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Thanks :)

Welcome

I'm Wes Bos. I'm an independent web designer/developer/teacher and soon to be author. I've been doing web design for years, but only started it as an official business about 3 years ago.

I went through a government program called *Summary Company* that gives students training and \$3,000 startup funds to start their own business. While this was a good experience for the kid mowing lawns, it didn't prepare me for so many real aspects of running a business. I've researched and learned a lot over the years. I've also made a fair amount of mistakes and wished that someone had told me all this stuff before. I hope to pass all of this knowledge over to you.

I blog at <http://wesbos.com>

I tweet at [@wesbos](#)

I facebook [too](#)

Disclaimer (#covermyass)

The advice given today is from my personal experience. Consult professionals when dealing with legal and financial matters. I am not responsible for any advice given today.

Today

These notes are a rough idea of what we will be talking about today – I will expand on the points as we go through them.

A big part of making this session as valuable as possible is **having open discussion and asking questions*** at any time. If you have a question in your head, chances are a few more people are wondering the same thing.

At any time, please don't be afraid to raise your hand and ask any type of question. Again, I had no idea what I was doing when I started my own business and I wish I had asked these questions sooner.

We will have a short 15 min break in between where you can grab a coffee downstairs.

Meet and Greet

Let's take a second to go around the room and meet everyone. Tell us:

1. Your name
2. What type of business you are running / planning on running. Go ahead and plug your website!
3. What you hope to get out of today's session

What is a sole proprietorship?

In Ontario, a sole proprietorship is the simplest form of running a business. At its core you, and only you, own and operate the business. The business is essentially an extension of yourself.

What type of person might want to register a Sole Proprietorship?

- A Photographer/video producer who works independently for other companies and clients of his/her own
- Any type of Internet based business (Web designer, developer, author) who works with clients from all over Canada or the world
- A consultant who works contract jobs for companies that hire him/her on for a finite amount of time
- A home based business that sells products like cupcakes or runs an etsy store
- A Musician earning income from their talents

The important thing to note here is that all of the above examples are self-employed. Even if you are working with a company who is paying you for your services, you are considered self-employed unless you are explicitly hired as an employee.

Pros to becoming a sole proprietorship

There are many benefits to running a SP. The major ones being:

- You are your business. There is no distinction between income – every dollar that comes in is your personal income – more on this later.
- In regards to paperwork and setup, running a sole prop is quite a bit easier than other structures.
- Having your taxes done is quite a bit cheaper
- You are able to expense parts of your living expenses (rent, cellphone, car insurance...)

Cons to being a sole prop

- Since you are your business, all liability is on you. If your business does something that causes harm to another business or individual (financial or otherwise) you are entirely liable and can be sued for the full amount. The courts would be able to go after you. If you were running your business as a corporation, the business would be liable and they wouldn't be able to
- Every dollar you earn is taxed at a personal level, just as if you were working at an employee. Once you start earning a certain

level of income, there are tax advantages to incorporating your business. More on this later...

Registering a sole prop business name

The first step to running a sole proprietorship is registering a business name. You can choose to register your business name under your own name or under another created name. The Internet, and especially the government of Ontario website, is a hot mess of links that lead to information regarding a different type of business structures. Let's step through the entire process of doing so:

The website for registering a business name is located at

<https://www.services.gov.on.ca/locations/serviceDetails.do?id=11595&locale=EN>

Ontario.ca | Français



HOME | NEWSROOM | SERVICES | YOUR GOVERNMENT | ABOUT ONTARIO

ServiceOntario

Service Location Finder

Service Details

Registration of a Sole Proprietorship/General Partnership

Register or renew a business name in Ontario if you are a single business owner or the business is a general partnership with more than one owner.

Online -

Service Guarantee Available (Opens in a new window)

Start Online Service

Required Information:

Ontario Business Identification Number (if renewing)

Cost:

New Registration - \$60

Renewal - \$60

Payment Options:

Visa , MasterCard , American Express

There are two things you need to do here. They can both be done online and they each carrying a fee.

Search for your business name - \$8

Before you register your business name, you need to make sure that no one else has claimed that name before. To do this, follow the steps at the link and choose “Enhanced Business Name Search” when asked what type of search you would like to do.

Caution: The Integrated Business Services Application does not support the Browser's Back button. Changes to information can be done at the Summary Screens.

[Help With This Page](#)

You must enter either a Business Name or the Ontario Business Identification Number.

Note: It will take approximately 45 seconds to process your search.

Business Name

Fanny's Fanny Packs

City

toronto

Ontario Business Identification Number

Type of Search *(Required)*

Enhanced Search
 Exact Search

Type of Report

Detailed Business Names Report

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[Next](#)

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Follow the steps and fill out the form. You can leave the **Ontario Business Identification Number** field empty. For type of report, **detailed business names report** will be enough. It will then ask you to pay and perform the search.

If no one else has registered that name, it will give you a document to print out and you are able to carry on with the actual registration of your business.

hot tip

Think about how your Business might change over time and integrate that into your naming conventions. I initially registered my business as “Wes Bos Design” and then expanded my services to development, teaching and more. If you offer a number of services, consider something a little more broad.

You don't have to market yourself as your business name, only your clients need to cut cheques out to the business name.

Register your business name - \$60

Choosing your Business Ownership Type

Caution: The Integrated Business Services Application does not support the Browser's Back button. Changes to information can be done at the Summary Screens.

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Please select the ownership type for the business you are registering. For other ownership types such as general partnerships that consist of partners other than individuals or corporations, or if your business is located outside of Canada or the United States, please contact ServiceOntario, the Companies Helpline at 1-800-361-3223 toll free or (416) 314-8880 for more information about other service delivery options.

Please choose the business ownership type: *(Required)*

- Sole Proprietorship
- Partnership
- Existing Corporation

Note: You **CANNOT** register the business name of a limited partnership with this service. Please see 'Help With This Page'.

Please choose the partnership type:

- General Partnership
- Limited Partnership

How many partners are there in this partnership?

[Help With This Page](#)

[Next](#)

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Step through the steps we did last time, but this time click the **Business Name Registration*** radio button followed by the **Sole Proprietorship*** on the next page.

A business name is valid for 5 years, after which you will need to follow the same steps to renew it.

When you complete the steps, a **Master Business License** will be sent to you via email in the form of a PDF. This contains your **business number*** that you can then use to register a business bank account. Keep this number handy.

Finances: Business Bank Account

When you run your own Business it is important to keep your Business finances and personal finances separate. You should open a business bank account that you can use to deposit cheques from clients as well as manage other banking needs.

Your bank will offer a small business account. I personally went with a small business account at CIBC because I ran my personal finances with CIBC. There are a few upsides to this:

1. You can run your personal accounts and business account off of one debit card
2. You can easily and instantly transfer money from the business account to the personal account to pay yourself.
3. Online banking is a single login

There are, however, a few downsides to going with one of the big four banks:

1. Fees! They charge me \$9 a month and \$1 every time I do any sort of transaction (debit, transfer, deposit...)
2. You are tied to a branch. I opened my account downtown Toronto and then moved to midtown. They would not deal with me uptown because it "wasn't my branch".

I think the downsides outweigh the upsides so I recommend opening a free account with ING direct. The Business Investment Savings Account (BISA) account will be good enough for you! <http://www.ingdirect.ca/en/save-invest/businessaccounts/index.html>

ING direct is part of [The Exchange Network](#) which has free tellers and ABM machines all around Canada. No need to worry about depositing your cheques.

Paying yourself

A nice part of running a Sole Proprietorship is that its really easy to pay yourself. Since the business is just an extension of yourself, every dollar that comes in is considered income and is your money – you do not need to worry about running your own payroll. If you keep the money in the business account or your personal account, there is no difference.

So, to pay yourself, you just need to transfer money from your business account to your personal account.

Taxes

Taxes are probably the most confusing part of running your own business. Running a sole proprietorship is easier than any other type of business, but it still takes a fair about of effort to get up and running.

It is very common for individuals to start bring self-employed thinking they do not need to worry about taxes because they are only making a small amount only to find out that they owe the tax man a huge lump of money come tax time.

There are two kinds of taxes that you will have to pay: HST and Personal taxes. Let's dive into each of them now.

Finances: How HST Works

HST stands for Harmonized sales tax. You are probably familiar with it from the standpoint of a consumer. Most items have a 13% tax slapped onto them that the business/store collects on behalf of the government.

Do I need to start collecting HST?

When you are on the business side of things, you will probably need to start collecting HST.

There is a **\$30,000** threshold on **taxable sales**. This means that if you are bringing in under \$30,000, you do not **have to** collect HST from your clients.

A few things here:

taxable sales is the amount of sales that you bring in, not the profit. So if you sell \$100,000 worth of product but only made \$10,000 for yourself in profit the entire year, you still need to be charging HST.

If you don't think you are going to hit the \$30,000 mark and you do, you have 31 days to register for an HST number and you must start charging HST going forward.

If you hit \$30,000 in any span of 13 months, you must still register. That means if you did \$29,000 in 2012 and only \$1,000 in Jan 2013, you still have to register and collect.

In Summary I recommend collecting HST regardless of your sales numbers and I will go into the benefits below.

The only situation where I may recommend against it is when you are billing customers (not businesses). The reason behind this is that businesses get HST back from the government while regular consumers do not. If I was a wedding photographer, wouldn't want to charge couples an extra 13% if I didn't have to.

Registering for an HST number

In Ontario we used to have GST and PST which had to be paid at a federal (Gov. of Canada) level and a provincial level (Ontario). Now we have HST which means that we only need to pay at a federal level. We pay all HST to the **Canada Revenue Agency** and in order to do so, we need to register for an HST number.

You can register online at <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/bn-ne/bro-ide/rstrctns/menu-eng.html> or

just by calling the CRA. They are surprisingly helpful on the phone and processed my number within a few minutes.

Once you have an HST number, you will have to start adding a 13% HST charge to all of your invoices to Ontario based customers/clients. It's important to note that you should include this number on all of your invoices. Companies require this number when they are doing their taxes and if you do not include it, accounts payable will often delay cutting you a cheque until you give it to them.

A \$100 invoice would then turn into \$113.

Out of province customers

If you are based in Ontario and are billing a customer in another province you will have to bill them at the GST or HST rate of **their province**.

In all cases, you need to be charging either the destination province's HST or GST rate.

Manitoba, Saskatchewan, Quebec and Prince Edward Island still have PST.

If you are providing a service like web development or photography, you are most likely exempt from PST.

If you are selling products online and shipping them to other provinces:

In Saskatchewan and PEI, you are encouraged to collect PST but it is voluntarily.

In Manitoba and Quebec you will have to comply with local provincial law and register with the province.

A \$100 invoice

Take for example a \$100 invoice for a custom produced hang bag (A good, not a service)

- **Ontario Owen** gets billed \$113 because Ontario has 13% HST
- **Alberta Albert** get billed \$105 because Alberta has 5% GST
- **Saskatchewan Sammy** get billed either \$105 (just GST) or \$110 (GST and voluntarily PST)
- **Manitoba Melvin** gets billed \$112 because Manitoba has 5% GST and 7% mandatory PST

You can read more on PST online here: <http://sbinfocanada.about.com/od/pst/a/PSTecommerce.htm>

Out of Country clients

If you have clients out of country, you are not required to charge them any sort of HST, GST or PST. You also do not need to charge any local tax. If you are selling goods, you may look into importing and customs fees or simply let the buyer deal with it.

So, \$100 bill for **American Arthur** is simply \$100.

An American client may ask you to sign a W8-BEN form. This is an IRS (American taxman) form that simply states that you are not an American citizen and therefore do not need to pay American taxes. Your client will often need this form to prove that their money was paid to someone out of the country and not to a tax paying American.

Paying HST

When you get an invoice, you collect the HST and are required to give it to government either quarterly or yearly. The frequency is your choice and this is called *remittance*.

I recommend getting a second bank account just to hold onto your collected HST – its not your money so you shouldn't mix it with your money. Too often I hear about people spending their HST and then getting hit with a huge bill at tax time. 13% of every invoice adds up so put good practices into place.

Getting HST back

So why is this HST business worth the hassle? Well, as a business you do not have to pay HST. If you have registered an HST and are collecting HST, any time that you do pay HST you are able get it back from the government!

What does this mean? That laptop you paid \$1,000 for actually ended up being \$1,130 because of the 13% Ontario HST. Since this item is used for business, you can get that \$130 back! Sweet, eh?

At the end of the year your accountant will tally up all the HST you collected and all the HST you paid. You have to send the government the difference between that. Let's look at a scenario:

In 2012 I billed **\$10,000*** worth of services. On top of that I had to collect **\$1300** because of the 13% Ontario HST. So right now, I owe the Government \$1300.

BUT I also bought that laptop for **\$1,000** plus **\$130** worth of HST.

So now I owe the government \$1,300, but they owe me \$130! At the end of the year, I simply pay them **\$1300 - \$130 = \$1170**

If you pay more HST than you collect, the government will send you a cheque at the end of the day. This is often true for those who make products and purchase large amounts of materials.

Finances: Personal Taxes

Personal taxes is probably the part of running your own business that I get the most questions about. Many people, myself included, had previously only worked for an employer who took care of everything. Usually at the end of the year, the government sent us money!

Understanding your commitment to the government is crucial when running your own business. When you get money from clients/customers, that is personal income and you will be taxed at personal level.

Don't get me wrong, **You will have to pay a ton in personal taxes**, but many people are deterred from starting their own business because they think they will have to pay too much in taxes. The reality is that **a sole proprietorship pays the same amount of taxes as someone working at a job for an employer**. In fact, in most cases, you will be paying less taxes! More on this in the expenses section.

Personal Taxes: A Refresher

If you have worked a job for an employer before you may not totally understand how Canadian taxes work. Let's take a look. For most of these examples I'll be using \$100,000 because it is a nice round number.

Terms / Buzzwords

First, a few terms that you will probably need to look back on and reference:

Gross Income is the amount of money you earn before any deductions. If you earn \$100,000 a year, your gross income is \$100,000.

Taxable Income is what you get taxed on after you claim expenses. Things like TTC Metro passes and textbooks are claimable. As a business, you also have expenses which we will talk about soon. If I make \$100,000 but spent \$10,000 on claimable expenses, I am only taxed on \$90,000.

Net Income is what you actually take home at the end of the day after paying taxes. After I'm taxed on the above \$90,000 I may be left with \$67,000 in my bank account.

Tax Rates

When you live in Canada you are taxed both at a Federal Level (Gov. of Canada) and Provincial Level (Gov. of Ontario). Both governments use tax brackets which taxes you in steps at different rates. The more money you make, the higher brackets you fall into.

Federal

Let's take a look at federal tax rates:

15% on the first **\$43,561** of taxable income, +

22% on the next **\$43,562** of taxable income (on the portion of taxable income over **\$43,561** up to **\$87,123**), +

26% on the next **\$47,931** of taxable income (on the portion of taxable income over **\$87,123** up to **\$135,054**), +

29% of taxable income over **\$135,054**.

So, let's step through someone who makes \$100,000 a year.

1. **43,561** gets taxed at **15%** leaving us with **\$56,439** ($100,000 - 43,561$)

2. The next **\$43,562** gets taxed at **22%** leaving us with **\$12,877** ($56,439 - 43,562$)

3. The final **\$12,877** is taxed at **26%**

So, that means we pay $(43,561 * .15) + (43,561 * .22) + (12,877 * .26) = \$19,465.59$

\$19,465.59 goes to the federal government.

Provincial

Ontario works exactly the same way.

5.05% on the first **\$39,723** of taxable income, +

9.15% on the next **\$39,725**, +

11.16% on the next **\$429,552**, +

13.16 % on the amount over **\$509,000**

Take our \$100,000 again:

1. **\$39,723** gets taxed at **5.05%** leaving us with **\$60,277**

2. The next **\$39,725** gets taxed at **9.15%** leaving us with **\$20,502**

3. The final **\$20,502** gets taxed at **11.16%**

So, that means we pay $(39,723 * .0505) + (39,725 * .0915) + (20,502 * .1116) = \$7,928.87$

\$7,928.87 goes towards the provincial government.

We pay **\$19,465.59 + \$7,928.87 = \$27,394.46** in total taxes.

Tax Tools

That was probably way too much math for you. There is a handy online calculator available at
<http://lsminsurance.ca/calculators/canada/income-tax/taxes-2012>

You can find all the tax rates as well as a calculation chart at <http://www.cra-arc.gc.ca/tx/ndvds/fq/txrts-eng.html>

\$27,394.46?!!?!?! 27%! Seriously?!

So, earning \$100,000 means you are effectively giving 27% of every cheque you get right to the government. Sucks, eh? Don't worry! There are a *ton* of things we can do to minimize your taxable income. This means while you still may make a good chunk of money, the amount of income you get taxed on is much lower and therefore you will hopefully stay in the lower tax brackets! Let's jump in!

Expenses

Expenses are the best part about running your own business. Have you ever heard of someone "Expensing it" or "Write it off"? What does that even mean?





As a business, you will most likely need to spend some money in order to make money.

Let's use a hat as a simple example:

- You buy yarn for the hat – \$5.
- You pay someone to knit it – \$20.
- You pay to advertise the hat – \$2
- You pay for hosting to sell the hat online – \$5
- You pay to ship the hat – \$5
- You **sell** the hat for \$50!

What do you get taxed on here? \$50? That doesn't seem fair because you paid \$37 to make it, you only made \$13 profit on the hat!

In fact, if you were taxed on that \$50 at our previous rate of 27% the taxes on it would be \$13.5 leaving you in the hole for 50 cents!

Thankfully this isn't so. You are only taxed on what you make after the expenses. So, just because you made \$50 in **revenue**, you only made **\$13** in profit. You are only taxed on the \$13. The other \$37 is just the cost of doing business.

Non-product expenses

The hat example is really easy to understand, but what if you don't make product? What about things that aren't directly tied to selling an item?

I'm a great example of this. I develop websites – I don't have any sort of raw material that goes into a website, I

convert my skill into a service. Canada Revenue describes expenses as:

As a rule, you can deduct any reasonable current expense you paid or will have to pay to earn business income. The expenses you can deduct include any GST/HST you incur on these expenses less the amount of any input tax credit claimed.

So, you can expense many different things that use to earn business income. Whether it be directly related to a business sale (like hosting for a website) or indirectly (like a desk for you to work at).

What Can I expense?

This is where being a Sole Proprietorship wins against being just another employee. You are able to expense things that regular employees cannot expense that you would have to pay for anyways. This is especially true if you work out of your home:

- Cell phone
- Internet
- Laptop / Computer Purchases
- TTC Tokens / Taxis / Rental cars (When used to get to client meetings)
- Camera Equipment (for photographers)
- Website hosting
- Office space / rental
- This workshop!

As well as general business expenses

- Toner, ink, pens, paper and various office supplies
- Business cards & advertising
- Office furniture

Claiming Home Expenses

If you work from home, you are able to expense a certain % of your cost of living. I live in an apartment where I use approximately 25% of the space for a home office. Therefore I am able to expense 25% of my rent, electricity bills and home insurance as a business expense. I even know some people who expense their molly maid for cleaning the office.

Meals & Entertainment

Meals & Entertainment is a category that I frequently get questions about. The CRA explains it very clearly on their [website](#):

The maximum amount you can claim for food, beverages, and entertainment expenses is 50% of either the amount you incur or an amount that is reasonable in the circumstances, whichever is less.

So, if you take a client out for lunch, and pay for half or the full bill, you may only claim 50% of that amount. Same rules apply if you were to purchase sporting event tickets for a client to go see with or without you.

There are a few exceptions to this, primarily surrounding businesses that sell food or host employees in remote locations.

Pop Quiz: There are two types of businesses that can expense 100% of meals and one type that can expense 80%
What are they?

Travel/Conferences

If you go to a convention or conference, there are special rules that apply:

- You may expense almost everything surrounding the conference including conference ticket, flight and hotel
- You may only expense 2 conferences per year
- Food purchased at conferences can still only be expensed for 50%
- If your ticket includes food, you must subtract an estimated amount for the food and expense that separately at 50%

Second Hand Purchases

I love Craigslist. I buy all kinds of stuff for my business:

- I develop mobile websites so I have ~10 different cellphones – many of them come from craigslist
- Almost all my computer monitors are from Craigslist
- My computer chair is from Craigslist
- In addition, many photographers buy almost all their equipment second hand.

The golden rule of expensing things is that you should only ever expense things for which you have a receipt. When you buy something second hand, you are still incurring that expense but you can't really track that. The solution to this is to have some sort of record of purchase. When I buy something second hand, I simply print one of these out and have the seller fill it out for me. If I ever get audited by the government, I have a record of who I gave money to in exchange for products.

Receipt for Craigslist Purchase

Seller Name _____

Seller Phone _____

Purchased by Wes Bos Design

Purchase Date: _____

Item(s) Sold:

Amount Paid:

HST:

Total Amount Paid:

Seller Signature

In almost all cases the HST will be \$0.

Tracking Expenses

You have two options for expensing things:

1. Neatly record every single business expense into your accounting software (more on this later) and store the receipt for safe keeping.

This is a fantastic way to do things if you are organized. You can purchase little document scanners to scan in receipts. This is helpful because you can keep track of your business profits and expenses as you go through the year.

1. Go crazy at tax time finding every single receipt from the past year. Throw entire shoebox at accountant.

This is what I do. I have a folder on my computer that contains all electronic receipts and a bag in my desk that gets every receipt. At the end of the year I simply give it all to my accountant who charges me about \$50/hour to painfully input and categorize each one. There is also a service called Shoeboxed that will do this for you <https://www.shoeboxed.com/>.

Each receipt needs to be categorized into one of the predefined Canada Revenue Agency Categories. They are available at <http://www.cra-arc.gc.ca/tx/bsnss/t�cs/slprtnr/bsnssxpns/menu-eng.html>

Finances: Being Prepared for remittance

Remittance means paying money owed to the government.

When you work for yourself, you do not have an employer who can take the correct % of taxes off your pay cheque for you. It's entirely up to you to withhold both your HST as well as part of your income to then give to the government at the end of the year.

Do not wait until the end of the year to figure out how much you owe. I suggest following a similar system to what I do:

1. Figure out approximately what you will be making in a year. Let's say Theo makes \$100,000 for a nice round number again.
2. Figure out approximately how much you will spend in expenses. Let's say Theo spends \$20,000 on expenses in total.
3. We then have calculated that we will be taxed on approximately \$80,000
4. Use the [online tax calculator](#) to figure out how much you will be taxed. In the case of Theo, we will put in \$80,000 and figure out he will be charged about \$19,000 or about 24%

Okay cool. 24%. So what happens when Theo bills someone for **\$1,000**? Well, he invoices them for \$1,000 plus **13% HST** making the invoice total **\$1,130**

When you get the cheque in the mail, deposit it and **immediately** move 37% of that cheque's value into another account.

Why 37%? 24% for personal taxes and 13% for HST. Seems like a lot, but the 13% was never yours anyways.

Do it again!

Let's step through another one together. Monty who makes \$45,000 but has \$11,00 in expenses.

More Tips

- Do not do this monthly as your income can greatly vary month to month. Take it out right away!
- If you can afford it, take out the pre-expense amount. That way you will still get a nice return at the end of the year.
- Since we always take out 13% for HST, any HST that we spend (say on a laptop) will be 100% refunded to us at the end of the year!

RRSPs

This isn't really a business tip as it applies to anyone, but its definitely a fantastic tip that my accountant turned me onto.

A **RRSP*** is a Registered Retirement Savings Plan. Its meant to save money for your retirement. The way it works is that any money you put into your RRSP is deducted from your taxable income. Its kind of like a big expense.

So, let's take the example from above where Theo was going to be taxed on \$80,000 at a rate of 24%.

If he contributed \$10,000 to his RRSP, he would then only be taxed on **\$70,000** making his taxation rate **22%** on a lower amount. Huge savings!

You are allowed to contribute 18% of your previous year's income up to a maximum of around \$22,000 per year.

But, I'm not old

Yes, RRSPs are meant for when you retire, but you are able to withdrawal up to \$25,000 penalty free when you buy your first home.

- If you are married, your partner may also do up to \$25,000
- You have 15 years to pay this money back into your RRSP

Insurance

Health Insurance

Being self employed means you may not get all the health benefits that you get at a full time job. If you have a

spouse that get benefits, you will usually fit in his/her plan.

In my case, my wife and I both work from home so when she quit her job, we needed to figure out something for health benefits. Upon looking into it, I found we are extremely lucky in Canada! Since most of the big stuff such as surgery and doctors visits are covered by OHIP, we just needed coverage for things like:

- Prescription drugs
- Travel Insurance
- Specialist visits – massage, therapists, chiropractors and so on..
- Dental Coverage
- Optical checkups and eyeglasses

We went with a fairly high plan and it ended up being about \$160 for the two of us. Some of the lower plans started at \$60 per month. Very affordable.

Home Insurance

If you have a home office with a lot of equipment it is a good idea to get home insurance. For about \$300 a year, I am covered against almost anything that happens to my apartment (rental).

If anything were to happen to my equipment, I would just pay a \$500 deductible to the insurance company and they would cover everything else. This includes my equipment when I am out of the house traveling. The rule is **as long as you intended to bring back the equipment to your home, it is covered under your policy.**

Tools

Let's chat a little bit about what tools we can use to make running your own business as smooth as possible.

An Accountant

My accountant isn't a tool, but he is a valuable resource that has helped me save thousands of dollars.

Seriously this needs to be step #1 for you. Even if tax time is a year away, get hooked up with one. The value of having an accountant obviously comes from them doing all the calculations for you, but the real benefits comes from the advice that they are able to offer you. Whenever I have a question about running my business, I chat with my accountant and I get advice on how to proceed.

My accountant, and most, will be willing to have an hour or two coffee to review your situation. A good accountant will cost around \$500-\$1,000 a year. Mine was around \$750 including all the receipt entry and it was worth every penny.

Do not go to the mall or HR block where they will do your taxes in 2 hours. It's worth spending the money as a good accountant will find more deductions and ultimately get you a bigger return.

If you need a recommendation of a top notch accountant, I highly recommend [Waterford Tax & Advistor](#). Tell them I sent you :)

Freshbooks

If you are using excel to manage your books or even produce invoice, you must stop now and sign up for [FreshBooks](#).

Freshbooks is an online accounting system – the biggest part is used to managing your invoices and expenses. Everytime I need to bill someone I pop open freshbooks and create an invoice in less than 2 minutes. If you are spending more than 2 hours a month on invoicing, you are not spending your time wisely.

If you like to accept payment online, it is integrated into many payment providers. I recommend using Stripe but you are welcome to use paypal or other if you are comfortable with that. For large payments, I tend to disable online payments as 3% fee can add up very quickly.

At tax time, you can quickly export all your data and send it to your accountant. It took me 5 minutes to prep this year.

There is also a mobile app that will let you easily manage your account. This include a nice time tracker if you bill hourly.

Dropbox

Dropbox is a cloud sync tool. I only have a single computer so I don't really use the sync that often. I use it more of a backup as I work right out of my dropbox folder on my computer. This means that any time I have an important file, it is automatically backed up to the cloud.

Don't wait until your hard drive crashes to sign up for this, especially if you are keeping receipts and other important business information.

Contracts

The kind of contract you need will vary depending on the nature of your work, but in any case it is always recommended that you have a contract signed.

If your client does not provide one, you can find excellent templates available on <http://www.docracy.com/>. If you are doing something where there is liability involved, it would be worth your time running your contract past a layers eyes.

Sign Documents with Adobe Reader

Chances are you will be signing a lot of contracts and Non-disclosure agreements. It's 2013 and I still have people tell me where I can fax documents. What a joke!

I used to print contract, sign them, scan them in, and them somehow cobble them back together into a single PDF. Here is how I handle signing contracts now.

1. Sign a piece of paper and scan it in, or take a photo with a good camera.
2. Bring that into photoshop a separate it into a layered signature. This usually involves playing with the brightness/contrast.
3. Save as a transparent PNG file.
4. Download and install Adobe Reader

Now, when you open PDF files with Adobe Reader, you have the option to sign documents. Simply import your signature and continue signing away.

Google Apps

Your grade 8 email address sexxiGurl34@soccerlover.net doesn't cut it anymore. Get something a little more professional.

Google Apps is a basically gmail/docs but on your own domain name. It's no longer free, but its an affordable way - \$5 a month - to look professional. You can have multiple domain names on your account, so if you run a few websites, you only pay once.

Square Card Reader



Square register

Everything you need to start, run and grow your business in one free app.
Sign up and we'll mail you a free credit card reader to get started.

[Sign up for Square](#)

If you take payments while at conventions/fairs or anywhere on the go, just plug this little thing into your iPhone/iPad or Android device and you are able to start accepting credit cards.

I got mine free when I signed up at <https://squareup.com/register> but you can also buy them at the Apple store for \$10.

Trello

Projects management is a lot easier when you use an application for it. If you are going back and forth a lot on email, chances are that trello would be better suited for you.

There are tons of projects management apps out there. Basecamp and redmine are two big ones. Trello is a hosted, absolutely free application that I use with quite a few of my clients.

Skype

In Canada we aren't lucky enough to be able to have Skype In numbers which assigns a number to your skype account. You can, however, get something call Skype out that allows you to call anyone from skype while the caller ID still shows up as your normal phone number. I have an unlimited plan within North America and it costs me \$3/month.

Mobile Apps

Aside from FreshBooks, there are tons of great apps available for small businesses.

- Harvest App (Time tracking and billing, similar to freshbooks)
- Mailchimp – great for signing up users to your mailing list on the go
- Trello App
- Things / wunderlist / clear / any other to-do app

Incorporating

Once your business grows, you may want to take a second look at sole proprietorship and see if incorporating will make sense for you. As of January, I've incorporated my business. Here are some ups and downs:

Benefits

- Limited Liability! If you get sued, they can't come after your assets unless you have put them up against something like an office mortgage.
- Tax Breaks – You can pay each "shareholder" – in my case me and my wife – \$30,000 dividends each per year tax free. That means the first \$60,000 me and my wife make doesn't count as income and therefore isn't taxed

Downsides

- Registering is Much more expensive – almost \$600 just for name search and articles of incorporation
- Taxes are much more expensive to have done. Approx 2-3x as much
- Money is more complicated. You must keep your business money and personal money separate and then pay yourself as an employee and/or shareholder.
- Taxes are more complicated. You get taxes both personally and corporately. Usually this is a smaller % than sole proprietorship.

Questions?

Is your brain fried yet? What questions do you have?

These notes are © Wes Bos. I put many hours into creating them for this workshop so please do not share them.
Thanks :)