Business of Web Design: Creating a MI limited liability company

1. The Case for Entrepreneurship
   * Entrepreneurial nation
     + Jefferson
     + Edison
     + Jobs
     + Musk
     + Williams
   * Risk
     + College student risk tolerance will be lower than ever
     + Cost of living
     + No dependents
     + Well networked in your field
     + Flexible with travel and location
   * The Internet
     + Leveled the playing field and reduced the cost of startinga business
     + Digital business
     + Repository of information
     + SaaS applications have taken the place of most back office software packages
   * Job security is a myth
   * Freedom
2. Starting a Business in MI
   * Business Organizaion
     + Sole Proprietor
       - Just you and your skills
     + Partnership
       - Just you, a friend and your skills
     + Limited Liability Company (LLC)
       - You, possibly others, your skills and some liability protection
     + Corporation (C and S types)
       - You, your skills, shareholders and rules
   * Creating a MI LLC
     + Easy to start and dissolve
     + Works with individuals or partners
     + Some separation between business assets and personal assets
     + Qualifies for a Federal EIN
   * Articles of Organization
     + Michigan Form CD-700
     + LLC name is important, mind all uppercase and lowercase letters as well as commas
     + Print, sign and write a check. In 2-3 weeks you’ll be a real company as far as the State of Michigan is concerned.
   * Federal EIN
     + Employer Identification Number
     + This is like a SSN for your business
     + You need an EIN to pay federal and state taxes and to open a bank account
     + You can file a receive this online
   * Open a Bank Account
     + Use a credit union for free business checking accounts
     + They will want to see your FEIN and LLC articles of organization
     + Start with $100 (this is technically called an “owner equity investment”)
   * Register for Michigan Taxes
     + You may need to register for State of Michigan Taxes (sales, use, corporate income, etc)
     + Seek advice depending on your particular type of business
   * Register for Local Taxes
     + Keep in mind that you may need to register for local taxes
     + Always seek a tax professional advice if you have questions about what taxes you are required to pay
3. Maintain a Business in Michigan
   * Regular Tax Payments
     + You will have to pay taxes that are due on regular monthly, quarterly and yearly schedules
     + Try not to miss tax payments. Being in debt to the IRS can be a bad time
   * Insurance
     + You will need insurance
       - Health/dental/vision
       - General liability
       - Unemployment
       - Workers’ compensation
       - Errors and omissions
       - Industry-dependent insurance
   * Annual Report
     + This is an LLC renewal and must be filed every year
     + This is public record and is the primary form people can search for to see if a company is “in good standing” with the State
   * Hiring Employees
     + Out of the scope of presentation
     + Hire a qualified HR consultant to help you with the legal issues of hiring employees
     + All new hired must be reported to the State of MI via the New Hire Reporting system
   * Find Good Help
     + Business mentor
     + Accountant
     + Attorney
     + Tap people from your network
4. Money and Taxes
   * Whats the going to cost?
     + $50-$250/hour
     + salary ranges are highly variable
       - national media of $50,000/year
       - range from low 30’s to high 70’s
       - Glassdoor.com
   * Calculating your hourly rate
     + Should be based on cast + profit
     + Labor + overhead +profit factor = hourly rate
       - Labor: $50,000 x 1.35 = 67,500
         * 19200 hours/year @ 60% billable = 1152
         * 67,500/1152 = 58.6 ~ $59/hour
       - overhead: $12,00/1152 = 10.42 ~ 11/hour
       - operating cost: $70/hour
       - profit: 30% or 21/hour
       - final hourly rate: $91/hour
   * get it in writing
     + you should never do work without a contract of engagement letter
     + engagement letters are less formal contracts that outline a statement of work and agreement between you and your client
     + in general, you should always have an attorney review your company’s legal documents as contract law can vary from state to state
     + contracts/engagement letters should specify work to be completed, cost breakdowns and a delivery schedule
   * Know your rights
     + Who owns my design work?
     + Work for Hite
       - Copyright belongs to the paying party rather than the original artist
       - Happens in two situations:
         * Employee of a company all perform “work for hire”
         * You sign a work for hire agreement
       - Agree or disagree, know what you are signing
   * Billing and Invoicing
     + Billing is done multiple times on most web projects
       - Initial billing for a project deposit (usually 20% of the total project fee)
       - On key deliverables throughout the project
       - At the end of the project
     + Net 15, 30 or 60 terms
     + Send monthly statements as reminders for payment
   * Accounting Basics
     + Cash or Accrual
       - In accrual basis, income and expenses are recorded as they are earned and incurred
       - In cash basis, income and expenses are recorded as they are received and paid
     + Keep good records and track all income and expenses. Usually a good idea to keep receipts
     + Two forms to know well:
       - P&L and the Balance Sheet
   * Taxes
     + Most single-member LLC’s are viewed as sole proprietors by the Federal Government
     + Taxes “pass-through” to your personal returns so you’ll pay income tax on the profits of the business whether or not your “take any money” from the company (equity withdraws)
     + Make absolutely sure you keep your business and personal accounts separate. If you don’t you risk losing your liability protection
   * Taxes to be aware of
     + Corporate income
     + Personal income
     + Sales tax
     + Filing/franchise fees
     + Payroll
     + Unemployment
5. Selling and Marketing
   * Finding your first client
     + Its all about your network
     + In order to find your client, you have to go out and meet them
       - Local industry meetups and networking events
       - Entrepreneurial events
       - Professors/university contacts
       - Talks and lectures
       - Conferences
   * Polish your web presence
     + Your website should be up-to-date and you should have a portfolio of recent projects
   * Mind your social media
     + You can’t delete the internet. Please be careful about what you say online. If youre running a business that does business online, your online reputation matters
     + Think about how you can add value when posting on social media outlets
   * Become a thought leader
     + Read, listen, think, talk and write about your industry. Form opinions and share them with the community
     + Guest post on more established blogs in your industry to help build your name
     + Generally be as involved as you can in your professional community.
   * Get to know the competition
     + Meet other designers in the area and talk shop. You never know when you’ll need help on a big projects
     + Learn strengths and weaknesses of companies that do similar or complimentary work
6. Back Office
   * Email infrastructure
     + Avoid running servers, if possible. Especially email servers
     + Hosted solutions are available and some registrars will offer email forwarding
     + Google Apps for Business allows for hosted company-wide Google products including a branded Gmail for a company email portal.
   * Time tracking and billing
     + You may need to bill hourly and you may also need to track employee hours
       - Tick: tickspot.com
       - Harvest: getharvest.com
       - Freshbooks: freshbooks.com
     + Web Hosting
       - You get what you pay for
         * Avoid cheap and free hosting platforms
         * Look for reputable VPS and cloud dealers like Rachspace, Linode, Amazon, Liquidweb
         * Expect to pay between 5-150/mo for a solid hosting platform
       - WPEngine: wpengine.com
     + Accounting
       - Quickbooks
       - Freshbooks
       - Xero
       - Lessaccounting
     + Project and code management
       - Basecamp
       - Github
       - Asana
       - Jira