in the marketplace on a small scale. Ask potential customers

whether they would really buy your product or service. Rough out a business plan that addresses key business issues. Plan, plan, plan.

KEEP YOUR GOALS AND BUSINESS DECISIONS IN LINE

How large do you want the business to be? Is business profitability your primary objective?

Do you want to deal with peers in a particular area such as Native Art? Do you want to sell products in volume? Do you want to restrict the service that you offer to a particular geographic area to minimize transportation difficulties? Identify your goals for the venture and make your business decisions in accordance with these personal desires.

FEAR OF LOSING SOCIAL SECURITY BENEFITS

Self-employment offers some distinct advantages over wage employment for disability benefit recipients. As soon as you actually decide to start your own business, you should ask for a Benefit Analysis and develop a plan for managing your benefits. If you have an open case with DVR, ask your counselor to include a benefit analysis and plan as part of your rehabilitation plan. If you don't have a way to access the service through DVR, you can contact the University of Alaska Anchorage Center for Human Development and ask to speak with a representative from the Alaska Works program, or SSA Benefits Planning Assistance and Outreach program. They will answer any questions you have, and will connect you with the resources to get your benefit analysis and plan put together.

PREVENT YOUR BUSINESS FROM BECOMING ISOLATING

Self-employment does not mean working by yourself. Maintain and nurture contact with friends, relatives, and the community in general.

You will receive both emotional and business support through interactions with suppliers, people in the same or similar businesses, and with customers.

Take steps to work these contacts into your business operation on a regular basis. If you have a job coach, they must be involved and that their role is to help you make personal connections within the business community. Deferring responsibility for decision making with suppliers, making sales, and taking the leading role in all critical functions and operations of the business on a daily basis are all important issues that must be recognized. Helping you assume as much of the responsibility as you can is probably more important than teaching you how to operate a lawn mower.

PERSEVERE THROUGH THE BUSINESS UPS AND DOWNS

Perseverance, tenacity, “hanging tough”, are usually required in the early stages of a business. This is normal. These times may require patience, or perhaps some changes in your business practice or direction. More often than not, you will diverge from your original business plan because you discover new opportunities. As these opportunities become winning ideas, business becomes fun!

No matter how your business plays out, you will benefit from the experience and will receive a valuable education in real world business. That is NOT a failure!!

TOM'S STORY

The Situation

Tom is a 26-year-old strong, healthy, sociable young man who carries the label of having a significant developmental disability. Tom has always expressed a desire to work. Early attempts with available employment slots involving cleaning duties were less than successful.

Tom expressed his likes, dislikes, and preferences in a Person Centered Futures Plan and in many conversations with his family and support team. The possibility of having his own business was discussed with Tom (being his own boss had great appeal).

Making it Work

The decision was made to develop a micro business that would match his interests and abilities to the greatest extent possible.

The first phase of this business involved the collection and refurbishing of wooden shipping pallets. The second was the manufacture of decorative garden stones for which there is a market at both the wholesale and retail level.

The initial capital was obtained by accessing a PASS PLAN (Plan for Achieving Self Support) a Social

Security Work Incentive. The most recent business addition has been the addition of several vending machines, purchased with revenue from the business.

Tom's business team includes a job coach who has been both a loyal friend and support person; his step father who has a business background; supportive members of the business community; and his indomitable mother, a true believer in self-employment.

Tom has owned his own business for three years, goes to work daily, is involved and happy in his business, and is a fully participating member of the community.

RESOURCES

For additional ideas on small business marketing, and for a valuable list of self-employment resources, please refer to separate Center for Human Development brochures on these topics. Other brochures include:

An Overview of Self-Employment

*What We Mean By Self-Employment:
"I Want To Be My Own Boss"*

*Disability Benefits
and Self-Employment*

Self-Employment: The Business Plan

*Marketing and Sales:
How To Market Your Small Business*

Self-Employment Resources



ELLEN'S STORY

The Situation

Ellen had been a highly regarded professional until a medical procedure left her unable to work. She purchased a turnkey business to help offset the loss of her income that she and her family depended on. There was no written lease in place, just a month-to-month rental agreement that had been in use with the property owner for the past two years. After only a few months, her landlord advised her the property her business was on was being sold to a new owner, and that all the current property occupants were going to have to relocate.

Making it Work

Ellen had never even imagined this eventuality, and because there was no written lease, she had to close her business for several months while finding a new suitable location for the business. Ellen lost most of her established customer base and several months of revenue the business would have generated if open and operating. Additionally, it took several months after the business re-opened to establish a new customer base and sufficient sales to generate any profit. Ellen and her family experienced severe financial hardships during this period of time and were very fortunate to manage to survive without losing everything. After struggling for several months, Ellen has written a business plan and follows it religiously. All agreements related to her business are reviewed by her attorney and in written format. She and her family feel more secure, a new customer base has been developed, and the business is generating a modest profit after operating costs are covered.



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