Self-Employment: Building an Internet Business of One

Achieving Financial and Personal Freedom through a Lifestyle Technology Business

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DISCLAIMER

What you do with your career is your own decision.

This book tells you how I improved my life by quitting my job, and creating a sustainable and growing income through self-employment. What I learned along the way could help you do the same.

But no matter how much advice or how many stories I give you, in the end success relies on your own preparation, planning, skillset, talents, determination, and a little bit of luck. I can't give all of that to you.

If this book gives you the confidence to strike out on your own – that’s great. But do it responsibly, and realize that failure is a very real possibility that you must plan for.

Don't blame me for the decisions you make; they are ultimately your own.

Now, on with the adventure.

PREFACE

Three years ago, I worked for a big company.

I did everything a good American employee is supposed to do. I worked hard. I devoted all of my thoughts to making this big company even more successful. I commuted an hour each way, without complaint. I worked 50 hours every week at a minimum. And when I got home, I let them page me at 2 AM if something needed my attention – which happened pretty often.

Over the years, I was rewarded with more responsibility, and more money – although it never seemed to be quite enough. I was considered a role-model software development manager, and I felt successful.

At home however, my marriage was under stress, my kids hardly knew me, and I was on prescription sleep aids in order to combat the extreme stress I was under. My family wasn't happy living in the part of the country we lived in, and they weren't happy with me. But, all that felt secondary to my duty to my employer, and my duty as a provider for my family. I was doing what I thought I had to do.

Three years ago, I was faced with an ultimatum from my family – it was my job, or them.

A few weeks later, I quit my job. I walked away from about a million dollars’ worth of stock grants in doing so, and I wasn't happy about it.

But, I made the decision to try working for myself before seeking another traditional job.

Today, I run my own software company out of my home. I have no employees to worry about, and a revenue stream that matches anything I ever made as a successful senior manager at a big tech company. I now live someplace with a lower cost of living, I don't eat out as much, and I have no commuting costs to deal with– so I get to keep much more of that money. My entire family is happy, and we're closer than we've ever been.

I don't worry about money anymore. I don't worry about my career growth, or about saying the wrong thing to some executive. I have no commute and no meetings. I don't have to be in the office at 9 AM, nor have any artificial requirement to work a set number of hours each day, or each week. I don't write or receive performance reviews. I never have to fire anyone. Nobody can fire me, and nobody can lay me off.

I don't take sleep aids any longer, because my stress level is basically zero. I'm 43 years old, and I'm pretty sure this is what retirement is supposed to feel like – except I'm not too old to enjoy it, and I'm not broke.

I'm not telling you this to gloat. I'm telling you this because maybe you're like I was three years ago. Maybe some part of you knows that your only reward for your hard work is going to be a heart attack in a few years, but you feel trapped by your salary and your responsibilities. You've accepted society's expectations of focusing entirely on your work until you're 65 or so, at which point you hope you'll have enough money saved to actually retire, and enough health left to enjoy it.

I'm here to tell you there is another path. Taking it isn't easy, but success means personal and financial freedom that you never knew was possible.

This book tells you how I did it, while minimizing the risks to my family in the process. It shares what I've learned along the way. You don't have to be rich to do this, and you don't need to be a software developer. But if you have the smarts and tenacity to be self-sufficient, read on – it may just save your life, in more ways than one.

PART I: MAKING THE BIG DECISION

OVERCOMING INERTIA

The first step toward self-employment is to want it.

If you've spent your entire professional life working for someone else, self-employment is a very scary proposition. The life you have is familiar and comfortable, and the easiest thing is to just continue along your current career path. Discarding that career and striking out on your own is a bold thing to do. Your psyche is going to rebel against a change of this magnitude, and find ways to justify not trying it.

It's therefore not surprising that many self-employed individuals were forced into their situation. The ones that become successful on their own talk a lot about the personal freedom they enjoy as a result, but seeking personal freedom is not what motivated them to achieve it. According to the 2012 Freelance Industry Report, 29% of freelancers fell into their self-employment by necessity, after being laid off or downsized.

It's better to transition into self-employment on your own terms. If you start planning and set up your new business before you quit your day job, you can ensure you have income flowing from the first day you start working for yourself. This book will arm you with the details you need to make that happen, but first you need to decide if this is an effort worth taking.

Before we talk about how to become self-employed, I want you to understand the forces working against you. I want you to come to terms with them, and I want you to understand the reasons why it is worth the effort to overcome them. That's what the first part of this book is about: understanding the barriers to self-employment, both real and imagined, and understanding why self-employment is still a goal worth pursuing. When we're done, we'll do a self-assessment to see if you're really in a position to take the leap into self-employment.

FEAR OF FAILURE

Your paycheck puts food on the table and a roof over your head pretty reliably. The idea of giving that up quickly brings up images of your family starving and your house getting foreclosed. This is a real risk, but with proper planning and educated decision making, it’s a risk you can minimize.

If you have responsibilities at home, you should not quit your day job until:

\* You've got a financial safety net in place, and hard and fast rules as to how low you're willing to let those reserves get before returning to the workplace

\* You have a plan for getting another job if you need it

\* You've already prototyped your business on the side and proven it is viable

So, you're going into this with an upper bound on what you're willing to lose before calling it quits. Worst case, you learned a few things along the way.

But just how risky is entrepreneurship? According to the Bureau of Labor Statistics (BLS) and the US Small Business Administration (SBA), 50% of all new businesses survive at least five years. A third of new businesses survive ten years or more. Now, think about how long you expect your current job to last. Would you say there's more than a 50% chance your employer will still be around five years from now, and you'll still be working for that same company? The Bureau of Labor Statistics has that answer as well. The average job tenure in the US in 2012 was only 4.6 years.

Does starting your own business seem that risky now?

Here's another statistic – the 2012 Freelance Industry Report shows that only 22% of freelancers feel less financially secure than when they were an employee. 28% "strongly agree" they are better off financially working for themselves, and 29% "moderately agree." Freelancers don't represent all of the self-employed, but it's always an option for you.

22 million Americans were self-employed in 2010, representing 14% of the workforce. It's not a fringe thing to do. They range from housekeepers, to construction workers, to web developers, to doctors. You don't need a fancy education and lots of professional connections to make this work – but if you have them, think of the advantage you'll have over the millions who managed to make it work without them. You don't need a full time employer to earn a living.

CAREER INDOCTRINATION

So, why do you spend most of your waking hours working as hard as possible to make somebody else richer? Well, being raised your entire life to believe that is a worthy goal has a lot to do with it. We'll talk about external barriers to self-employment later, but the biggest barrier is probably internal – you believe self-employment is just not what you're supposed to do!

Indoctrination is a strong word, usually reserved for religious cults and brainwashing. But, it just means being taught a set of beliefs without questioning them. Just how much do you question the idea that you must have a job in order to be a responsible member of society? One common means of indoctrination is to instill ideas into youth before they are old enough to question them, and have the ideas come from people in authority. That’s precisely what happened as you grew up, pushed along a track into a corporate job.

When you were in school, you were probably told by your parents and teachers to get good grades so you could get into college. In college, you were told to work hard so you would get a job after you graduated. And if you were lucky enough to get that job, you were absorbed into training and a culture that promotes loyalty to your employer. It’s the end result of a lifestyle choice that was indoctrinated into you at an early age.

Once you landed in the professional world, you worked hard in order to get your next promotion, or to just not get fired. You've been so busy following this path, that you haven't had time to even consider the alternatives. Meanwhile, you've probably picked up some new responsibilities like children, a mortgage, or student loan debt – and so the idea of giving up a steady paycheck seems terrifying, even if it's barely enough to meet your financial demands.

If you've got bills to pay and mouths to feed, having a job is just what you do. You probably don't look forward to going to work in the morning – hardly anyone does. But you try to make the best of it, and fulfill the responsibilities life has thrust upon you – year after year. You hear about people starting their own businesses, but you think it's just way too risky for someone who has responsibilities beyond buying their next foam cup of Ramen noodles. You’ve developed what is known as “learned helplessness” – you aren’t happy with your stressful career, but you believe it is the best option available to you.

You may think you're trapped in your career, but you're not. As with breaking any indoctrination, the first step is to understand how you got there, and develop the desire to see alternate paths. Striking out on your own and becoming self-employed is one such path that can improve your lifestyle, when done responsibly.

THE CARROT ON A STICK

You've worked hard to get where you are in your career. You probably believe you're just one more promotion away from a bigger paycheck that will change your lifestyle. Or all those shares of stock you've been awarded in your company are really going to pay off big one day. Why would you quit, and throw all of that away?

Question the rewards your career is promising you, and compare them to the rewards you could achieve on your own.

If you’re working hard toward your next promotion, there are several questions you should ask yourself. Do you trust your current manager to give you that promotion, and to give you a pay increase commensurate with the increased responsibilities and stress that come with it? Do you really believe you'll win out from all of the other people struggling to get that same promotion? Are you that sure you're better than all of your other co-workers, and have a better relationship with your management than they do? The corporate career world is a zero-sum game in the end, no matter how you spin it.

If you’re banking on equity that you have vesting in your employer’s company, ask yourself these questions: Do you trust the stock market with your net worth? Do you believe your hard work impacts your employer's bottom line to the degree that you materially affect its stock price, and the value of any equity you have in the company? Do you really believe that investment bankers will behave rationally, and reward good long-term behavior from your company? Are you working for a startup, and working almost exclusively for a tiny slice of the proceeds if your employer turns out to be a one-in-a-hundred acquisition success?

If you’ve answered those questions honestly, you’ll see that the rewards you’re working toward are actually a pretty big gamble. You may be staying in your career out of risk-aversion, but in reality your career is a pretty risky thing, without high potential rewards.

As hard as you've worked for your employer, your employer has also worked to find ways to keep you motivated while spending as little cash as possible in the process. What do you consider a good annual raise? 3%? What sort of pay increase do you expect with a promotion? 10%? Are those stock awards really worth anything, or do they have such a long vesting schedule that they only serve to keep you around? If you’ve ever wondered if you’re just chasing the proverbial carrot on a stick, there’s a good chance you are.

If you don’t get that promotion or that big raise, you’ll be told it’s because you didn’t work hard enough, or weren’t smart enough, compared to your peers. You might start doubting your own abilities and either work harder or accept less for your work as a result – which is precisely in your employer’s best interests, but not yours. All that time, however, you may have thrived working for yourself. I’m a case in point – my own corporate career hit a dead end when I had difficulty getting promoted to a Director-level job, but today my company earns more than a Director would. By focusing my efforts on building my own company instead of the self-promotion and lobbying required to achieve corporate career growth, I ended up both earning more and creating more.

Let’s quantify that carrot of yours. Let’s say 10% annual growth in your income sounds like a good year to you. If you're running your own small company and it only grows 10% in a year, you should be asking yourself what you're doing wrong. The rewards your employer offers you are intentionally limited – in part to minimize their expense, and in part to prevent pay inequities.

When you work for yourself, there is no upper bound to how much more money you can earn every year. And, it's entirely under your control – you are not dependent on a manager to decide you are worthy of that reward. The market rewards you based on the quality of your products and the demand for them, end of story.

Let me state that again, as it's a very important point – there is no upper bound to what you can make when you are self-employed. There's also no lower bound (other than zero), but with careful planning you can mitigate that risk and choose the lower bound you're willing to accept.

Face it – you’re not going to get rich working for someone else, unless you have the connections to get into the C-suite. You might think that's attainable, but the odds are very much against you. You have much better odds of attaining significant wealth working for yourself. I’m not promising to make you a millionaire – but even a much smaller number can ensure you no longer worry about money. More importantly, the freedom that comes with self-employment means you’ll have time to enjoy the experiences that money can buy.

EGO PROTECTION

If you're successful in your career, you probably feel pretty good about that. Everyone wants to be liked and respected, and a corporate job can give you that. You've probably formed some close personal bonds to some of your co-workers – working alongside others in stressful situations has that effect. It can be a hard thing to give up.

When you start your own company – guess what, you're now a CEO. And a president. And whatever else you want to call yourself. Your friends won't think less of you; they'll probably respect you even more for having the guts to do it.

Yes, you will lose a lot of daily face to face interaction with people. But in this day and age of social media, it's easy to stay connected with your friends. It's been three years since I quit my job and moved 3,000 miles away – but I don't think I've lost a single friend in the process. Successful self-employment will also require you to meet new, like-minded people – and if that's not enough, there are probably multiple Meetup groups you can join filled with local entrepreneurs, or people who share your other interests. Work out of a coffee shop or shared co-working space if you really need people around you all the time; the cost is minimal.

In your current career, your ego is probably tied to your accomplishments at work. Think about your current goals at work – how much impact do they really have on the world, or on your life outside of work? Think about how much better it would feel to create something big on your own, that you can take full credit for!

YOUR EMPLOYER AS A SECURITY BLANKET

Your employer probably takes care of a lot of things for you. They withhold taxes from your paycheck so you don't have to think about them much. They arrange for your health insurance. They contribute toward your Social Security and Medicare taxes. They pay unemployment insurance. They might contribute toward dental, vision, or life insurance as well. Someone else probably deals with all the licensing, legal requirements, and accounting associated with your employer, so you can focus on a very narrow job. That's a lot of stuff you don't need to worry about. You've got enough to worry about already, right?

When you work for yourself, you do need to arrange all of these things for yourself. And not only do you need to build a great product or service yourself, you also need to do all the stuff other people did for you at a big company. You need to be a PR specialist, a marketer, an accountant, a website developer, a manager, and a paralegal depending on the day. In all honesty, it can seem very intimidating at first.

In reality, arranging insurance for you and your family is a hassle, but it's something you just have to take care of once a year. It's not that big of a deal. Maybe you have a working spouse, and you can just switch to another company's benefit plan as a result. If so, that's super easy and the cheapest way to go by far.

As for all the other hats you need to wear when you're self-employed – the important thing is to understand what you're not good at, and hire others to do them for you. Need a website for your new business and you don't even know what CSS is? Find a contractor to build it for you. Similarly, there are freelance marketing and PR professionals out there you can lean on as needed. You're going to need an accountant and a lawyer anyhow; the trick is just to use them wisely. You don't have to go it alone in everything – although the more you can learn yourself, the less you'll need to spend on others.

Many areas also have business incubators funded by local governments. Unlike venture capital business incubators, these resources simply provide help to local small businesses in hopes that they will grow and create more jobs in the long run. They often provide free advice and free access to local experts in the areas you need to run your business effectively, and you should take advantage of them.

Yes, there are many new things you'll need to learn and take care of when you're self-employed. That's part of what makes it exciting! And there is help all around you, if you just look for it.

WHY IT’S WORTH IT

There are many perceived barriers to self-employment covered above. They are real; doing this is hard. However, according to the 2012 Freelance Industry Report, 90% of freelancers say they are happier now than before they were self-employed.

90%. Think about that for a minute. 55% say they would never even consider going back to work for someone else again. You rarely hear about the potential rewards of self-employment – let’s talk about why it's worth taking this leap.

UNLIMITED GROWTH POTENTIAL

If you understand how to create a business that can scale independently from your own time, then your business has unlimited growth potential. Unlike your corporate job, there is no upper bound on your earnings, and there is a direct relationship between your efforts and the money you make. Once you have created a product to sell, you may sell as much of it as you can to create an ongoing stream of revenue. This is called passive income, and it’s a beautiful thing. The more products you and your contractors create, the more revenue streams you have. The more time you invest in marketing, sales, and finding new markets, the more you’ll sell of the products you have. There is no limit to the number of products or sales you can achieve.

Often, there is a disproportionate relationship between your effort and the rewards. One year, I increased my business by 50% just by being smarter about my online advertising. It took about a week of my time to achieve that. Could a week of effort result in a 50% pay raise in your current job? I thought not. Another year, I doubled my business by launching a new product. It took a few months of dedicated effort, but it effectively gave me a 100% pay raise that year – and it continues to grow and sell more every year. As long as I have new ideas and new ways to market and promote my products, I have every reason to believe that growth will continue over the long run.

When you work for yourself, you are forced to look at every minute you spend through the lens of "how will this activity create more ongoing revenue?" If you devote yourself full time to such endeavors, you are the direct beneficiary of the business growth that results. That growth will still be a direct result of your hard work, but that work scales your growth at more than a 1:1 ratio.

INVESTING IN YOURSELF, NOT SOMEONE ELSE

Your employer presumably pays you the market rate for your time and skills. They do this because the value you generate for their business exceeds what they are paying you – otherwise, it would not be profitable. The revenue your time and effort generates for your employer is more than the money you are paid in return. If it isn't, then you should be worried about your job security. The results of your labor are making someone else amass millions of dollars. Maybe it's the executives in your company. Maybe it's a bunch of investment bankers on Wall Street who trade stock in your company. But it's probably not you – and you probably don’t have time to enjoy whatever portion of profits they do share with you.

When you work for yourself, you are the direct beneficiary of the revenue your efforts create. The time you spend and the decisions you make are an investment in yourself, not for a faceless corporation. Come up with a great idea that makes hundreds of thousands of dollars a year? That goes straight to your own net worth. Do the same while working for a large company, and the most you can hope for is a promotion and a 10% pay raise.

The self-employed are investing in themselves, instead of in someone else, by having 100% of the fruits of their labor available for their own later use. If your business is growing and you understand why and how to sustain that growth, investing in your own business could easily yield better returns than investing in your employer's 401(K) plan, or your employer's stock.

It's not just about money, either. When you are self-employed, you are forced to learn new skills, meet new people, and to be creative. You'll grow personally across a wide range of disciplines, like it or not. The skills and bigger-picture thinking you gain is also an investment in yourself.

NO DEPENDENCIES

When you work for a big company, it's hard to accomplish anything alone. You'll probably need the cooperation of others. You'll depend on other teams to deliver things your project requires. You'll depend on management to remain committed to your project and not de-prioritize it without warning. You'll depend on your own teammates to deliver good work, on time. There's a lot that can happen to derail your results, and often it is outside of your control. Few things are more frustrating than failing due to the actions (or inaction) of others. It happens more often than not; according to a study in 20081, 68% of corporate technology projects fail, and over 41% of engineering time is spent developing requirements that proved to be unnecessary.

When you work for yourself, your success hinges on your abilities alone. Perhaps you rely on contractors to build parts of your business, but at the end of the day you are the one who tells them what to do, and can make the decision to replace them if necessary. If you hire people, you're the one who decided to hire them. If they can't deliver what you need, it's your own fault – but you at least you have the authority to replace them. After all, you're the CEO! Nobody is going to screw up what you're doing, other than you. "Office politics" will no longer exist.

If you are the sort of person who relies on being part of a larger team that you can lean on, this might sound scary. I'll be honest: if this scares you, self-employment might not be for you. If you're confident in your abilities however, this lack of dependencies sounds like a very, very good thing. Your own ability to deliver is all that stands between you and your vision.

NO COMMUTE

An average 20-mile commute ends up costing you at least $50,000 every ten years2. The average car owner is involved in an automobile accident once every 17.9 years3. Your lifetime odds of being killed in a motor vehicle accident in the United States are a disturbing 1:1124. An automobile accident is by far the most likely way to die by injury. Your commute isn’t just draining your money, time, and energy – it could very well kill you.

When you’re self-employed, it's up to you where your office is. Maybe it's just down the hallway from your bedroom. Maybe you rent a small office down the street. Perhaps you hang out at the local coffee shop once in a while just to get out. But unless you really enjoy sitting in rush-hour traffic, you can kiss that goodbye when you work for yourself.

According to the US Census Bureau, the average American spends 50 minutes every day commuting to work and back. Think of what you could get done with an extra hour every day – or even how you might spend that time relaxing or recharging yourself however you like. You might actually have time for hobbies – and not dealing with traffic is a huge stress reliever in itself.

It's not just time you'll get back, it's money. If you work from home, will you really need that second car? How much are you spending on gas every week just to get to work? How about on parking? Or tolls? Maintenance on your car? Bus fares? Really– go add it up. One thing that amazed me pretty quickly after becoming self-employed was how much less I spent, and how much more of my earnings I got to keep as a result. Eliminating commuting costs was a big part of that. (You'll also eat out less, which is a bigger drain on your money than you probably realize, as well as a drain on your health.)

FREEDOM TO LIVE WHERE YOU WANT

Why do you live where you are? Chances are it's because it's near your employer's office. Unfortunately, high-tech, high-paying jobs tend to be concentrated in places with very high costs of living. The most tech jobs exist in the San Jose, California area5, which also has a cost of living 49.3% higher than the US average6. Even if you’re making a six-figure salary in Silicon Valley, a software engineer in Austin, Texas probably has quite a bit more discretionary spending money than you do7 – not to mention less of a commute. Much of the money you’re currently spending on housing is wasted, when you consider you could live somewhere nicer for much less money.

This depends on what sort of business you start for yourself, but many businesses these days may be conducted entirely online. In fact, this is a desirable business model because it opens up the entire world as your marketplace, instead of limiting yourself to your local area. If you don't have the freedom to run your business wherever you want, perhaps you're not running the right kind of business.

This is where lifestyle changes really start to kick in. Want to move to the tropics, or someplace with a much lower cost of living? You have no need to live in a big, expensive metropolitan area unless you want to. Think of the money you could save, or the higher standard of living you can enjoy, by moving someplace where houses cost half of what they do in your area.

Now, you shouldn't hang out a for-sale sign on your front lawn just yet – living in an expensive place probably means you're living near a lot of employment opportunities. In the early years of your business, you'll want to live close to potential employers because going back to work is one of your backup plans in case your business doesn't work out. If your current mortgage or rent is manageable, you should probably stay put until your new business is well-established.

If your business reaches the point where it is providing reliably growing income however, the sky's the limit. You can move anywhere that has an Internet connection, which is basically the entire planet at your disposal. Hawaii? Fiji? New Zealand? There's no need to dream small – it’s an attainable goal.

FREEDOM TO WORK WHEN YOU WANT

A 2014 Gallup poll8 showed the average full-time US worker spends 46.7 hours at the office every week. 18% spend 60 or more hours per week at work. They have very little flexibility in when those hours are spent; meetings and employer expectations dictate getting up early and coming home late for most workers.

Running your own business is a lot of work, but you can usually choose when to do it. If you're running an Internet-based business, you might have customers all over the globe. 9 to 5 in your time zone is a meaningless concept – it’s always 9 AM somewhere. So, you may as well work when it's convenient for you.

I do my best work in the early morning. Most days, I've handled all of my customer support emails before I even drive my kids to school in the morning, freeing up the rest of the day for whatever new product development I want to work on – or anything else that needs to be done, be it business or personal.

No need to stress out about finding room on your calendar for that doctor's appointment, or catching the kids' school concert or award presentation. You're the boss, and the only meetings you have are the ones you made yourself with your customers. If you work from home, you won't even lose travel time to these occasional personal responsibilities.

Want to work 7 to 3? 11 to 7? Nobody's going to stop you. The eight-hour work day is an arbitrary construct anyhow; you can just stop working when you feel fatigued, or you feel you've achieved whatever goal you set for yourself today. If you're worthless after lunch, you can go relax in the pool for an hour and get back to work once your mental energy level is back up.

In fact, why stop there? As the owner of your own business, you have the freedom to make your own tradeoffs between time and money. If you've got enough revenue coming in to hire contractors or assistants to handle much of what you do, you can do so – and work less than 8 hours a day. Tim Ferriss's book "The Four Hour Work Week" goes into a lot of depth on this strategy. If you're smart about the kind of business you create, the title of that book actually is not hyperbole. I really could sustain my business with about 4 hours of work a week, just handling customer inquiries batched up into an hour or less per day, and directing the work of contractors. When I go on vacations with my family, that's exactly what I do. However, I still work at least 40 hours a week when I'm not on vacation, because I'm always trying out new things to ensure my business continues to grow. As with most things in life, you get what you put into it – and having a strong work ethic will pay dividends.

"Flexibility in work schedule" was the top-rated benefit of self-employment in the 2012 Freelance Industry Report. You might be surprised to hear that 46% of respondents say they had more free time after working for themselves; there is a myth that the self-employed must work extra-hard in order to make ends meet, but in fact the opposite is often true.

With great freedom comes great responsibility, however. Although it might be tempting to take a 3-hour lunch break because you can, you must have the self-discipline to realize how much your time is worth as a business owner, and use it wisely. Had you spent those 3 hours on sales or marketing instead, you’d probably be a little bit richer. But, that’s your own decision to make.

FREEDOM TO WORK HOW YOU WANT

According to the American Psychological Association, most stress on the job arises from a sense of powerlessness. You are always doing what you’re told, to someone else’s specifications and on someone else’s timeframe. “A feeling of powerlessness is a universal cause of job stress. When you feel powerless, you're prey to depression's traveling companions, helplessness and hopelessness. You don't alter or avoid the situation because you feel nothing can be done.”9 It’s a huge problem – according to the Centers for Disease Control10, 40% of workers describe their job as “very or extremely stressful,” and this job stress is more strongly associated with health complaints than financial or family problems.

If you work in a creative field, you will probably welcome the complete creative freedom you have as a self-employed individual. There are no top-down restrictions on what you make, other than those from your clients. If you're a computer programmer, you won't have to conform to some external style guide or some existing architecture – you can create your own. If you're an artist, your own personal style can show through to your work. Working without these restrictions can let you focus on what's important.

Did I mention the lack of dress code when you work for yourself? If you're not meeting face to face with clients, you can wear whatever you want. No need to maintain an expensive wardrobe. Personally, I try to look professional on work days regardless; it helps to keep me in the right frame of mind.

IS SELF-EMPLOYMENT FOR YOU?

Self-employment offers many forms of freedom that you simply cannot have in a corporate environment. It gives you a path to unbounded growth and rewards, limited only by your own skills, talents, and time. If this all sounds good so far, it's time to get serious. Let's decide if self-employment is a path you want to try out.

Is it for you? That's a very important question to answer. There are real risks to starting your own business, and you need to honestly assess your situation and your own skills before diving in. You need to understand the risks you're undertaking, and your personal likelihood of success. Even then, there are no guarantees – but going through the exercises in this chapter should at least give you a better idea of where you stand.

It can all end unimaginably well, but it can also end badly. We want to make sure the odds are in your favor – if not, perhaps you should spend some more time in the conventional workforce building up more savings and developing more skills. Self-employment may be for you, but just not now.

FLOWCHART: SHOULD I EVEN CONSIDER SELF-EMPLOYMENT?

There is risk involved with self-employment. Minimizing that risk means ensuring you have a financial cushion in place, as well as a plan for dealing with health care expenses. If you're going to put yourself in a position where you are truly betting the farm by quitting your job, we need to identify that right now, and you need to store this book until your situation changes.

Here's a flowchart that will at least tell you if you're taking a crazy risk by even thinking about this.

If you're reading this on a device that can't display this flowchart well, I'll describe its main points:

HAVING A FINANCIAL SAFETY NET

Assuming you've done the initial legwork and product development for your new business before quitting your day job, we're going to say you'll need at least 3 months to figure out if you can really earn a living from it – and if not, another month to find a new job instead. You may want to increase or decrease that estimate, depending on the employment market for people with your particular skills and experience. If you’re burning up the last months’ worth of your reserves, the following month needs to show more income from your business than your monthly expenses add up to. If not, then it’s time to go back to work and try again later. That means you'll need at least 4 months of living expenses saved up, just in case your big idea turns out to be a complete bust. A few months doesn’t sound like enough time to prove a business is viable, but we will be doing a lot of testing before you quit your day job. In reality you have as much time as you need, if you factor in the time you spend developing your business on the side.

If you're lucky, you have a supportive spouse or parents who can pay the bills during this time. If you're not so lucky, you need to save this money up first. And I'm talking about cash savings here – money you can easily withdraw if needed, without penalties. How much cash are we talking about? Don't make the mistake of adding up your basic living expenses such as rent, your cell phone bill, etc. You probably spend a lot more every month than you realize, and no matter how much you tell yourself you can just tighten your belt and spend less for a while, in reality that's much harder to do than you think. Instead, go get your last 6 months of bank statements, and figure out how much you actually spend on average every month. Multiply that number by 4, and that's what you need sitting in your savings account. If you have any large expenses looming ahead of you, like tax payments, be sure to factor that in as well.

If you don't have that much money in your bank account today, think about if you will in the near future. Do you have a bonus coming up? Stock grants that are vesting? A big tax refund? Something you can sell that you don't want any longer? Those are good ways to fund your endeavor.

You might also consider doing some freelance or contract work to help pay the bills while your business spins up. This is a great idea, but I wouldn't rely on that revenue. It's all too common for contracts to go bad, and to have trouble collecting on your invoices in a timely manner. It's also a little too tempting to lean on freelance revenue, instead of investing your time into building a business that can grow beyond the number of billable hours you can work each month.

Do NOT take out a loan to do this, from anyone. There is a very real possibility that your endeavor will fail, and you don't want to be saddled with debt after you've already depleted your savings. Don't take a loan from Uncle Bob, don't take out a home equity loan, and don’t bet your kids' college fund or your retirement fund. And for God's sake, don't plan to just max out your credit cards. Just don't. If you don't have the cash to do this responsibly, put this book away until you do. Remember about 50% of new business fail, and that’s a very real possibility you must plan for. Even if your business succeeds, you’ll be paying interest on that loan that you could have avoided by building up your business with your own money over time, on the side. If you're reading this book because you lost your job and you don't have the savings or severance package you need to try self-employment, focus your efforts on finding a new job instead.

I mean that.

PLANNING FOR HEALTH CARE

If you live in a country with universal health care coverage, then you probably don't need to worry about this too much. For our readers in the United States however, health insurance is now a very big problem for the self-employed – and it's something you need to consider before deciding to take the leap.

The laws surrounding this are changing every year, so it's a good idea to do some research of your own. As of this writing in 2015, health care expenses for the successfully self-employed in the United States are extremely high. I’m not making a political statement, but the fact is my own self-employment health insurance premiums doubled with the passage of the Affordable Care Act (“Obamacare”,) and I was left with worse coverage than I had before as well. Perhaps by the time you’ve read this, subsidies for small business owners will exist, so it’s worth checking if the system has since been improved to be friendlier to the self-employed.

As of now however, your best option is to add yourself as a dependent on an employer-provided health plan offered to your spouse or parents. If their employer subsidizes health care at all, then it will certainly be a much cheaper option than purchasing your own health insurance – not to mention far less complicated. Ask them to find out what it would cost to add you to their plan, and figure that into your planned monthly expenses. We can just move on. If you will need to provide your own health insurance, keep reading.

How do you figure out if you have enough savings to provide your own health insurance? If you won't be covered by someone else's insurance and you live in the U.S., visit www.healthcare.gov. It's pretty easy to find out what sorts of plans will be available to you once you are self-employed, and what they cost. The cost will vary depending on your income, so to be conservative assume your business will be successful and you will not receive any government subsidies to offset the premium costs.

Done? I bet you've got a good case of sticker shock now. Depending on your age and the size of your family, you're probably looking at monthly premiums on the order of $1,000 per month for a plan that won't pay for anything until you've paid about $10,000 or more out-of-pocket for health care expenses. Don't bother being angry about it. There's nothing you can do about it, and you are required by law to have this coverage. You just have to plan for it.

We also need to think about that pesky deductible. Let's say you do have a $10,000 deductible. If you're in good health, you can take a risk and bet that you won't incur any health care expenses while you're testing out your business in its first few months. But the prudent thing is to assume something will go horribly wrong, and you'll somehow find yourself with a $10,000 medical bill during this time. One trip to the hospital is all it takes. You really should have the amount of your deductible saved up somewhere, in addition to your 4 months of living expenses. Otherwise, you're taking a big gamble.

You now have some numbers to factor into your planned savings’ budget for health care. Do you still have enough saved up to cover your expenses for the first few months, with those health care costs factored in? If so, great—we can move on. If not, you need to come up with a plan to save more, and revisit this book once you have the necessary reserves.

SELF-ASSESSMENT QUIZ

If you've gotten this far, you've got the financial safety net and health care planning you need to try out self-employment. But just because you can try self-employment doesn't mean you should.

There is nothing scientific about the following self-assessment quiz; it is merely a collection of qualities I've found to be essential during my own self-employment. The more you have, the better. But if you only have a few, self-employment may not be for you. Be honest, now!

Quiz: Do I Have the Qualities for Successful Self-Employment?

Just count up the number of positive responses to the following questions.

\_\_\_ I was successful in my chosen career due to my ability to consistently deliver results in a timely manner.

\_\_\_ I'm at my most productive when working alone, without a large team to back me up.

\_\_\_ I can think of several examples where I successfully taught myself a new skill in a short amount of time.

\_\_\_ I don't leave projects half-finished; I always put in the effort required to finish them. An unfinished product has zero value!

\_\_\_ I am consistently responsive to people who contact me. I don't just ignore emails and voice-mails.

\_\_\_ I manage my time well, and rarely feel overwhelmed as a result.

\_\_\_ I am good at focusing on the task at hand and tuning out distractions.

\_\_\_ I've been told that I have good communication skills.

\_\_\_ I have at least 100 professional connections in my social networks.

\_\_\_ I have the self-discipline to work hard without a boss monitoring me.

What's your score?

8-10: You possess the personal qualities required to pull this off. Look at the one or two items you didn't check off however – they are still important, and you should think about how you can either augment these skills, or contract someone else to help you out with them.

6-8: Self-employment will not come easily to you, but the necessity of putting food on the table will probably motivate you to overcome the qualities you're missing in the end. As before, finding ways to address the personal qualities you're missing either through training or purchasing the services of others will be important.

0-5: I'm not so sure self-employment is the best choice for you, but you're not so different from most people who are self-employed. The thing is, most self-employed people are just getting by, earning on average about $40,000 per year working as independent housekeepers, child-care workers, construction workers, and the like (Census data, aggregated QuickBooks data, and BLS data agree on that number). If you want your business to be a runaway success, you should consider partnering with someone who possesses the qualities you lack, and whom you can implicitly trust – but only once you're in a financial position to share your revenue with a partner. You can see the Catch-22 there. You may be better off working for someone else, unless $40,000 per year is more than you're earning now. Keep in mind there is no guarantee you will earn that much, or anything for that matter.

At this point, we've determined whether you are in a position to try self-employment, and a rough idea of your outlook for success. What's your decision? Try going it on your own, or continue to focus on your career? There's no wrong answer; self-employment is not for everyone. But if you are going to try self-employment – you are about to embark on an adventure you'll never forget. I want it to end well, and the next two parts of this book will tell you all I know about making that happen.

PART II: MAKING IT HAPPEN

DESIGNING A BUSINESS FOR YOUR LIFESTYLE

Maybe you already have an idea of what you'll do when you are self-employed. But, the obvious choice isn't always the right one. This section will help you plan for the long term, maximize your lifestyle benefits, and build a business that can grow independently from your time.

You don't have to get your business idea right the first time; what you do will and should evolve over time, as your customers and the marketplace changes. Ultimately you'll want to offer a wide variety of products and services in order to diversify your offerings and make your income more reliable. In the short term, all that's important is finding a way to pay the bills without a paycheck. You'll learn as you go. Get one of those Moleskine notebooks, and keep notes of all the information, advice, ideas, and learnings you acquire along the way. Revisiting those thoughts later will help you continually refine your business and find new business ideas to try out.

You need to start with something, however. Many will rely on freelance work during this initial period, but freelance work does not realize the full potential of freedom and lifestyle self-employment can offer. As a freelancer, time really is money. Your growth potential is limited by the number of billable hours you can work in a week. You're still working for other people – your clients – and developing things according to their specifications. They might even demand that you work on-site. In many cases, you're just working as a contractor so your clients can avoid the expenses of providing benefits to you and employing you over a longer period of time. As mentioned earlier, 90% of freelancers do believe their lifestyle is better than traditional employment – but you can do even better. You should have another revenue stream gestating that can take its place over time. As a freelancer, your clients have no expectation that you only work on their tasks. You are free to pursue your long-term objectives at the same time. We're going to explore what kind of objective you should have in mind.

THE FALLACY OF THE GROWTH BUSINESS

When you hear about entrepreneurs and people starting their own business, the press tends to focus on what is known as "growth businesses." These are the startups you hear about in Silicon Valley, or the small businesses you see on TV on "Shark Tank." They seek large amounts of investment at an early stage, amass large amounts of debt, and attempt to grow their business as quickly as possible to create a revenue stream that offsets that initial investment. Their ultimate goal is usually to sell the company to a larger company, and get rich in the process through whatever personal stake they may still have in it. At that point, the investors get rich as well.

The problem is: it very rarely works out that way in the end.

93% of companies started by the much-touted "Y Combinator" business accelerator in Silicon Valley ultimately fail, according to a 2013 article from Business Insider11. This is consistent with the common wisdom that only one out of ten startups succeeds. Venture capitalists invest in a wide range of companies with the expectation that most will fail, but the rare one that succeeds will offset those losses for them.

Even of the startups that are sold to a larger company in the end, most are what are considered "acqui-hires." The startup actually failed to create a sustainable revenue stream, and is only being acquired as a way to hire a bunch of talented people at once. Usually the only real reward to the founder in this case is that they have a traditional job again. If your ultimate goal is to become a project manager at Apple, then that's great. But that's not what this book is about.

If you're at a point in your life where you have the ability to live on a shoestring for years in exchange for a 10% chance at riches, AND you have an idea awesome enough to attract significant venture capital, well, I can't stop you. If you think you can found the next Oculus or WhatsApp that gets acquired for an outrageous sum of money, and you can accept working ridiculously hard for very little money for years for the slim chance of that happening, go for it.

I should also point out that unless you live in Silicon Valley or New York, and are a 20-something male, the odds are even further against you. (See "The Brutal Ageism of Tech", New Republic, "Why Women Should Get The Hell Out of Ageist, Sexist Companies", Inc., or any of the other 212,000 results you'll get when searching for "ageism and sexism in Silicon Valley".) Venture capitalists want young, energetic founders who will happily work for next to nothing – and they seem to like founders that remind them of themselves in college. It's not fair, but that's the world we live in. I’m hopeful that the sexism in venture capital will subside as more attention is drawn to it, but ageism seems likely to persist.

If your business isn't tech-related to begin with, you're going to have a hard time finding venture capital at all. There are funds that don't focus exclusively on tech, or focus on women or minority-owned businesses, but they are the exception.

However, there is a much less risky path – one where you get to keep your free time, your money, and your freedom. You'll have a lower chance of becoming a billionaire, but you have a higher chance of living a rich lifestyle.

INTRODUCING THE LIFESTYLE BUSINESS

The astute may say, "Only one in ten startups survive? Didn't you say earlier in this book that half of all new businesses last five years or more?" I did. Both statements are true – but most businesses are not startup "growth businesses." They are lifestyle businesses.

A startup business is designed to grow fast, above all else. In contrast, a lifestyle business exists for the sole purpose of providing revenue and freedom to you and your family over the long run.

All those family-owned restaurants, barber shops, pool cleaners, landscapers, roofing companies, freelancers, and people selling crafts or imported goods online are running a lifestyle business. Their objective is not to grow into a company that employs thousands of people, or to get acquired by Google for billions of dollars. Their goal is to simply do what they love to do on their own terms, and earn enough money doing it such that they can enjoy life and some freedom. You rarely hear about how these companies come to be, but you're surrounded by them all the time.

This is a much more attainable goal. You don't need to be a landscaper or a restaurateur to do it; there are even better options – ones that don't involve the responsibility of hiring and managing others, or being tied to a single physical location.

PLANNING THE IDEAL LIFESTYLE BUSINESS

When planning for a new lifestyle business, we want to maximize all of the benefits of self-employment we discussed earlier. Your business should be designed to do so from the start. Let's review those benefits, and how your business can realize them to their fullest.

Unlimited growth potential. Your business should create products that can create an ongoing revenue stream with minimal further investment of your own time. Your time is limited, and a business that can only grow with the time you put into it cannot scale. A freelancer's business cannot scale beyond that freelancer's available time; but building a marketplace for freelancers can. The ideal situation is to create digital products with some time up front, which can then sell themselves indefinitely through online purchasing and distribution, completely automatically. Even your marketing can be largely automated through targeted online ads and building a website optimized for conversions. Physical products can work the same way, if you can outsource the production and distribution of your product at a reasonable cost.

Investing in yourself, not someone else. You want to avoid the need to take on investors or debt in order to start your business. Instead, create a business you may bootstrap using the time and money you have available while you're still employed. Investors generally are not interested in funding a lifestyle business anyhow – they want a slice of a big payoff at the end, and have no interest in your lifestyle. Bank loans for small businesses are difficult to come by these days (unless they are backed by collateral), which really only leaves bootstrapping and crowd-funding as options anyhow. This is all for the best, however. Self-funding your new business means that you have no investors who can demand that you do things their way, and it means that the profits from your business are entirely your own going forward. The good news is that many modern businesses do not require a large cash outlay up front – often, all you need is a website, a computer, and an Internet connection – plus that financial safety net we talked about earlier.

No dependencies. Think about what or who your new business will depend upon for success. Of course, you'll depend on your customer base – but are there other dependencies outside of your control that could get in your way? A good example is a company that relies on government contracts. Will you get paid the next time Congress forces the government into a temporary shutdown? Do you know all of the arcane paperwork and regulations that are required in order to actually get paid by the government in a timely manner? Do you know how long it takes for a government contract to get awarded before you receive a penny from it? There's a lot in this example that's outside of your control, which can absolutely kill a new business that's starting out. A more common problem is relying on suppliers for your business that may not be able to deliver what you need on time or to your specifications. If you’re selling stuff that other people provide, make sure you have a pool of potential suppliers to use in case one doesn’t work out.

Freedom to work where you want. If your business requires physical interaction with people, you're thinking too small. By tying yourself to people in a specific location, you are both giving up some freedom and limiting your growth potential. Instead of planning to open up a beauty salon for local individuals, consider selling beauty products on the Internet to people around the entire world all at once. Then, if your business becomes successful, you have the freedom to move to Tahiti without losing a single customer in the process.

If freedom from commuting and freedom of location are important to you, it's also important to plan a business that does not involve hiring employees that require your physical oversight. As your business grows, can you start hiring freelancers and independent contractors remotely to help out? Can you outsource much of what you do? If so, that's a business that can scale beyond your own time and one that offers the most freedom. If your business is such that you must hire people that require face-to-face management in order to grow, then you're going to find yourself tied to an office where you must be physically present at least as long as your employees are. You're giving up a lot of the benefits of self-employment in that case.

No commute. One of those benefits is not dealing with a daily commute, and reclaiming those hours of your life. If your customers are all concentrated inside the city, you live in the suburbs, and your product is such that you need a physical presence with your customers – you’re doing it wrong on many counts. First of all, the fact that you require a physical presence with your customers violates the first tenet of "unlimited growth potential" – you can only make as many sales as you have time to see your customers physically. Maybe you're a contractor who must be at a client's office you must commute to – but again, such a business cannot scale beyond the time you have available.

Freedom to work when you want. Yet again, this comes back to the theme of not creating a business that requires face-to-face contact with your clients. If your business is one such that you supply products, not services, to customers – then as long as you respond to their messages within a day, they will generally be happy. You can choose to batch up all of those messages and handle them in the same hour every day, or respond to them throughout whatever window of time you decide to dedicate to your work. But when that is remains up to you, and you have the flexibility to change it as needed.

Avoiding employees, or contractors who require close supervision, is also required to let you manage your time as you see fit. If you have someone working for you from 9-5 that isn't experienced enough to work independently, then you too need to be available from 9-5. If you aren't, you'll have someone wasting their time figuring stuff out on their own, or doing things incorrectly, and still sticking you with the bill for that time.

Freedom to work how you want. A big part of why you're considering self-employment is because you want to be your own boss. But certain kinds of businesses afford more creative freedom than others. As mentioned earlier, freelancing is a good way to keep paying the bills during the early stage of your business, but as a freelancer you're just trading your old boss for a bunch of new ones: your clients, who all want things produced to their exact specifications. Working for a client as a freelancer isn't all that much different than being an employee, except you probably don't have to go to as many meetings, and you're hopefully paid more per hour to compensate for your lack of benefits.

I will again caution against taking on investors, even it's from Uncle Bob or Mom & Dad. As soon as someone other than you has a financial stake in your endeavor, they will probably want some ability to call the shots. It may be well-meaning advice, but if their money is on the line, you can bet they expect you to act upon it. Free advice, without strings, is easy to get – you don't need investors for that. This is why I advise starting your business before you quit your day job, if at all possible. Choosing a business that does not require a large cash outlay up front can make that possible.

My advice so far is admittedly self-centered. I'm telling you to avoid hiring people, avoid involving investors, and avoid creating a business that depends on strong ties to your local community. This might go against everything you've been taught all your life about being a good member of the community. If you want to remain tied to that community indefinitely and have your schedule revolve around them, that's fine. Perhaps creating local jobs and new, deeper relationships with members of your community is in fact what motivates you. I won't stop you. Just understand what you're giving up – if your business takes off, you're still going to be tied to a local office working 9-5. You won't have the option to up and move someplace warm and work whenever you want to, without the need to sell your company or to give up its revenue stream. Working out of a beachside café in Hawaii a few years from now will be how your story ends, only if you craft your business with that end in mind. To maximize your personal freedom, your business must be portable, global, and avoid full-time employees that cannot be easily replaced or managed remotely.

CASE STUDY: SUNDOG SOFTWARE

This isn't all just empty advice – it reflects what I've actually done myself. So, let me give you the story of my own company, Sundog Software LLC, and how it was designed to maximize the advantages of self-employment. In all honesty, "designed" might be too strong of a word – a lot of it was lucky choices. But you can learn from how it worked out.

Sundog Software specializes in real-time computer graphics software for environmental effects. Think of skies, clouds, and oceans in video games, training simulators, and the like. It's a niche, but it's something I enjoy and do well. I license my software to companies like big defense contractors, aerospace companies, flight simulator enthusiasts, and game developers. Today it earns over $300,000 per year in revenue, and the vast majority of that is profit.

It has unlimited growth potential, because after developing this software, I'm able to sell it to as many people as I want to without investing significant additional time. I do need to fix bugs and keep my products modern, but those efforts are shared with all of my customers at once. There is no linear relationship with my number of customers and the number of hours I need to work.

My software is a digital product, so I have no costs for manufacturing or shipping to deal with. Customers all over the world can order software licenses on my website with a credit card, at which point they automatically receive a download of their product. Online advertising campaigns seek out new customers and direct them to my website automatically. Prospective customers may obtain product information, demos, and trial versions from my website without interacting with me at all. I literally earn money while I sleep.

I started developing this software as a hobby, while I was still working in a conventional job. Since it's something I enjoy, it didn't really feel like work. But I soon realized that what I made had commercial value, and I started offering it for sale online at a low price just to test the market. I used some bonus money to pay a web designer to develop a WordPress-based storefront for my new product, and quickly earned that money back.

Note that I was careful to review the terms of my employment at the time. They were remarkably generous with regards to side endeavors such as this. Still, I was careful to only work on this using my own time and equipment. If you aren't careful about this sort of thing, you could end up with your current employer laying a claim to whatever you created on your own, or being upset about your "moonlighting" enough to put your day job in jeopardy. Even though I knew I was playing by the rules in my case (and it was actually helping to keep my technical skills up for my day job), it's still not something I talked about much at work.

The important point is that I did not take out any loans or outside investment to get a proof-of-concept product into the market. I did it on my own time, with my own money, while I still had a steady source of income. This way, I was only investing in myself – the company that resulted was entirely mine.

By the time I was forced to leave my day job due to personal circumstances, even the 10 hours or so per week I was devoting to my little "hobby" was resulting in almost enough revenue to live off of. I had enough saved up to cover living expenses for a few months, and I could afford to provide my own health insurance for a while. So, I took a gamble that with a full-time effort, I could grow this business into something my family could live comfortably from.

I started off doing a lot of freelance work as a software developer, and found that with my professional connections and the demand for experienced software engineers, it was surprisingly easy to come by. I was also surprised to find that nobody even blinks at paying $150 per hour for an experienced software engineer. My paranoia about depleting my savings and having to seek a new job went away pretty quickly. But I was still working hard to meet the high expectations my clients had, so in many ways it still felt like I had a job, and not a business.

At the same time, I was investing just as much time into growing Sundog Software. I worked to optimize my automated targeted marketing through Google AdWords and display ads on specific websites. I raised my prices after evaluating the market. I started sending press releases out to publications my customers read, which doesn't cost anything. I started building up an email list and sending out regular newsletters. All of that paid off, and money from freelancing soon just became extra income. I stopped seeking new freelance work after a few months.

At this point, I was working entirely out of my home, so I had no commute. All I needed to create my software and market it was a computer and an Internet connection. I was creating all of this on my own, so I had no dependencies – nobody could stop me from delivering my product. My products were intentionally of a scope such that I could build them myself, but still be large and complex enough that they would be difficult for a competitor to replicate.

Growing my business occasionally required skills or time that I didn't have. But instead of hiring employees I wasn't sure I could afford in the long run, I contracted out specific tasks to other freelance software developers and artists that worked out of their own offices using their own equipment. Since these freelancers were experienced enough to work independently given spec’d out work, I was able to hire them from across the globe and without face to face interaction. This way, I preserved my freedom to work where I want.

Since I was selling my product over the Internet, I soon found myself with customers all over the world, from every time zone. There was no expectation to meet with me face to face, because they knew I lived far away. Had I restricted myself to selling in my immediate area, my business would not have lasted a month. E-mail communication with my customers became the norm, and as long as they received a response within a day, they felt I was being responsive. So, I could choose whatever part of the day I wanted to communicate with my customers, preserving my freedom to work when I want. In fact, I've found it's much more efficient to let these messages pile up for a day and deal with them all at once, rather than waiting around all day for new messages to come in that you must respond to.

At no point did I take on outside investment, a partner, or a board of advisors with a stake in the company. So, I had the freedom to work how I want. As someone who is newly self-employed, you will need advice from others, but I found this through my local business incubator and by interviewing CEO's of other, similar small companies that did not compete directly with my own. This gave me lots of free, but non-binding, advice to work with.

An important choice was choosing a business that delivers digital goods over the Internet – ones that are not easily replicated by others. A digital, Internet-based business may be run from anywhere on any schedule, and scales up seamlessly. The other important choice was designing a business that could be managed single-handedly, with help from the occasional contractor or freelancer. This prevented getting tied down to a physical office with full-time employees to manage, while still allowing for growth in the company.

OTHER LIFESTYLE BUSINESS IDEAS

You don't have to be a software developer to maximize the benefits of self-employment. Here are some other ideas of businesses that scale well without needing to hire a large full-time staff:

Selling stuff on the Internet. It's still possible to earn a decent living selling unique goods on sites like Amazon, EBay, and Etsy. The trick is finding a niche that isn't currently well-served. What weird things are you passionate about? Is it just weird enough that there aren't many people producing merchandise for that interest, but not so weird that there is no real market for it? The other trick is selling something unique – if you're selling some commodity like electronics that any other retailer can offer, probably at a lower price, people will have no reason to buy from you. Do your research – search for existing offerings and understand your competition before diving in. Also research the size of the market; get a Google AdWords account, and that will let you look up the popularity of specific search terms, which is a decent metric of what interests are more popular than others. Through the magic of drop-shipping, you may be even be able to separate yourself from the work of producing and distributing your product. This is also something you can try out on the weekends, before quitting your day job.

Build an Online Marketplace for Services. Although I generally recommend selling products instead of services, in this case, services are the product. You're not directly responsible for the services provided; you just connect contractors and freelancers with clients for a fee. Angie's List is one extreme of this idea, but you could imagine building similar marketplaces for niche industries. Finding reliable software engineer freelancers, for example, is still a challenge. Again, this is an idea you can start up with minimal cash and time up front, and see if it grows before quitting the day job.

Write Books. I'm trying this one out right now, myself! I saw that there were surprisingly few books on the topic of self-employment and lifestyle businesses, and writing one isn't that much work – so why not try it? Once it's written, it can generate revenue for years. If you have an area of expertise that's in demand, but niche enough that there aren't a lot of traditional educational options on it – odds are other people want to learn about it, and might stumble across your book in the process. Now that self-publishing and digital distribution of books is actually a viable business model, a book sold for a few dollars can still reach a large number of readers and generate decent income. As with everything, it's about finding an underserved niche – I hope the world needs this book, but it probably doesn't need another vampire romance novel.

Develop Online Courses. As college tuition becomes increasingly expensive, more people are turning to online courses such as those offered through Coursera, Udemy, and General Assembly. These companies rely on instructors to create these courses, and in some cases share the profits with them. If you have a niche skill that’s in demand, creating some instructional videos on these platforms will generate ongoing revenue streams. Some people make entire businesses out of instructional content creation.

Build a website that helps people find hard-to-find stuff. For years, I've been scouring art fairs trying to find a painting that will actually look good on my wall at a reasonable price. That wall is still empty. That's just one example of a market where people have money to spend, but a hard time actually spending it. There are so many artisans out there in the world that it can be hard to find something that fits your own tastes and needs among all the other stuff that's available. Solving that problem in a creative way could be valuable, and perhaps extensible to areas other than art.

None of these ideas are guaranteed to be successful, but they are all things you can potentially prototype just with your own spare time, throw them out there, and see if they have legs. Other ways to get your creative juices flowing would be to watch "Shark Tank" or similar shows where investors evaluate small businesses on TV, subscribe to a feed from TechCrunch to see what ideas are coming out of Silicon Valley, and most importantly – find enough time to actually be able to think creatively. If you're running yourself ragged from your day job's day to day responsibilities, you'll be hard pressed to find the mental energy to conjure up original ideas. Instead of leaning in to your career, perhaps you're better off leaning out a bit.

Also, stay vigilant for unsolved problems you encounter in your day to day life. Have you ever searched for a certain kind of product only to find it is unavailable or hard to find? Did you do anything today that forced you to waste time you'd rather have back? These may represent opportunities to fill an underserved need with your own business. Keep a list of these opportunities as you run across them, and eventually one may get you excited enough to do something about it.

KEY POINTS WHEN EVALUATING YOUR BUSINESS IDEA

If you've got an idea of what you'd like to do while self-employed, here are a few good questions to ask yourself.

Can I test this idea before I quit my day job? This question is important for two reasons: one, it evaluates if you can eliminate the risk involved in trying out your idea – worst case, you still have your day job. Two, it validates this is something you can accomplish yourself or with minimal freelance help. That makes it much easier to self-fund, it keeps your ongoing expenses low, and it frees you from the responsibilities that come with hiring people. Remember to check your employment agreement, and ensure working on this business won’t violate the terms of your employment or compete with your current employer.

Does this idea scale well? A digital product, or a product that can be manufactured by others, will free up your time after the initial product creation. Once your product is developed, you can focus on things like PR, marketing, and developing new products to grow your business further. You can sell as many of them as you wish. In contrast, a product you must personally create by hand for each customer is limited by the amount of time you have to create it. Even worse, selling your time as a service billed hourly can never scale beyond the number of productive hours you have in a week. Products and information may be replicated without limit, but your time is fixed in quantity.

Have I found an underserved niche? Sundog Software started with the observation that realistic 3D clouds were very hard to produce in flight simulators and games. Yet, this niche was not so small that there was no business to be had – big companies with very deep pockets are behind many simulators and games. Ask yourself what solutions already exist for the problem your business will solve, and whether you can do it better or at lower cost. If the answer is yes, do some research on your market to make sure there is enough demand for your product to end up paying your bills.

Estimating market sizes is probably worthy of another book of its own. Websites such as Alexa, or the keyword tool in Google AdWords, can be useful for measuring trends and overall interest for a given topic. Some key advice is to always estimate a market size from the bottom-up, instead of from the top-down. For example, don't estimate the size of your market by saying X% of the 7 billion people on the planet might be interested in it – that will almost always grossly overestimate it. Instead, start with a more realistic estimate of the number of customers in your local area or in similar niches, and work your way up. You want to find how many people will actually shell out their hard-earned cash for your product, not how many are just potentially interested in it.

You also need to understand any existing competitors in your niche. How will your company differentiate itself? How much of your sales do you expect competitors to consume initially, and in the long term? The market you have found may not be entirely yours, and you need to factor that into your revenue projections.

Market research is a field unto itself, but you don’t have to make a science out of it. Use whatever data you can find to estimate the number of potential customers for your product, and use the Internet to discover competitors and how they seem to be doing. In the end, estimating your market size is an educated guess. You just want to educate yourself with any relevant data and competitive intelligence you can find.

Do my customers have money? I made this mistake myself once. My business started off selling primarily to big defense contractors and aerospace companies with big budgets, but my products were also relevant to video game developers. My market research showed there were over a million people across the world that call themselves game developers – so marketing to them seemed like a sure path to riches. What I didn't take into consideration is that the vast majority of game developers are kids living at home, using free tools to create games that will never see the light of day. Even the ones that are doing it professionally are usually working with little to no budget. I found plenty of customers in game development – but very little revenue. Make sure your potential customers not only have an interest in your product, but also the budgets or disposable income required to purchase it at the price you need to make a profit.

Can I sell this globally? Can you accept orders over the Internet, and deliver your product or services wherever it is needed? If so, you are maximizing the size of your market, and also insulating yourself from economic or political crises that may be specific to one country. As an example, the US restricted its defense spending in recent years. If my only customers were in the US training and simulation industry, my business would be stagnant – but now, most of my customers are in Canada, Europe or Asia instead, and business continues to grow.

If you are selling globally, then you are also competing globally. Understanding your competition on a global scale then becomes especially important. Is someone in a country with a lower cost of living already offering what you do just as well, but at a much lower cost? If so, that's a problem.

Can I automate sales and marketing? If you are selling your products globally over the Internet, traditional sales techniques such as cold-calling and doing in-person demos simply cannot scale. Hiring a salesperson probably won't help you, since that person can't be everywhere at once.

Can you find new customers through what they are searching for on Google, or what demographics and interests they state they have on Facebook? Are there specific websites or publications that your customers tend to visit that you could advertise on? Can you direct these people to a web page designed to get them to try out your product, right then and there, free of obligation and with little expense to you?

If you can answer yes to those questions, then you may be able to automate much of your sales and marketing. Since we're trying to maximize the value you get out of your business with limited human resources, it's important to build systems that can allow a customer to discover, evaluate, and buy your product without involving you personally.

Is this business hard to replicate? With seven billion people in the world and more getting born every minute, it's hard to find a unique idea. When you do, it probably won't stay unique for long – and the niche you are serving can only support so many of you. If you're selling a physical product, see if it's something you can at least apply for a provisional patent for. This is basically a way to protect your idea at a low cost for a period of time, while you build up enough profit to pay for a real patent application (that will run you about $10,000 by the way). Your patent is only as good as your ability to defend it, but having one will make it easier to sell your business in the future. I am not a lawyer, so you'll need to talk to yours for details.

If your business is not something that lends itself to patent or copyright protection, you at least need to make sure what you are doing is unlikely to be replicated. Sometimes this means you are leveraging your own unique skills, interests, and talents to do something that is insurmountably hard for most others. Even a patent or copyright is no guarantee your work won't be stolen – what can you really do if someone on the other side of the planet takes your work and starts selling it as their own? Be sure to take steps to make that as difficult to do as possible, because it will happen. It happened to me. As much as people hate digital rights management, it is something you must think about if you plan to make a living selling digital products. Don’t buy into the idea that pirates wouldn’t have paid for your digital goods anyhow – once one of my own products for amateur game developers showed up on a popular pirate site, its sales went almost to zero.

Is a large company likely to decide they want your market, throw more resources at it than you will ever have, and offer a competing product for free just to gain the market? That's a really fast way to go out of business; the most you can hope for is that they'll want to acquire you first, or hire you after they've ruined you. Your only real protection against this, apart from patent protection, is to serve a niche that large companies are unlikely to find interesting enough to go after. I'm quite happy with a few hundred thousand dollars per year coming out of my little niche, but that's chump change to a large company and not even worth talking about.

If you really have found a millions-of-dollars-per-year opportunity and you can't protect it, it's probably a matter of time before a larger company will identify that same opportunity. In this case, you may be better off going down the riskier "growth business" path instead of a lifestyle business, with the objective of gaining traction in the marketplace before others do, and getting acquired by that larger company down the road. That's all a big gamble, however.

Am I going to get sued? The flipside of protecting your intellectual property is ensuring that you're not inadvertently infringing somebody else's. Check that the name of your proposed business has not been trademarked or is in use already for a similar business – if so, find another name. Search the US Patent and Trademark Office database online to see if you are basing your business on an idea that has already been patented, to the best of your ability. What about your proposed website domain name? If someone's already using it, that could be a problem. At a minimum, do a Google search of what you plan to name your business and make sure nobody's going to be confused between your business and some other one that's already out there. That's a really fast way to get a cease-and-desist letter. Your lawyer can help in these searches, and it's usually money well spent.

In the field of technology, there's no realistic way to know for sure that you're not infringing a patent that some patent troll might come after you over. If you haven’t heard of patent trolls, they are companies that don’t actually build anything, but amass the rights to other peoples’ patents for the sole purpose of extorting licensing fees from people who are inadvertently infringing them. Your only real defense here is being too small for the patent trolls to notice. If they know you don't have enough money for them to extort a meaningful amount from you, they won't waste their time with you – usually. There are notable exceptions, such as Uniloc's suit against Laminar Technologies (go look it up.) It's still worth checking to the best of your ability to make sure you aren't building your business on top of an idea that's already been patented. If not, then consider patenting it yourself!

These questions are just the start – we haven't yet figured out if this business really can sustain an ever-improving lifestyle going forward. To do that, we need a business model.

WRITING YOUR BUSINESS PLAN

If you're seeking investment or a loan, then you'll be required to have a business plan. Hopefully you are not doing either of those things, but there is still value in having a business plan. It serves as a sanity check that you have some sort of path to success.

You are not going to bet the farm on your business plan, as it is almost certainly going to prove to be wrong. You don't know how the market will react to your business until you have it in the marketplace, and you can measure that reaction. What you learn can and should cause you to deviate from your original business plan, and find a different, better, path to success. But if you can't even come up with one path to success in a business plan, then you have a problem. It's time to go back to the idea generation stage.

There's no one specific format for a business plan, but here are the sections from the one I used. Countless books are available just on writing business plans, if you’d like to examine alternative models. “The Secrets to Writing a Successful Business Plan” by Hal Shelton is one popular example.

BUSINESS DESCRIPTION AND VISION

This is where you ensure you possess clarity of thought about what you are going to build.

Can you come up with a mission statement for your new company that can fit on a T-shirt?

Your mission can and should be succinct. Here is mine:

Sundog Software's mission is to power truly immersive outdoor virtual worlds for simulation, training, and entertainment experiences.

Note that my mission is specific, but open-ended enough to allow for future product expansion. You might think a mission statement is just wasteful word-play, but the process of coming up with one forces you to think about what you're good at, and how you'll build products that leverage what you're good at.

Next, describe in a paragraph what you're going to build, in no uncertain terms.

Look ahead five years, and say what you would like your company to evolve into in that time. What sorts of new products might you extend into?

What are realistic, measurable goals for your business over the next five years? You probably won't hit all of them, but knowing they are attainable and measurable is what's important. Are the attainable goals you came up with more than enough to fund the lifestyle you want? If not, you may need to go back and think bigger about your offering or your markets. You may want to write the rest of your business plan, and then revisit these goals, as the rest of the plan may clarify your thinking on what realistic growth looks like for you.

Remember you are writing these goals for your own personal financial planning, and not to convince someone to invest in you or approve your project. It’s important that you are honest and realistic with your goals, and not just trying to convince yourself that your idea is hugely valuable.

DEFINITION OF THE MARKET

Here's where you'll get into more detail about your market analysis. Getting this right is even more important than your mission statement. Your market analysis validates that there are enough people willing to give you money in exchange for what you do to pay your bills.

Who is your customer? Describe the type of person or company who needs what you are going to offer. Where do they live? What do they do? What expectations and requirements will they have for what you are offering? How many of them are there?

Don't estimate your market from the top-down. Saying that some percentage of the US population might buy your product is both lazy and grossly overstated. Understand who your customers are, and count them from the bottom-up. What data can you find about how many of them are really out there? Can you find sales data from other products that cater to the same market? If not sales data, can you estimate sales based on the sizes of the companies that cater to them?

Think creatively about ways to estimate the size and growth of your market. Are there industry reports available that discuss the growth trends of your market? If it's shrinking, this might not be the best market to invest in! Are there industry organizations that your customers belong to? What are their membership numbers?

Think about the competitive landscape surrounding your market, and how willing your potential customers are to spend money solving the problem your product solves. Of the people who could want your product, how many are likely to actually buy it? What other alternatives do they have today to your product – including the alternative of buying nothing at all? How many have a budget to purchase your item with?

It's important to do your homework here. If possible, have a friend critique your analysis. Even better, launch your product on the side and start collecting real data!

DESCRIPTION OF THE PRODUCT

This is where you protect yourself against feature creep, at least for your initial product offering. What are you going to offer to your customers?

You want to offer a product that is exciting enough to consumers in order to get a fair measurement of your company's potential, hopefully before you quit your day job. But, you don't want to cram so many features into it that you delay your initial launch, or complicate your product unnecessarily. It's better to launch your initial product, listen to customer feedback, and let that inform future updates to your product. The startup world talks a lot about building a “minimal viable product” (MVP), and that advice applies equally well to your lifestyle business. The book “The Lean Startup” by Eric Ries covers the concept of MVP in much more detail, and is worth reading if you’re new to product management in small businesses.

Describe your product from the point of view of the consumer. What will the feature list on your website look like? What will your press release announcing the product say? What will your advertisements say? This should clarify your thought on the minimum needed to offer an exciting product. Do that, and no more, at first.

What price will you offer your product at? Looking at the prices of similar or competing products is certainly a place to start. If there aren't any, approach your pricing from a value standpoint. What value will your customer receive from your product, and what is that worth? If you're having trouble arriving at a price point, I recommend the book "The 1% Windfall" by Rafi Mohammed – it offers precise approaches for determining the optimal price point for a product, and getting that right can make a huge difference in your company's success.

What is your business model? This can make a huge difference for your cash flow. Will you just offer your product as a one-time transaction, or is there a subscription that gives them access to ongoing support and updates? Will you offer payment plans? Subscription models are popular these days, as it removes the barrier of a large purchase from your customers, but creates an ongoing revenue stream for you that may be more valuable over the long term.

ORGANIZATION AND MANAGEMENT

Even if it's just you, it's worth thinking about your corporate structure. You are going to need a lawyer and an accountant, and you may as well find them while you're still getting a paycheck, as they aren't cheap. Writing this section of your business plan is going to require some professional advice, but it's important.

There are complicated issues regarding whether you structure your company as a sole proprietor, a limited-liability company, an S-corporation, or something else. You might even treat your business as one sort of entity for business purposes, and another for tax purposes. All offer different tradeoffs of tax treatment, personal liability, and accounting complexity. That's just in the US, and it varies from state to state. Talk to your accountant and lawyer to figure out what makes sense in the early stages of your business. I tried to do it all myself at first, and ended up with a huge, unexpected tax bill as a result. Don't make the same mistake. Even if you're just testing out your business on the side, any profit you make is still taxable and needs to be dealt with – and by doing commerce with others, you are opening yourself up to liability concerns and things like intellectual property theft.

Go figure it out with a professional, and then write it down in this section of your plan before you forget it all. It's bound to be complicated. While you're talking to your lawyer, make sure you understand what's necessary to obtain the proper licenses and permits for your business as well. In the US, you may require permits at the state, county, and local levels even to run a web-based business out of your extra bedroom.

I don't know a good way to find reputable accountants and lawyers that specialize in small businesses – maybe that's another business opportunity in itself! If you have friends who run their own small business, that's as good a place to start as any. If your local area has a business incubator or economic development office, they may have some professionals they can refer you to as well. Getting to know them is going to be a good idea anyhow.

MARKETING AND SALES STRATEGY

Write down how your customers will discover you.

Ideally, this is largely automated through website search engine optimization (SEO,) landing page optimization (LPO), and targeted online ads. If so, detail what channels you are going to use. If you don't know what SEO and LPO are, make sure the person who builds your website does.

Is it appropriate to market your products through social media? If so, which networks? What is your strategy for creating content that gets shared and drives traffic to your business? What social networks do your customers frequent? How much time will you dedicate to nurturing your social network presence? Marketing through social media can be effective and low-cost for many businesses, but it requires a large ongoing time commitment. It’s important to think about how to best budget your time on social media marketing, and which social networks might be the most effective for you.

Are there specific websites where your customers congregate? Can you advertise on them? If so, contact them for a rate card and traffic estimates, and figure out how much it might cost to reach new customers through this site. Advertising on websites highly relevant to your business can be a very effective way to attract new customers, if the price is right.

Are there online forums or mailing lists that reach your customers that you can become active on? Like social media, this is a free way to get in front of potential customers, but it comes with a time commitment. Your comments on forums however tend to be longer-lived than social media posts, so often this is an even better use of your time and a more powerful way to increase your site’s ranking on search engines.

Are there physical, targeted mailing lists you can send flyers or postcards to? With so much online and email-based marketing in the world, old-fashioned physical mail is sometimes an overlooked way to get your product in front of people.

Are there publications that cater to your market that you can send press releases to? Sending press releases costs nothing, and can often result in free advertising you’d otherwise spend thousands of dollars for.

Perhaps traditional advertising channels such as magazines, television, radio, or newspapers are relevant for what you do. Don't rule them out – as your company becomes profitable, this can be a reasonable way to invest back into the business. But tread carefully – the effectiveness of these channels is notoriously hard to measure.

How will you close your sales prospects? Ideally, this too is largely automated – maybe you collect an email address before giving people an evaluation of your product (or something else of value you can provide at low or no cost), and then they receive automated follow-up messages over time. Maybe the simple act of visiting your website means you start showing more online ads to your prospective customers through what is known as "remarketing campaigns," to prod them into coming back and completing their transaction. Once your customer does decide to make a purchase, doing so should be quick and easy online.

I believe the idea of hiring a salesman to make cold calls, do demos, and harass your potential customers with mind games until they cave in and give you a check is an outdated one. For a business that relies on large, business-to-business transactions in a local area, maybe that still makes sense. But for a global, Internet-based business, your sales should be largely automated. If there is a larger account that requires a personal touch, there is no better salesperson than the founder of the company, which is you.

FINANCIAL MANAGEMENT

At this point, you are armed with an estimate of your market size, its growth trends, and the price point of your products. Now it's time to do the math, and project how much revenue your company might produce over time.

At this stage, all you can do is guess as to what percentage of your market you will capture. This is called your "market penetration." It will depend on the quality of your product, your competition, and the effectiveness of your marketing. At least you have defined what your product will be, and what your marketing strategy is – so it's an informed guess.

These are all just back of the envelope numbers, so set up a simple spreadsheet that looks like this:

Year 1

Year 2

Year 3

Year 4

Year 5

Revenue

Expenses

Net Profit

Revenue will be your estimated market size times your market penetration, multiplied again by how much each customer will spend on you in a year. Don't overestimate your initial market penetration – at first, nobody has heard of you, and it takes time for word of mouth to spread and for your products to mature.

Your expenses should take into account any equipment, advertising, travel, or personnel costs – anything you will be investing back into the business to keep it growing. Think about capital expenses: will you need new computers, office furniture, or office equipment? Will you have web hosting fees, or subscriptions for online services for accounting, email, or sales? In my own case, the biggest expense area is for advertising, which is at least something you can spend as much or as little on as you want to. If you will need to hire contractors or freelancers to develop your business, they will also end up being a large expense.

What's left over is your net profit, and if you own 100% of your business, that's basically your money. You need to keep your business and personal expenses separated in different bank accounts, but you have access to all of that money if you need it. You can always transfer money from your business to your personal account and call it an “owner distribution” for accounting purposes. Keep in mind however that this number is before taxes, and you will pay a higher tax rate as a self-employed individual (at least in the US.) Let's say you get to keep 70% of that number – these are all estimates anyhow, so an exact tax rate isn't too important.

Do your projections look like more than enough to cover your average monthly personal expenses? If so, then you've got a viable business here. Resist the temptation to fudge these numbers to make them look more promising than reality dictates. You’re not trying to sell someone on your business idea; rather, this is a reality check.

If it's not enough initially, remember you may be able to augment your income in the early years through freelancing or other means. But, these estimates tend to end up being overly optimistic – if they aren't coming out to a high enough number, you may need to re-think your product offering. That's why we went through all of this, however – it’s better to figure this out now, before investing a bunch of time and money into your big idea.

Hopefully, you instead have a pleasant surprise at this point, and we can just move on to actually turning your plan into reality!

MAKING YOUR PLAN A REALITY

At this point, you've got an idea of how you might earn your own living, and you've ensured you're in a position to try it out in the near future. This is an exciting place to be!

As a family man, I was keen on minimizing risk to my family's finances during the transition from employment to self-employment. These are the steps I took. They require a period of hard work, but the long-term payoff can be well worth it both for you and your family.

CHECK YOUR EMPLOYMENT AGREEMENT

You will need to take care that this side endeavor does not conflict with your day job. You may end up more excited about what you're building at home, but you need to shift that excitement to your job while you're there. Remember, we're developing this idea on the side in order to eliminate risk – but if it ends up getting you fired because you mentally checked out of your day job, that defeats the purpose!

Personally, I found that developing software of my own on the side actually made me a better technical manager at work, and it also made me more aware of the business side of technology. My employer got a better employee out of the deal while I was still there. But I still didn't advertise the fact that I was working on my own thing at home – your employer wants you to live, eat, think, and breathe your job, and admitting that there are times when you don't serves no good.

You need to assume that someone at work will find out about what you're doing, somehow. It's important to understand your company's policies on such matters, in order to not get fired if that happens.

So, go dig out your copies of all the stuff they made you sign when you accepted your current job. Don't have them? Ask Human Resources for a copy – they don't need to know why. It's important. Read through all of it carefully. If you don't understand it all – well, building your own business might not be for you, honestly. You're going to be creating and entering into a lot of agreements as a business owner. Still, something may be worded in vague terms, and it might be a good idea to pay for an hour of a lawyer's time to get their opinion as to whether your proposed side business conflicts with the terms of your employment.

One common provision is that you won't do anything that directly competes with your employer, commonly known as a non-compete agreement. This can apply not only to subsequent jobs, but to what you do in your spare time. We can debate whether such agreements are enforceable in your state, but at the end of the day your employer can make your life very uncomfortable if they feel you violated your employment agreement, right or wrong. Just don't go there. If your business idea involves creating the same sorts of products your employer creates, you probably need to find a different idea.

Another common provision is that you may not use company time or equipment for personal use. Your side business must be developed entirely on your own time and using your own equipment. Resist the temptation to check and send personal email or messages related to your developing side business while you're at the office. Don't research stuff about your side business at the office. Don't use their fax or copy machine for it. You must maintain a wall between your day job and your side business; your employer probably logs everything you do somewhere, so don't fool yourself into thinking they won't find out about it if given a reason to look.

Maintaining that wall will also help you maintain the proper focus on your day job while you are there. You should work on the assumption that your side idea will not work out, and your career growth at your employer is still an important thing to maintain.

Finally, don't put so many hours into developing your side business that it limits your ability to do your day job. Don't stay up until 2 AM hacking away when you have to be at work at 8 AM. At this stage, your day job still comes first.

DEVELOPING YOUR BUSINESS ON THE SIDE

This is the part where you work hard. Quitting your day job for an unproven business idea is an unnecessary amount of risk. No matter how wonderful you think your idea may be, and how supportive and encouraging your friends might be about it, in the end all that matters is how the market reacts to your product offering.

The only way to find out is to put a product out there, and see what happens. Yes, this means I want you to develop your product before quitting your day job – and that means putting in some extra hours. But it doesn't have to be painful.

You have more hours available during the week than you might realize. Let's say you spend 50 hours a week dedicated to your day job, between actual work and commuting. And let's say you sleep 8 hours a day. That still leaves 62 waking hours every week to do whatever you want with.

What are you doing with those extra 62 hours now? Watching cat videos? Binging on the latest hot TV series? Taking classes just to fill time? Doing household chores that the rest of your family can and should be helping out with instead? Hanging out at bars? Doing extra work at home for your employer that could wait or be delegated to someone else? I'm offering you a more productive way to spend that time, and dedicate it to your own future instead.

All I ask is that you find 10 of those 62 extra hours every week to dedicate toward trying out your self-employment business. More is better, but the important thing is to maintain a steady, diligent effort sustained over time toward getting your product to market. As long as those 10 hours are focused, every week you'll be a little closer to your goal, and eventually you'll be there. Meanwhile you'll have lost nothing, as you've still got your paycheck and benefits coming in.

You will need to get the rest of your family on board with this; that is 10 hours of your time they won't have, and that could make them grumpy. Explain that this extra work has a good chance of resulting in you having much more time available for them once you are done, and you're ultimately doing it for them as much as for you. Ideally, you can even get them involved in this work themselves. If not, perhaps you can find those few hours while the rest of your family is asleep or out of the house – that way, they won't be disrupted, and they can't distract you either.

It’s important that what little time you have for developing your product is focused. There is an entire methodology called "Lean Startup" that describes building what your customers care about, and nothing more, and it's achieved almost a cult-like status among today's young entrepreneurs. I’ll again recommend reading "The Lean Startup" by Eric Ries as a good investment; your spare time is precious, and you don't want to waste it building a product that's more complex than it needs to be, or does not address the needs of your customers. Some very good advice is to interview potential customers of your product to learn more about the problems they need to solve and how your product might solve them. Your product idea could change entirely based on those conversations. If you’re building your business around a subject area you’re already proficient in, you probably know some potential customers personally already. They’d probably be happy to talk over lunch or over the phone to help you get started. Just have an open-ended conversation that starts with “what problems in your business keep you awake at night?” If your product idea doesn’t help solve them, you might have the wrong product!

Don't take the mantra of Lean as meaning it's OK to release a half-assed product. It means you are releasing the product that meets your initial customers' needs – no more, and no less. Quality is still important – if you release a product that doesn't work or is esthetically distasteful, you'll never know if it failed because it lacked polish or because it was a bad idea. If your product does lack polish, you can be sure the only reward for all your hard work will be a bunch of negative comments on the Internet. The idea may have been sound, but if you only spent a few more months refining your product before launching it, the result could have been very different.

So, it's important to know when your product is done. Stick to your product definition unless customer research motivates you to change course. When you've got something working, realize what you have is a prototype and not a product – find a few people to try it out for you and provide feedback before you release it to the world. You have become too close to the product to know if it's good or not; you must obtain honest feedback from others, who are not afraid to provide it.

If you’re building a digital product, then it’s straightforward how to create and refine it. If you are building some sort of digital service, cloud platforms such as Amazon Web Services (AWS) can provide a very low-cost means of developing an initial offering, while still having a path toward scaling the service up if it is successful. If you're at this point, you're probably leveraging some of the same technical skills that you've used in your career, so you don't need me to tell you what to do.

Building physical goods is more involved – after building an initial prototype of your own, you need to figure out how to make more of them. Perhaps it is something you and your family can manufacture in your garage at first, but if not, you'll need to find a manufacturer who can produce it for you. Websites like alibaba.com can be useful for identifying overseas manufacturers with experience producing products that are similar to your own (and for double-checking that someone else isn't already making it!) Searching the web for "How to get your stuff made in China" actually brings up several detailed, highly useful articles on the subject. There are also companies like Neomek that you can hire to create your prototype for you, and do initial low-volume manufacturing (I've never used them myself, so don't take that as an endorsement). But since this is all coming out of your own pocket, the more you can do yourself, the better.

NAMING YOUR BUSINESS

You’re now at the point where your business needs a name. Brainstorm a list of names for your business – enlist your family and friends for this, if possible. The more creative minds involved the better! Remember, no judging while brainstorming.

Now evaluate your list of potential names. Which ones are the easiest to remember? The most important aspect of your name is that your customers will remember it once they’ve seen it. Things that are hard to spell are probably a bad idea. Try to get at least 10 different potential good, memorable names to work with.

The next part is to find names you can actually use. Go do a Google search, and see if there are any other businesses doing something similar with the same name. If so, you can’t use that name! Regardless of whether they registered to federal trademark protection, trademarks basically belong to whoever used it first for a given kind of business. The question to ask yourself is “would consumers be confused between these two businesses?” If so, you’re just going to end up with a letter from a lawyer should you try to use that name.

If your business is web-based, you’ll now need to see if you can find an available Internet domain name associated with your business. Website hosting companies like GoDaddy.com make it easy to search for the availability of a given domain name or names similar to it. All you care about are domains that end in .com – that is what customers will type in when they are trying to get to your website. Unfortunately, a lot of names won’t make it past this point – most of the good domain names are taken. You might be able to use some sort of abbreviation or hyphenation of your business name, so try a few variants.

Many domains are owned by “domain squatters” who just hold domain names hostage for a fee. If there is no real website associated with the domain you want, you may be able to contact the owner of the domain to see what they want for it. Be prepared for a high number in most cases – it’s best to just use another name.

OBTAINING LICENSES AND TAX PLANNING

You don't need a business license to develop a prototype on your own time, but you will need a business license before you start selling it. In fact, you'll probably need several of them. Now that your business has a name, you can obtain these licenses.

Even if you feel you're experienced at handling government paperwork, I encourage you to invest in a consultation with a lawyer who specializes in small businesses to get your new company set up properly. I was cheap and set up a Limited Liability Company myself with the state, and got my own licenses from the county and city. It's actually not hard to set this up on your own, but it's easy to make the wrong choices. An LLC may offer no real protection to you, yet cost significantly more to set up than a sole proprietorship. Splitting the company 50/50 with your spouse may seem like a good idea, but it can cause big problems if you need to sell your company later. It is worth a few hundred dollars to involve a professional to determine the best corporate structure for your new business, even if it is only you. Otherwise you'll just end up paying to clean up your mess later on, like I did.

As an example, here are the fees I incurred while setting up my business in Florida:

\* Setting up a Limited Liability Company with the state: $125

\* “Business Tax Receipt” handled by my city, which also handled county filing: $82.50

Fees vary widely by state and municipality, but you’re unlikely to need more than $500 for the licenses themselves. Usually state licenses can be obtained over the web, and the local licenses may involve a phone call to city hall. Certain trades, such as electricians, require additional licenses as well. If you’re using a lawyer, they’ll know what to do – and they should be able to give you an estimate of the total costs, including for their time, as part of a free initial consultation.

If you have chosen to set up your US company as some sort of corporation for tax purposes, you will also need to apply for a Federal Employer Identification Number (FEIN) at this point. This is basically a social security number for a business. Your lawyer or accountant can help with this, or you can apply online at irs.gov.

Once you have your necessary business licenses, you can go open a checking account for your business. Hopefully, your business will make money – and you'll need a place to put it! It will be important to keep your business income and expenses separate from your personal income and expenses for tax purposes, and also if you end up selling your business at some point. That bank account is a must.

At this point, it's time to find an accountant. If your business involves technology or any sort of research and development, I recommend finding one who is familiar with the R&D tax credit laws if you're in the US. Your lawyer helped you to structure your company from a business standpoint, but you might structure your business differently from a tax standpoint – and that's where your accountant's advice comes in.

It is also crucial to understand your new tax responsibilities as a self-employed individual. Even while you still have your day job, any money your side business earns is still self-employment income, and it is taxable. You may need to pay self-employment tax on it, and you will almost certainly need to pay estimated taxes each quarter based on it. Depending on the tax structure your accountant recommends, you might even be paying payroll taxes or giving yourself a paycheck and W2 forms.

Just make sure your initial conversation with your accountant stresses how much income you realistically expect to earn from your side business over the coming year, relative to your paycheck income – that can make a big difference on the strategy you initially take. Your accountant doesn’t have time to look at your business plan, but come prepared with your realistic estimate of your net profit in the first tax year. If you plan on hiring or contracting anyone to help out with the ongoing development of your business, be sure your accountant knows about that as well. You will have reporting requirements to the IRS about money you spend on contractors that you need to understand, and there are rules about who can be considered a contractor and who is an employee.

Finally, you need to be tracking all of your expenses and income related to your business somehow – almost anything you spend on your side business is going to be tax-deductible. That includes deductions for space in your home used exclusively as a home office, business-related travel expenses (including trips in your own car,) a portion of any utility bills or house repairs for your house that contains your home office, and more. Talk to your accountant about what receipts you should be keeping, and how to keep track of your expenses going forward. I use Quickbooks Online to keep track of my bookkeeping. It's fairly easy to use, but if your accountant can help teach you how to use it properly, it's cheaper to do that now than to pay him to clean up your books at tax time later on. An accounting package such as Quickbooks is not only important for tax purposes, but also for measuring trends in your business and cash flow, issuing and tracking invoices, and other activities that are crucial to your business. You must take the time to become familiar with Quickbooks (or something like it, as long as it’s a package your accountant is also familiar with) before you spend or earn a penny on your business.

LAUNCHING YOUR PRODUCT, AND MEASURING THE RESULTS

Building a great product in your spare time isn't enough – it’s worthless until you've gotten it into peoples' hands! You want some validation that your product can in fact generate enough revenue to live on, before you turn in your notice. That means you need to launch your product in some form while you're still employed, and measure the results.

A launch limited to a small market is probably best; you don't have the time to devote to a big splash, and you can apply what you've learned from your "soft launch" before you decide to go big with your product.

Can you identify a subset of the market for your product – one where you know what percentage of the total market they represent? Perhaps a limited geographic area or customers that visit a single website or mailing list you plan to announce your product on? The idea is to measure the response from this test market, and then extrapolate those results to a larger market.

Before launching, understand how you will measure the success of your launch, and define what you consider success to be. It's very tempting to start spinning your metrics in a positive light after you've launched your product, so define ahead of time what you'll measure and where that measurement needs to be before you'll turn in your notice.

I'll make this easy for you – the only measurement that matters is how much money your product is making. How many people visited your website does not matter – at this stage, most of them are probably bots or people clicking on your ads by mistake anyhow. It's good to understand trends on your website through Google Analytics or similar tools, but these website metrics can be very distracting and misleading if you don't understand them deeply enough. How many people use a free version of your product also does not matter. These metrics maybe mean something in your day job at a larger company, but when it's your livelihood on the line, all that matters is the profit you make. I said profit, not revenue. If you earn $10,000 from your initial launch, but it cost $11,000 to manufacture the products you sold – you lose. (A nuance here is the concept of fixed versus variable costs – what you care about is how much money your business can generate on its own in the long run. Costs you sunk into product development are a one-time, variable expense, and so you wouldn't count those against your revenue when calculating profit for these purposes. Ongoing, fixed expenses such as the cost of producing your goods, or the cost of advertising and web hosting needed to produce those sales, would count.)

If that previous paragraph confused you, you might consider taking a course from your local community college or an online course on the basics of accounting. It can be helpful when trying to understand if your business is sustainable or not, and it helps you to talk the same language with your accountant.

Let's say you plan on launching your product to a test market that represents 10% of your total market, and you need to earn $10,000 per month (pre-tax) to maintain your standard of living. Your goal then is to earn at least $1,000 in net profit during the first month. If you don't, then you're not ready to quit your job yet. It doesn't necessarily mean you give up – but you may need to spend more time refining your product offering in order to grow your profit to the point it needs to be. If you're a little short, that might be OK – you are only giving this business a part-time effort at this point, and it's pretty safe to say that it will be more successful once you dedicate your full-time attention to It.

Understanding your success metrics is only one part of your launch plan. How will you announce your product launch? You can't just build it, and hope they'll come. Putting up a website about your product will accomplish nothing, unless you have a plan for driving traffic to it. Will you post on forums and mailing lists (in a tactful way that doesn't sound sales-ey?) Will you publish to social networks, LinkedIn groups, and the like? Will you issue a press release – and if so, which editors will you send it to? Will you pay for some online targeted advertising to drive some initial traffic to your product's website? If so, how much, and with whom? How will you optimize your site for search engine placement?

What will you do post-launch? How will you handle customer support? If you anticipate a lot of it, it might be a good idea to take a week of vacation time from your day job during your initial launch until you can get a handle on it.

Don't give up too easily. Odds are you'll learn that your product requires more refinement once you start getting feedback from real customers. If it's something that's hurting sales, go ahead and iterate on your product offering and see if it translates into better sales. Your initial customers might even have ideas on new markets you can sell your product into. Even if the revenue stream you initially create isn't enough to quit your day job – it’s still extra revenue! As long as you feel the return you're getting is worth the time you're putting into it, continuing your side business without quitting your job is still an option. And, you may find that it organically grows over time to a business that does let you quit your day job in the future.

Bear in mind too that whatever publicity you created for your initial result will probably result in an initial burst of sales that quickly dies down. This is normal, so don't measure your results over too long of a period at first. If you do decide to double-down on this new business, then you'll be creating an ongoing marketing strategy to keep your level of sales more steady.

Also think about the sales cycle of your product. A big-ticket item may take months to sell, while prospective customers evaluate it and obtain the necessary budget to purchase it. Such items will require more time to measure success.

A very good sign is if your customers start recommending your product to others, leading to sales growth even after your initial launch push. As scary as it may be, monitor Internet forums where you have announced your product, and look for feedback. Search the web for mentions of your new product and see if it’s being recommended. If you are selling your product through an online storefront, how are the reviews? These are all ways that word of mouth works on the Internet, and it’s a very important growth channel that you must monitor and address. Services such as Google Alerts can help keep you informed of how your product is being received online.

Keep in mind that any creative endeavor you release publicly will be met with some degree of hate online, no matter how good it is. There are a lot of kids on the Internet who have nothing better to do than try to make as many people feel bad about themselves as possible, and who will post harsh criticism of anything they encounter, regardless of its merit. Their comments are rarely constructive. The best thing you can do is ignore them, although that's very hard to do at first. You must resist the temptation to give them the attention they're seeking by reacting to their inflammatory comments. If your product does have merit, you'll often find that others come to your defense on your behalf. Just be thankful that your product launch was big enough to get noticed by Internet trolls! That in itself is an accomplishment. In the end, it's not online comments that matter; it's the people who vote with their wallets by purchasing your product. If comments are overwhelmingly negative, that will affect your sales – but if nobody's coming to your defense against the trolls, perhaps your product does in fact require refinement. That's why we launched to a test market – so the damage from an inadequate product offering would be constrained, and you can still try again.

Finally, remember you're still keeping your business quiet among your peers at this stage. When publicizing your initial launch, don't release anything publicly that ties you personally to the business, or can be used to personally identify you or where you live. Even after you quit your day job and "come out," this sort of information should be kept private. Those Internet trolls I mentioned have been known to do things as silly as placing pizza delivery orders to the home addresses of their targets, or as scary as sending SWAT teams to your house for an alleged hostage situation. It's best to keep your personal identity entirely separate from your business.

YOUR PERSONAL RISK MITIGATION PLAN

So you created a product and launched it in your spare time, and its initial sales are encouraging? Congratulations! Seriously, treat yourself to a night out – you’ve got a lot to be proud of. But you're not ready to turn in your notice quite yet. There's a lot that can still go wrong, and you need to have a backup plan in place. Maybe you have a higher risk tolerance than I do, but remember in the US you have no safety net as an entrepreneur. If your business goes bust, you cannot collect unemployment benefits12 – you’re entirely on your own. Having a backup plan in place really is crucial.

As you read this section, keep a written list of the items that apply to your situation. You should finish with a better picture of your expected monthly expenses, the size of the emergency fund you need to have on hand, and things best taken care of before you quit your job.

In Part I of this book, we talked about ensuring you have at least 4 months' living expenses in the bank just in case. We also talked about properly factoring in a higher cost of health insurance into that number, and having reserves to cover what may be a higher health insurance deductible once you're on your own. Health care is not the only cost you will incur. There are some other expenses you'll need to consider when you're self-employed, and you need to make sure you have a plan for them as well. For items that apply to you, go back and update your business plan to account for these new expenses, and make sure you’re still financially comfortable with taking the leap into full-time self-employment. Once you have an idea of what your new business will be, you should be able to estimate these extra costs.

Self-employment tax. In the US, your employer pays half of your social security and Medicare taxes for you. When you're self-employed, you're responsible for paying the full amount. When talking to your accountant, make sure you understand how much this will end up being. In many cases, the additional tax deductions you can take as a business owner will help to offset this, and there are tax strategies (such as filing both as an S-corp and as an individual) that can help to minimize this expense. But your accountant will need to analyze your individual situation.

Life and disability insurance. If your employer offered subsidized life or disability insurance and you want to continue that coverage, you'll need to find your own plan and pay its premiums on your own. Costs will vary widely depending on the age and health of you and your family.

Commercial insurance. If you plan on having an office outside of your home, you may be required to carry insurance for it – at minimum, general liability coverage. This will cost you several hundreds of dollars per year, at a minimum.

Office rent. If working from your home or a coffee shop isn't practical for some reason, factor in the rent for a local office into your budget. Costs vary widely by region, but do some looking around. Something on the order of a few hundred dollars a month should be reasonable for a one or two person office.

Dental insurance. Dental coverage may be hard to find when you're self-employed. Plans that basically offer a discount at participating dentists may be an option, but at any rate you'll need to plan to pay for your cleanings and any dental work out of your own pocket. If your kids need braces, that might be enough to keep you working for someone else a little while longer. If you're behind on your cleanings and X-Rays, get those done before you lose your corporate coverage! You don't want any dental surprises cropping up in the first few months of self-employment.

Vision plans. Get that new pair of glasses or contact lenses, and an eye exam, before you quit your day job. You'll be paying full price for these services, out of pocket, once you're self-employed.

Ongoing health expenses. It's bad enough that you're probably going to end up paying a ridiculously high health insurance premium once you're on your own, but it's even worse to know it probably won't cover much of anything. Although we talked about having reserves to cover your deductible amount, it's easy to think of that in abstract terms. "Oh, my whole family is healthy, so it's not likely to amount to much." Make sure you're budgeting for health-related expenses that you know you'll have. Is anyone in your family on any prescription medication? Are periodic doctor visits needed to maintain those prescriptions? Do you have any durable medical equipment that needs periodic maintenance or replacement? These are all real costs you're going to need to budget for. Before quitting your day job, get your existing doctors to authorize refills for any prescriptions or equipment you need for as long a period as possible.

Professional services. What recurring monthly costs will you have for web hosting, accounting software, professional associations, etc.? How much do you expect to spend on outside help for legal, accounting, web development, etc.? Be sure those costs are all factored into your plans.

All these extra expenses sound scary, but also think about your opportunities for extra income. Unlike when you were working for someone else, "moonlighting" will be totally OK now. Your money does not need to come exclusively from your new business at first. Can you augment your income with freelance work if necessary? Is there stuff you can sell? Can you go fix peoples' computers for them for some extra cash? Rent out a room? Be a driver? Think creatively – you don't have to do all of that stuff, but if you're just a little short on income at first, it's good to have a list of things you can do to fill that gap temporarily.

So, that's the first part – ensure your projected income from self-employment will cover your total projected expenses. Once you start devoting a full time effort to your business, you'll be more likely to generate additional revenue that actually improves your quality of life.

The next part is developing your "Plan B" – if your business starts to slow and you can't get it going in the right direction, eventually those cash reserves you had will start to diminish. Once you've only got enough left to give you time to find another job, well, you need to find another job. Hopefully that will not happen, but you need to be prepared for it if it does.

Would your previous employer hire you back? Are there other employers locally who would want you? Are there employers who would hire you remotely? If so, then you'll be fine. Think about this concretely, however. What companies would you apply to? Are you sure they are hiring people like you right now? Is your experience competitive with other applicants for these jobs? Is the experience you'll gain by trying out your new business relevant to these jobs, or will this time just be viewed as a gap in your employment?

If you're not confident in your ability to find another job, then plan to change your situation. Should you consider moving to a new city where jobs are more plentiful, just in case? If you engineered your new business to give you the freedom to work where you want, then that is an option. Or, you can tuck away another emergency fund that allows you to move only if needed later on.

Can you use your self-employment to provide real-world training in skills that are more marketable? Maybe instead of farming out your website development, you plan to do it yourself in order to learn more about it, for example.

If your skills are in wide demand, you can also use that to your advantage while you are self-employed. Can you use this as an opportunity to move someplace with a lower cost of living, and perhaps even a better climate? If so, the amount of profit your company needs to generate could be lowered in the long run – as long as you still live someplace where your skills are in demand. In my own example, I moved from Seattle, a place with a high cost of living, to Orlando, where housing can be had at half the cost– but there are still many tech companies in Orlando with a dire need for experienced software developers, should I need to get a job again. This was all part of my initial planning before I turned in my resignation.

Beyond your backup plans, one other thing to think about is your personal credit, and how self-employment will affect it. As long as you continue to pay your bills on time, your actual credit score won't suffer. But, you're going to be hard-pressed to get a new mortgage or a major new loan when you don't have a traditional job, and you haven't been successfully self-employed for at least a couple of years. If you need to get a new auto loan or lease, or buy a new house, it's going to be a lot easier to do that before you quit your day job. In my case, I bought my new house in Florida as a "second home" before turning in my notice, and I also purchased a new car from an Orlando dealership that would be waiting for us when we got there. Had I waited until after quitting, that may have been impossible. Working out a relocation at the same time as this career change can be tricky, but it can be done. Taking on new debt at a time like this may sound crazy, but as long as you're disposing of higher levels of monthly payments at the same time (by selling your old house and car), it's a win. Think about anything coming up in the foreseeable future where the credit and benefits you have as a traditional, full-time employee are valuable – and plan to exercise those benefits before you quit.

I've given you a lot to be afraid of in this section, but my intention is only to ensure that you have planned for the realities of self-employment and have contingency plans you can execute when necessary. I want you to enter self-employment prepared for the worst and without fear, so you can focus instead on its many positive aspects.

YOU DON'T HAVE TO GO IT ALONE

Transitioning from a life of working for a big company to a life of working for yourself isn't easy. It will take years before you're completely comfortable with it and shake off your old habits. But, you don't have to go it alone. In fact, it's imperative that you are willing to learn and be coached by others.

Odds are you know someone who has done what you're considering to do, and can go buy that person a beer to hear more about how they did it. Make a list of things you want to ask about to make sure you make the best use of that time, but give them time to just tell you their story as well. At this stage, part of what you're learning is what questions to be asking in the first place. Even if you don't know someone personally, you should be able to think of CEO's of small companies similar to the one you're going to start.

People who have successfully made the transition to self-employment love nothing more than trying to help other people do the same thing. We want everyone to realize how much of themselves they are giving up by working for other people, and replicate the lifestyle we've managed to create. That's why I'm writing this book.

You might be surprised who will talk to you about it, if you just ask. When I was starting out, I reached out to the CEO's of several successful companies (ones that I would not be directly competing with) just asking for a half hour of their time to learn more about how they did it, and any advice they might have for someone embarking on a similar path. Every single one of them was more than happy to talk to me, which frankly amazed me.

A lot of what they told me didn't make a lot of sense at the time, since I wasn't yet immersed in an entrepreneurial state of mind. But I took detailed notes, and revisited them as I learned more about running my own business. Over the course of a year, their advice started to make more and more sense – and became more and more valuable.

You should also see if your city has a government-funded business incubation program, or economic development commission. Local governments are usually the ones keen on fostering new business creation within their cities, and often they have programs in place to help new business owners to get started. Here in Orlando, I am part of the University of Central Florida business incubation program. For a low monthly cost, I've received free consultations with web designers, accountants, lawyers, government contracting officials, and an entire course on entrepreneurship – along with an office and meeting space when I need it. It's pretty common for people to enter this program before they have quit their day job, and get some extra education on successful entrepreneurship before taking the plunge. If your locale has similar resources, I encourage you to explore them. They can even connect you with local angel investors. Although I do recommend proceeding with caution before accepting investments of any sort, in my case these investors were interested enough in what I was doing to just meet over coffee and give me some free advice, even though I didn't want their money.

Check out meetup.com – there are probably several groups of local entrepreneurs and self-employed individuals who meet regularly to exchange notes, and they'll be happy to help you get started. Perhaps your location or specific business makes online resources a better choice; right now, American Express’s OPEN forum seems to provide the most useful community of small business owners that I’ve seen. You can check it out at http://www.openforum.com.

There are things to watch out for, however. Everyone you encounter who has been successful with self-employment is going to want to talk to you about it and give you advice. But the more people you talk to, the more you'll start to realize that much of their advice contradicts one another. Everyone's path is a little different, and what worked for someone else's business might not be relevant to yours. For example, in the early days of my business, I received a lot of advice about sales techniques – but these were from people doing business only in our local area. My global, Internet-based business did not benefit from these techniques, and ultimately it proved to just be a distraction. The people who started businesses similar to my own provided the best advice in the long run. When listening to advice from successful people, don't assume it is all gospel – weigh their advice against the similarity of their businesses to your own.

Also, be aware that there are people out there who prey on new business owners who don't know what they are doing yet. If anyone wants to help you in exchange for a percentage of your business, distance yourself from that person as quickly as possible. I've heard lots of horror stories about people handing over some ownership of their business to a board of advisors, or even worse a partner, who promptly disappears as soon as you've signed over a portion of your business to them. There should be no shortage of people willing to help you for free. If you really, really want to give up some ownership of your company for some bizarre reason, make sure any agreement is drafted by your own lawyer and is explicit about what they are expected to do in order to retain that ownership stake. Your lawyer will hopefully talk some sense into you at this point, anyhow. And always ensure you retain a majority stake in your business – it’s not uncommon for a board to fire its founder and CEO, leaving you fired from your own business. A lifestyle business should be 100% owned by you, really.

PULLING THE TRIGGER

If you've done everything we've talked about so far, it's time to start thinking about turning in your notice. Here's a checklist to remind you of the things you need to do before saying "I must tender my resignation."

YOUR FINAL CHECKLIST

\_\_\_ I have launched my business to a test market, and believe it now has the potential to pay for my living expenses based on the sales data I gathered.

\_\_\_ I have a business plan for expanding that launch and for future product development. I have an idea on how to keep growing my business once I can give it my full time attention. I have a marketing plan in place.

\_\_\_ I have ensured I have any patents, trademarks, and copyrights filed that I need.

\_\_\_ I have ensured to the best of my ability that I am not infringing on any patents, trademarks, or copyrights with my new business.

\_\_\_ I understand my expected monthly expenses as a self-employed individual, and I have enough reserves saved up to cover at least 3 months in addition to the time I expect it would take to get a new job.

\_\_\_ I have a backup plan that I can execute the moment I burn through those cash reserves, if necessary.

\_\_\_ I understand my options for obtaining health insurance after I leave my job and what it will cost. I have a plan for dealing with deductibles.

\_\_\_ I know what other benefits I will lose, such as life, dental, or vision insurance, and have a plan to replace them or go without.

\_\_\_ I have the necessary business licenses at the state, county, and local levels.

\_\_\_ I have opened a bank account for my new business.

\_\_\_ I have met with an accountant, and understand my new responsibilities for taxes and accounting.

\_\_\_ I have met with and selected a lawyer that specializes in small businesses.

\_\_\_ I have explored local community resources for new business owners that can help me get started

\_\_\_ I have taken full advantage of my employment benefits before I lose them; my family is up to date on checkups, dental exams, eye exams, getting new glasses, etc. My prescriptions are refilled for as far in the future as possible.

\_\_\_ I have taken full advantage of my personal credit before I lose it; any large purchases that require a loan in the next couple of years have already been finalized.

\_\_\_ I've connected to anyone I might want to stay in touch with via my personal social networks.

\_\_\_ I do not have any equipment owned by my employer at home that they'll need to collect later.

\_\_\_ I've collected any personal information, and most of my personal belongings that are in the office and brought them home. You shouldn't have anything personal in nature on your work computer, but if you do, delete it.

If you honestly have all of those ducks in a row, then it's time to do the most scary thing you've done in a long time – quit your job, without having another one lined up first.

TELLING YOUR BOSS

I cannot stress enough how important it is to not burn your bridges. There's a good chance your venture won't work out, and the best case scenario is that your former employer welcomes you back with open arms if that happens. You'll have grown and learned a lot having gone through that adventure, and hopefully your employer appreciates that you'll come back as a better employee should that happen.

I will also restate the importance of maintaining a separation between your side business and your day job leading up to this point. Your performance in your day job must not suffer while you're experimenting with your own business, or you'll have burned that bridge before you even turn in your notice.

It's pretty common for someone in the tech industry to quit in order to try working for themselves, or to launch their own startup. I think most managers understand the appeal of trying that out if you're in a position to do so, and usually there will be no hard feelings about It.

As far as the actual conversation goes, ask for some private time with your boss. They usually know what that means, so they won't be too surprised by what you have to say. You should be honest, but you don't have to tell them everything, either. Tell them you have a new business idea that doesn't compete with your company, and you want to give it a try while you're in a position to do so. You don't have to talk about all the work you've done on the side leading up to this moment. Remain upbeat throughout the conversation and excited about the new adventure you're about to embark upon. Even if you're not happy with your job, this is not the time to talk about that.

If you're self-motivated enough to have gotten this far, odds are you've been a really good worker for your company too. They may dangle incentives in front of you to try and retain you. It's up to you, but bear in mind your company doesn't want any pay inequities in the long run, so extra pay or retention bonuses you might accept now may affect your ability to get additional raises or bonuses in the future. And your boss will always be wondering if you're still dreaming about leaving. You also don't want to be perceived as someone who's primarily motivated by money, right or wrong.

They may try to scare you out of leaving, by throwing around statistics about how many new businesses fail. If you've really read this book up to this point, you already understand what you're getting yourself into. If they genuinely have new information to offer you, by all means listen. But remember their agenda is simply to avoid having to replace you.

Once your company has accepted your resignation, you may be shocked at how quickly the company you've been so dedicated and loyal to for so many years can turn on you. It drives home how unidirectional that loyalty really was. Some companies will escort you straight to your desk with a box to gather your belongings and unceremoniously walk you out the door accompanied by a security guard. Depending on your job, you may get a stern lecture from a lawyer about upholding your end of the confidentiality and non-compete agreements you signed. My own employer spared me those indignities, but I saw them applied to others.

Leaving your job will trigger a whirlwind, but among the chaos be sure to wrap up a few things before they lock you out of the office:

\* If you will be moving, make sure human resources has your new address. You want to make sure you receive your last paycheck, tax forms, and a certificate of prior coverage for your health insurance. Make sure they have your personal email address on file in case they need to contact you.

\* If your health plan included a H.S.A. (health savings account,) make sure you know how to get your money out of it. You won't get it back automatically; if you do nothing, the account provider will just bleed that account dry over time with monthly fees until it's gone.

\* Accept their paperwork for COBRA coverage to continue your health insurance, but you probably want to get a plan through healthcare.gov or your state exchange instead as soon as you get home. Compare the cost of COBRA coverage and how long it lasts to what you could find on the exchange.

\* Make sure you have all of your personal belongings – getting back in later may be difficult or impossible.

\* Make sure you don't have any company equipment at home.

\* Don't sign anything if you don't know what it is.

\* If you have an exit interview, don't use that as an opportunity to vent about all of the frustrations you've had at work over the years. Leave on good terms, and remain professional and friendly throughout the exit process.

Leaving to start your own business is a much more forgivable thing than leaving to work for a competitor. Try to leave on as good terms as possible, as you never know if you'll have to come back. Maybe you can even do some contract work for them after you've left, and end up earning more from them than when you were an employee! Even after leaving, never say anything bad about your former employer.

PART III: MAKING IT LAST

You just came home with a cardboard box full of your personal belongings, having left your office for the last time. It feels weird. But remember, you're not unemployed now – you’re self-employed.

You are now at a turning point in your life. You might never have to commute into work again. You may be able to do whatever you want from now on, both professionally and personally. Soon, you may be able to live wherever you want.

No more unproductive meetings. No more set working hours or artificially-set deadlines from above. No more appeasing executives, and fearing to protect your reputation and advancement opportunities at work. No more office politics.

But – no more paycheck! You are now on your own, and your ability to sustain this lifestyle depends on your ability to quickly grow what was your side business, and sustain that growth long term. It sounds hard, but your survival instinct will ensure you give this your best effort. You'll be amazed at what you can do when you have to.

This final section of the book covers some tips I've learned to help fuel that growth. It might not all apply to your business, but take whatever bits you can. It might help you make this new lifestyle a permanent one.

FUELING THE FIRE

If you haven't already, now's the time to fully launch whatever product or service offering you have. Your business is not a secret any longer, and you can dedicate your full time effort to the launch. How you launch your business is just as important as the quality of your offering!

It's not enough to build a great product. You'll need to quickly understand how to market and sell it; you need to get it in front of potential customers, and grabbing their attention is getting harder all the time.

If you can successfully wrap your head around the basics of PR, sales, and marketing however – you’ll have a huge advantage over the other self-employed individuals who only do the bare minimum to get exposure for their business. Remember, PR, sales, and marketing is just as much a part of your job as product development and customer support now. If you find yourself shying away from these new disciplines, you need to schedule time for yourself to dedicate to them every week – or contract others to help, if you have the funds to do so and a plan to measure their effectiveness.

BUILDING YOUR WEBSITE

I can't teach you how to build a website in this book. But I can give you some advice on having someone else build it for you, if it's not something you can do yourself.

Unless you are a professional web designer, I really think this is one area where it's worth hiring someone to do the initial work for you. Your website may be the cornerstone of your marketing efforts, and it's important to make sure it attracts customers instead of repelling them. This can run you thousands of dollars depending on the complexity of your website, so it's best to get this set up before you quit your day job if you can.

In some situations, you might not even need a website at all. If you plan to sell items through other storefronts such as Amazon, Etsy, or EBay, nobody cares about your website. I know some businesses that rely entirely on personal referrals for their business, and only maintain social network profiles to market themselves. If you can get by without a website, then that's a lot of expense and maintenance you can avoid. You are giving up some potential marketing channels, however, if you don't have some sort of web page to direct potential customers to. At least think about how important your website will be for your business, and budget for it accordingly.

If you do need a professionally designed site, start by identifying companies similar to yours that are successful, that have websites you consider to be modern. The definition of "modern" changes too quickly for me to immortalize it in a book, but at this moment in 2015 it means sites that rely heavily on large images that adapt seamlessly to mobile and tablet devices. Conventional wisdom is that people don't read anymore, and you have about 5 seconds to capture their attention on your website. Once you've found a website you'd like to emulate, see if you can find in the credits who built it. If you're lucky, this company also contracted it out, and you can just use the same people. If not, keep looking.

Try to focus on websites for small businesses like your own. They are also on a shoestring budget, and probably used someone with reasonable prices.

Once you've reached out to a few potential web developers, there is more to consider than just the quality of their final products.

\* Is the website maintainable by the business owner, or do you need to pay the designer every time you want to change something?

\* Is there at least a blog you can update yourself without involving them? For search engine optimization (SEO) purposes, it's important to create new content on your site on a regular basis. If your website doesn't make it easy for you to do, that's a problem.

\* What are they doing for SEO? Ask them, and compare their answers.

\* What are they doing for Landing Page Optimization (LPO?) This is the art of designing a page that you direct potential customers to, that drives them to perform one specific action once they reach it. Do they have conversion rate metrics available from their other sites that you can compare to others? If they've never heard of LPO, that's a bad sign.

\* What are they doing for mobile? Are their sites "responsive"?

\* Will the website they deliver be integrated into Google Analytics or a similar metrics platform?

\* Can they offer any help you might need in securing reliable web hosting and domain names for your site?

A huge plus is if the website they deliver is created in WordPress, or some similar content management system. This makes it easy for you to extend and modify the website yourself later on, and there is also a huge library of plugins for WordPress that will make it easy to evolve your website's technical capabilities over time.

When working with your web designer, be very explicit about what you want. Provide them with sketches of what you want, the site navigation you have in mind, what pages you need, examples of other websites you like, whatever you can. They can't read your mind. Make sure wireframes of your new site are approved by you before development starts, and don't take that approval lightly – changing your mind later on will cost you, literally. Listen to their recommendations and adjust your designs if appropriate, but be clear on what they are building before they start. Poor communication will result in expensive misunderstandings.

Consider making your website just one big page with a big image on top with a clear "call to action" as to what you want your website visitors to do, and more details as you scroll down – that seems to be the trend lately, and it can also keep your website development expenses down. The tradeoff is that SEO is challenging on such sites, due to their limited and fairly static content.

Once you have your website launched, you need to help people find it. That's where public relations and marketing comes in.

BASICS OF PUBLIC RELATIONS

The goal of public relations is to gain media coverage for your new business and products.

The first step is to write a press release announcing your launch. Be sure to write this from the standpoint of what your customers would find interesting. What problem are you solving for them? Focus on that.

Press releases have a specific format:

Attention-Grabbing Headline Geared Toward Your Customer

CITY, State (Month, Day Year) -- Cover the who, what, where, why, and how in your first paragraph. Remember most people won't read past this point, so make it as catchy as possible.

Describe the product a bit here and explain how it solves a problem for your customer.

Insert a quote here from you and/or a customer talking about your news, and why it is important and/or interesting.

Talk a little more about your news item, and close with how customers can purchase your products or services.

\*\*\*

For more information, contact:

(Your name, title, phone number, and email address)

About (Your Company)

Have a one-paragraph blurb about your company history and its mission that you use at the end of all of your press releases.

For the sake of example, here's one of my own press releases. The business incubator I'm affiliated with offers professional copywriting services for press releases and complimentary distribution, and so this was created with their help. Unless you have a journalism degree, it's a good idea to take advantage of similar services if they are available to you.

Sundog Software refines Military Software to power Oculus Rift Gaming Headset with Realistic 3-D Images of Oceans and Seas

ORLANDO, Fla. (December 19, 2014) -- Sundog Software, which developed the Triton Ocean SDK software library to power military software by depicting ocean wave and current action with startlingly realistic clarity, has just released a gaming version for the Oculus Rift 3-D VR gaming headset.

Frank Kane, founder and chief executive officer of Sundog Software, said the firm teamed up with AgileSrc, LLC in Orlando to create the newest version of Triton Ocean SDK software.

“The Oculus Rift headset allows the user to turn 360 degrees to see everything that is created in a game’s virtual world,” Kane said. “That presented certain opportunities for us and, with the aid of AgileSrc, we adapted Triton Ocean SDK to create a whole new level of realism when it comes to oceans, lakes, and seas,” Kane said.

Sundog Software’s Triton Ocean SDK, distributed worldwide, is already a mainstay in training simulator software for naval and air forces. Triton Ocean SDK depicts ocean wave and current action that is so realistic that Kane worries some users will feel seasick.

“Water surfaces don’t behave symmetrically, yet there are patterns that seem symmetrical and they all interact,” Kane said. “Depicting them realistically was a challenge, but Triton Ocean SDK manages to coordinate the chaos of the ocean in a way that users find extremely realistic,” he said.

Kane said Sundog Software’s Triton Ocean SDK for Oculus Rift on the Unity platform is available for sale immediately.

Sundog Software and AgileSrc are client companies of the University of Central Florida Business Incubation Program at Central Florida Research Park in east Orange County.

\* \* \*

For more information contact:

Frank Kane, Founder, Sundog Software, LLC, XXX-XXX-XXXX, fkane@sundog-soft.com

About Sundog Software LLC

Founded in 2006, Sundog Software specializes in the real-time rendering of natural environments. Its SilverLining and Triton C++ and C# libraries provide OpenGL and DirectX developers with visual simulation of the sky, ocean, 3D volumetric clouds and weather effects. Sundog’s software is used worldwide by professional game developers, large military contractors and aviation companies developing flight training simulators, architectural visualization companies and broadcast video application developers. Its customers also include NASA and the FAA. To learn more, please visit http://www.sundog-soft.com.

One quick side note: the information underneath the three stars or dashes is only for the editors to see; it will not be published. That’s why I obscured my personal telephone number. If possible, you should include the preferred way for customers to learn more about your product in the body of the press release instead. Think about the forms of communication your customers prefer; if they do talk on the phone, perhaps listing a phone number is appropriate. For my business, it’s much more efficient for everyone to use email, so that’s the form of communication my website steers people toward.

It's important to understand who you're trying to reach with your press release. In my case, my potential customers are highly technical – but the editors I'm trying to get past are not. So, most of this press release can be understood be someone with a cursory understanding of the technology being discussed – but I made sure enough technical details were included inside the press release to appeal to the engineers I'm trying to reach.

Sometimes you will want to create different versions of the same press release for different audiences. I have crafted press releases intended for mass media coverage that have no technical jargon at all, press releases targeted to video game developers, and press releases targeted to people developing flight or maritime training simulators all for the same announcement. Customizing the press release to fit the publications you are submitting it to can only help.

Avoid hyperbole in your press release; remember journalists are supposed to be objective, so writing about how your product is the best thing ever and how it will change the world without concrete substantiation is not OK. It's expected that you'll toot your own horn a little bit in a product announcement press release, but try and stick to the facts.

Once you've written your press release, proofread it and double check for any errors. The next problem is distributing it.

Your goals are twofold: get some media placement that generates interest in your company, and get some search engine optimization benefits by getting links to your website on other websites. The more people are talking about your website across the web, the more likely your website is to come up in search results when potential customers are looking for something like your product.

Using a press release submission service will probably not achieve either of those goals. Your press release will end up in a huge pile of others for a given broad category of businesses, or for a geographical region. Unless what you are doing is truly newsworthy and somehow your headline catches the attention of an editor, it will be ignored. Some websites will pick up and publish any press release that comes out, but Google knows about them. These links will not improve your search engine placements.

Instead, you need to find contact information for the handful of publications that might be genuinely interested in your press release. Your local newspaper might want to highlight a local business. Industry-specific publications are usually a safe bet, especially if your press release is accompanied by an image they can use in their publication. Contact information for their editorial staff is usually available at their website or within the publication itself. If you do include images with your press release, make sure they are at 300 DPI (dots per inch), in a non-compressed image format such as PNG, and large enough to span across a printed page at 300 DPI.

Even more valuable are industry-specific news sites. Most will have online forms for submitting news. Again, you may want to tailor your message for each specific site. If there is a specific thing this site covers, be sure to mention how your news item is related to it in the headline. Look at other news articles on the site, and make sure your style and format is similar – instead of a formal press release, an informal one or two paragraph summary with a link to the press release (hosted on your website) may be more appropriate.

The general idea is to find the websites and publications that cater to the particular niche you are marketing your product to, and craft a message that's relevant to each one.

Generally speaking, there is no equivalent to a cover letter or introductory text that accompanies your press release. Editors don’t have time to read such things; your press release should stand on its own merit, and it includes your contact information should they have questions. I generally just email them to individual editors with the press release as the body of the message, and a subject line that starts with “PR:” followed by the headline. If you have a print-quality image or two to include with the release, just attach them.

The beauty of press releases is that they are free! It only costs your time to identify the channels you want to push your message to, and craft a message that they will be likely to pick up. Be prepared however for salespeople to try and sell you paid advertising from these same publications. Usually the pitch is "Good news! We're going to publish your press release in our next issue. Wouldn't you like to accompany that coverage with an ad? I can offer you a first-time discount..." We'll cover that later under marketing; sometimes it's worthwhile to do so, and although most editors would never admit it publicly, I've found that publications and websites you advertise on are much more likely to publish your press releases.

Press releases can also help to establish a relationship with the editors of the publications that cater to your niche. Once they know who you are, they might consider you to be an industry expert on whatever your company is about, which means you might get interviewed for a future article– leading to more free publicity for your company. Don't just wait for it to happen, however. If you do receive a follow-up message from an editor in response to your news submission, be sure the mention in your reply that you know a lot about some topic of general issue to their readership, and you'd be happy to provide interview responses for future articles.

There are even websites that specialize in connecting reporters with industry experts, such as helpareporter.com, although I can't speak to their effectiveness. Far better is to have a relationship with the editors of the publications most relevant to your business. I'm often quoted alongside representatives of billion-dollar companies in the industry press as a result of my PR work, which not only keeps awareness of my company up, but makes my company seem much bigger than it really is.

Make sure your website can handle the traffic this publicity push might generate! If you're using WordPress, be sure to install and properly configure a plugin such as W3 Total Cache (W3TC) to cache your pages and help your web server perform better. If your news release does direct readers to a specific web page, this is an opportunity to put landing page optimization (LPO) into use– so be sure to read that section below as well. You want to convert as many people who follow the link to your site into paying customers as possible, and there are techniques for doing so.

Keeping an archive of your press releases on your website can’t hurt, either. Additional content is always good for search engine optimization purposes, and it helps reinforce to customers that you’re a real company with a real PR effort. You need to maintain that effort, however. If the most recent press release on your site is from two years ago, customers will instead wonder if your company is still viable!

There's more to PR than press releases, too. Do you have opportunities to speak at a convention or a trade show? Can you create and distribute a white paper relevant to your industry? Can you guest-blog on a popular website your customers frequent? There are many creative ways to get your name– and your company's name– out there.

BASICS OF ONLINE ADVERTISING

Online advertising is paid efforts to drive new customers to your website. You can purchase ads from Google that appear whenever someone searches for what your company does; you can purchase banner or display ads that appear on websites relevant to what your customer does; and you can purchase ads on social networks that are shown to people that fit your customer profiles.

Especially when your business is new, this can be a very important way to connect new customers with your business. But, it's easy to throw money away by inadvertently showing ads to the wrong people. Here are some suggestions for optimizing the value you get from the more popular online advertising channels.

Google AdWords

Google offers an impressive toolset for targeted online advertising. You can decide how much or how little you're willing to spend on advertising, and Google will automatically start working to ensure the best people start seeing your ads both in search results and across the web. Go set up an account, and start familiarizing yourself with it.

First, some terminology: "search ads" are the ads you see when searching for something on Google. Usually, the first few search results are actually paid placements, and you'll also see text ads on the right hand side of your search results. All of these ads came from people who bid on the terms you searched for, who believe your search might mean you're interested in what they offer. You can play this game as well.

"Display ads" are the ad images you see all over the web. Banner ads, "skyscraper ads" on the side, square-shaped ads– they all come in different sizes. Google offers an ad network called AdSense, and you can buy ad placements on websites that participate in it. You can target your display ads to specific websites, or let Google try to automatically find relevant websites for you.

Here are various lessons I've learned the hard way about getting the most value out of your AdWords spending:

Understand and measure what you want people to do. AdWords will provide you with stunning amount of graphs and statistics surrounding the performance of your advertising campaigns– but there is only one number that really matters: your cost per action (CPA). This is how much, on average, you paid to create a new customer through your ads. In order to measure CPA, you will need to find some action that users take on your website that indicates they have become a customer, and feed those actions back to Google. Usually this means they purchased something from you online. If you are using a third-party storefront to sell your products, ask them how they are integrated with Google AdWords or with Google Analytics and how to tie into your AdWords account. If customers perform this action on your own website, AdWords will tell you how to insert some extra code in your website that notifies Google when this action occurs.

CPA is usually referred to as "cost per converted click" within AdWords, and you may need to add a column for this metric to your views within AdWords to see it and track it.

You can set up AdWords campaigns that automatically optimize for the best CPA, but for this to work well, you need a good amount of "action" data. If your business relies on a small number of high-dollar sales, sales might not be the best action to measure. In this case, you may need to use some proxy for sales, such as downloading an evaluation of your product, in order to generate sufficient data for Google to work with.

If the action you want of your visitors doesn't take place online at all, you have a bit of a problem. Perhaps you are running a retail storefront, and what you're trying to do is get people to visit your physical store. First of all, consider if there's an opportunity to also sell your goods online, where you can measure the effectiveness of your advertising. If not, you can at least restrict your online advertising geographically to people who are near your physical storefront. A geographically restricted, targeted ad campaign will be inexpensive, so even if you can't measure its results directly, it's probably still worth doing.

You need to decide how much you're willing to spend on whatever action you choose to measure. You don't want to spend $10 in exchange for a customer who only gives you $5 in profit. Even breaking even isn't enough– some of the customers that came to your website through ad campaigns may have found you anyhow through other means. If your CPA isn't significantly less than the value of the action you are measuring, then your ad campaign is not effective and needs further tuning.

Tread carefully with mobile ads. By default, your ads will appear on desktop PC's, tablets, and mobile devices. If your desired action requires that the user is on a PC, then you're largely throwing your money away on tablet and mobile ads. Google does give you the ability to modify the devices your ads are shown on, so use that wisely.

Also realize that the smaller the screen, the more likely someone is to tap your ad by mistake. Google will charge you by the click, even if you're optimizing for actions– so if people are tapping your ad that had no interest in your product, you are going to be driving up your CPA for no reason.

What's even worse are ads embedded inside mobile apps. App developers often make all of their money through these ads, and sometimes design their apps to trick users into clicking on them. Google does not make it easy to disable these sorts of ads, but it can be done. You'll have to search for the current technique, as it is likely to change over time. At the time of this writing, you can exclude mobile app ads by setting up a "campaign placement exclusion" for adsenseformobileapps.com.

Separate your search and display campaigns. It's a good practice to set up separate ad campaigns in AdWords for your ads that appear alongside search results, and for your banner ads that appear on websites that participate in Google's advertiser network. That way, Google can optimize these very different campaigns separately.

Don't display your ads in countries that won't buy your product. Your campaign settings allow you to list specific countries your ad will appear in, as well as specific countries you don't want your campaign to appear in. To minimize the risk of click fraud– companies that just click on ads on websites automatically in order to generate revenue for those sites– don't display your ads in countries that are unlikely to want your product. I don't want to name names, but some countries are more notorious than others when it comes to click fraud. At a minimum, you'll want to ban countries that are embargoed that you can't do business with in the first place. You can get a list of embargoed countries from the US Department of State's website. Countries where the English language isn't commonly known may also be worth avoiding, if your website is in English. You may be surprised how many foreigners do know English as a second language however; some of the top countries that visit my website include Russia, China, and Germany, and they spend real money once they get there.

Tread carefully with the display ad network. If you are targeting a narrow niche of customers, it will be difficult for Google to automatically find the best websites to show your ads on. Instead of letting Google pick what sites to display your banner ads on, choose your own list and specify them as placements in your ad groups. Using the display ad network also increases your chance of being a victim of click fraud– I've found it often drives up traffic to my website significantly, but it doesn't increase business because most of the clicks were fraudulent or done by mistake. Search ads, and display ads that target specific people instead of certain kinds of websites, are more effective.

Use negative keywords. In your search campaigns, periodically check what people are actually searching for before they click on your ads. You can see this under the "dimensions" tab of your campaign in AdWords, and then selecting "search terms" for the view. Sort this list by cost to see what search terms you're paying the most for.

You will probably find that you're spending a lot of money on people searching for things completely unrelated to your business. Perhaps they clicked on your ads out of curiosity, or by mistake– but either way it cost you money. At the bottom of the keyword list is a space for "negative keywords"– collect these searches that you don't want to pay for there, and it will prevent you from paying for them in the future.

You should check this at least weekly at first, because as soon as you ban one negative keyword, a new one will probably pop up to take its place. New trends can even emerge that affect you– for example, one of my own products is called "SilverLining". When the movie "Silver Lining Playbook" came out, I ended up paying hundreds of dollars from people searching for it.

Avoid "broad match" keywords. By default, the search keywords you target in your search campaign are "broad match." This means that any search term that Google's algorithms believe are even remotely related will be shown your ad. Sometimes it gets it right, but as reviewing your search terms will reveal, it often gets it very wrong. It is better to provide a longer list of very specific phrases that are relevant to your business, with exact or phrase matching on instead. Often, you'll find this saves money in more ways than one– not only are you only showing your ads alongside relevant searches, these more specific keywords probably cost less to bid on, as there is less competition for them.

Use ad extensions on your search campaigns. Ad extensions are additional links that show up underneath your search ads. They can include links to specific pages of your website, "call-outs" that are short snippets of text that toot your own horn, and links that make it easy for customers to reach your physical location or to call you. They don't cost anything extra, and they can result in more screen space being dedicated to your search ads. You can set these up under the "ad extensions" tab of your campaign view.

Try out remarketing campaigns. AdWords can give you some code to include in your website that will track customers that have visited it. You can then show display ads to them as they browse the web on other sites. A lot of people will visit your website, but not act upon it immediately. Remarketing campaigns allow you to remind them that you're around, and you have something they were interested in. This can be surprisingly effective; it's basically an automatic way to close sales without involving salespeople. Some of my best CPA's are from remarketing campaigns.

Use "similar visitors". Once you have a remarketing campaign set up, you can also start showing ads to people who have similar behavior to the people who visited your website. To do this, you set up a campaign targeted to an "audience" that is composed to similar visitors to your website. I've found these campaigns yield CPA's that are even lower than remarketing at times.

Talk to your account strategist. Once you've gotten things up and running and have started collecting some data, you'll probably get a call or an email from a Google "account strategist" who wants to set up some time to review your account. This time can be amazingly well spent. I've found these representatives to be very knowledgeable about optimizing the results you get from your AdWords campaigns, and they often have ideas I never considered. They also take the time to try and understand your business and what you're trying to accomplish before they even talk to you. Nobody knows more about optimizing AdWords campaign than Google itself, so definitely accept their help when they offer it to you.

Use landing page optimization techniques. We'll talk about this more later, but the page you link an ad to (the "landing page") should be closely tied to the ad itself, and what the user searched for in order to see your ad. Some sites create individual pages for every ad they run, in order to ensure the page the user ends up at is as relevant as possible to their current interest and the ad they clicked on. For this to work best, you'll want to split up your AdWords campaigns into separate ad groups targeted at specific customer personas, and tailor the keywords, ads, and landing pages to be unique for each ad group. AdWords is also more likely to display ads that link to pages that are highly relevant to the ad itself, and so this effort pays off in more ways than one.

Buying Banner Ads

If there are websites that are strongly related to what your business offers, you might consider purchasing ads on those sites directly. These direct ad buys are often much more expensive than what you would pay through Google AdWords or other ad networks. Sometimes, these web sites will sell ads directly, and sell any unused page views ("impressions") through Google's AdSense network. These left-over ad impressions are known as "remnant ads," and they can offer an opportunity to test the waters on a website without spending a lot of money. Check if your website is one you can target as a placement in your AdWords account, and if so, you can probably get some ads on it at a very low cost.

Those remnant ads tend to be for lower-value placements on the site however, so you can't necessarily use their performance as a gauge for how well a better-placed banner ad at the top of their site would do.

How can you decide if a paid ad placement on a specific website is worthwhile? Well, a decent assumption is that perhaps 1% of people who see your ad on a relevant website will click on it. You can use metrics from your website to estimate what percentage of visitors to your website end up buying something, and use that information to estimate the amount of sales this ad might generate. If it’s substantially more than the expense of a given number of ad impressions, then this could be money well spent.

Oftentimes, the math won't support the ad buy. The person selling you this ad will probably talk a lot about "brand awareness" and other intangible benefits of the ad, but you will never have any way of measuring whether it's effective. Just let them know what price does make sense for you– if they aren't selling through their available ad impressions, they may give you a bargain or some sort of attractive bundle deal.

If you do purchase a banner ad directly from a website owner, be sure that the URL you link the ad to contains any tracking codes required for you to measure how many visitors this ad generated, and how they behaved once they got to your website. We'll talk more about Google Analytics and measuring website performance later, but if you do use Google Analytics, it offers a "URL Builder" tool that can construct the required URL's for you. You'll want to review the performance of this ad at least once a month, as you'll probably find that its performance deteriorates over time as people become accustomed to your ad. When that happens, you may want to try replacing the banner ad with a fresh one in order to catch more attention.

Since you're paying a lot for this ad, try to make it as relevant as possible to the readers of the site you're advertising on. Make it look like it's content that could even be part of the site, and not just an ad that people tune out. Some websites will offer "advertorial" features or “native ads” that integrate into the design of the site itself, and these are often more effective than traditional banner ads – but also more expensive.

Also, be sure to use a trained graphic designer to create your banner ads. There is a whole science to creating ads with just the right colors, contrast, and style to maximize their performance. It's money well spent. Arm your designer with some images and a very short amount of text you want included in the ad, and let them come up with ideas. You can also re-use these ads in your AdWords account, and run different variants of them at the same time to measure which ones are the most effective.

Facebook Ads

If your business caters to a specific demographic that you can identify through gender, location, occupation, or interests– Facebook ads may be worth trying out.

Facebook users entrust Facebook with a ridiculous amount of their personal information, and you can use this to your advantage. Facebook allows you to target ads to extremely narrow demographic slices. If these slices correlate to your customers, and your customers are likely to use Facebook, then it's worth trying out. Like AdWords, you can spend as little or as much as you want– so you can test the waters with Facebook ads without incurring a large expense.

I have personally found it challenging to achieve a cost per action with Facebook ads that outperforms a well-optimized AdWords campaign, but results will vary widely depending on the nature of your business. It's worth spending $100 as a test and just see what sort of return you get on that. Facebook also offers a robust system for measuring the performance of your ads, and so you can just decide whether to use them based on the data.

Be sure you are looking at actual traffic generated to your website by these ads, however. Remember someone "liking" you on Facebook is pretty much worthless. Facebook will try and group clicks, likes, and shares together when presenting the value of your ad. Likes and shares don't pay the bills– people who click on your website and buy something do.

As with display ads on Google AdWords, you need to be aware of click fraud with Facebook ads as well. There are "click farms" in places like the Philippines that have armies of people creating fake Facebook accounts that generate fake likes and shares for people. These can affect you, because to escape detection, they "like" other things they are presented (such as your ad) so it's not so obvious what they are doing. The more sophisticated click farms even make it look like their clicks are originating from US cities, making them difficult to filter out. As a basic line of defense, at least set up some geographical targeting in your account to only show your ads to people in parts of the world that are likely to respond to them. There are stories of small businesses spending lots of money on Facebook ads, only to find out later that most of their response came from a click farm in Iraq. No joke. Facebook, like Google, is doing their best to eliminate fraud from their advertising programs, but it is a never-ending arms race with the fraudsters.

With any advertising, it's important to evaluate whether you saw an increase in sales associated with the campaign. No matter what metrics you may have about the reach of your ad, all that really matters is whether it generated more sales revenue than the cost of the campaign in the long run. Every market is different, so I recommend setting up relatively inexpensive tests with various advertising channels to see what works best.

Whenever possible, ask your customers how they heard about you. If they never mention your ads, then question your level of investment– it probably means you're spending too much on them.

Other Online Ad Channels

There are countless ways to spend your money on online advertising. Twitter, Instagram, LinkedIn, Bing, Yahoo, Amazon, and many others would love to take your money. I don't personally have direct experience with these other channels as an advertiser.

You should think about where your customers hang out online, as it could be one of those places. Ads on Amazon may make a lot of sense if you are selling a consumer-oriented product. Your customers may be highly active on Twitter or LinkedIn, and advertising there may be a good way to reach them without investing huge amounts of time managing your social media presence.

My general advice is to work backwards from where your customers are, and advertise there. Target your ads to your potential customers as well as you can. And test the waters with any new advertiser with a low-cost campaign before investing significant money with them. You can learn a lot by gambling just $100, or the lowest-cost ad campaign a channel offers, and comparing the resulting CPA’s after a week or two.

BASICS OF OFFLINE MARKETING

Not all advertising is online. As an example, let’s say your business sells some specialty item for amateur astronomers. In that case, taking out an ad in Sky & Telescope magazine might make perfect sense. If there is some publication that is highly relevant to what your business offers, it deserves your consideration.

You can still do some back-of-the-envelope calculations to figure out if it’s worthwhile. You can find out the number of copies of the magazine that are printed, and how many aren't returned unsold. That tells you how many people your ad will reach. Assume less than 1% will act on your ad, and some small percentage of those who do actually buy something in the end. If the sales number you end up with exceeds the cost of the ad, it may be worth trying. A small ad in the back of a niche publication can often be had for just a few hundred dollars, so it's not an expensive experiment to try.

How do you know if a sale resulted from that ad, however? There are only two ways I know of. One is to simply ask your customers how they found you after you've taken their money– many will be happy to share that information. The other is to use some custom URL or phone number that is specific to this ad. Then, the number of visits to that URL or number of calls will tell you how many people acted on that ad, and who ended up buying something later on.

As with everything, measure the results before investing more money into any advertising channel.

In addition to magazines– newspapers, local television, niche cable TV channels, and radio are other advertising venues worth thinking about. If you've followed my advice about building a business that has a global reach, local TV, radio, and news advertising probably isn't worthwhile– but for many businesses, it is. As with online advertising, the key is to find a way to target your message to the people most likely to respond to it. If there's a local TV show and you know most of its viewers are potential customers of yours, it's worth thinking about. Advertising on it won't be cheap, but it might be something you decide to save up for.

There are other ways to advertise in the physical world, as well. Think creatively about places where your potential customers tend to congregate exclusively. Is there an industry trade show, conference, or convention they go to? Consider advertising in its program, or being a sponsor of it. Are a lot of them in a specific office park? Consider a nearby billboard, or an ad on a bus stop bench. Is there a popular Meetup group for them? Consider hosting that group at your own venue, joining it, or sponsoring it. Selling your stuff at a Meetup gathering is poor form, but it's totally OK to tell people what you do while introducing yourself. People who might be interested will talk to you afterward.

Trade show booths are another form of advertising, but in my experience their value proposition can be dodgy for small businesses like yours. You're looking at over $10,000 plus travel expenses for even the smallest booth in most cases, so you need to be pretty confident that your presence there will generate more than $10,000 in new profits. For a small business, that's a pretty tall order. And you can't just put up a booth in the corner and expect people to come dump money on your lap– you need to do a lot of work before the trade show to publicize your booth to attendees, and arrange meetings with potential customers at the show ahead of time. You'll need to invest a lot of time in following up with people afterwards, as well. Often it's more cost-effective to just attend the show as an individual, and carry around a bunch of business cards for the connections you make while you're there. I like to walk around with a tablet running a demo of my software, so I can show interested parties my technology without a booth at all (be careful not to run afoul of any policies of the trade show when doing something like that– your smartphone may have to do if attendees aren't permitted to bring larger items onto the show floor). You may get more value focusing your time on networking at the show, instead of manning a booth. Still, consider it carefully. In some industries (arcade games come to mind), a booth at a specific trade show is basically the only way in, so I can't provide one-size-fits-all advice on the topic.

How about physical mailings? In the early stages of my company, I mined my LinkedIn network and LinkedIn groups to find people who might need my product, and were in a position to approve its purchase. I went to their company websites to get a mailing address, and sent each of them a physical brochure accompanied by a personalized, signed letter. About 10% of the people I contacted ended up purchasing my product– which is an excellent return on some paper, a stamp, and a few minutes of my time! I ended up contracting a college student to help scale that effort up. Most tech companies have abandoned direct mail in favor of email campaigns– but you can do both, and use the relatively empty physical mailbox of your customers as a chance to better grab their attention.

BASICS OF SEARCH ENGINE OPTIMIZATION

Are people likely to be looking for business like yours while searching on Google or other search engines? If so, optimizing your website to get the best rankings on Google can yield large rewards, and the only cost is your time– if you know what you're doing.

If you are using a content management system such as Wordpress to host your website, the first thing is to install a plugin for search engine optimization (SEO). I use Wordpress along with a plugin called "WordPress SEO" by a company called Yoast, with good results. I still invest in paid advertising for my website through Google AdWords, but only about 15% of my visitors originate from ads. The other 85% found me for free. Paying attention to SEO means relying less and less on paid advertising over time, which ultimately puts more profit into your hands.

Here are a few basic best practices to maximize what is known as "organic search traffic"– that is, visitors to your website that found you through a search you didn't pay for.

Update your website on a regular basis. Even if you doubt anyone will ever read it, I recommend having some sort of blog on your website that you update around once a week, at a minimum. The benefits are twofold: search engines tend to prefer sites that are fresh and current, and the extra content you create in your blog posts will create new pages that may rank highly for search terms you never even knew were important. The content you create for your blog can also be re-used for social media and email newsletters, discussed below. While it's OK to blog about your product's features, you also want to touch on more general issues faced by your customer base to encourage sharing of your content, and to rank for new search keywords.

Get linked to. A website that nobody links to won't look very authoritative in the eyes of search engines. Are there other popular websites that cover your industry that might publish an article of yours, with a link to your site? Are there reputable online directories for your industry? Can you guest-blog on a popular site and sneak in a link or two back to your site? Think creatively. News releases can also result in links from news sites. Here's an easy one: become active on forums related to your industry, with a link to your site in the signature. Make sure the sites you're getting links from are relevant to what your site is about. This sort of work is referred to as "link building." Generally speaking, you don't want to pay for links– Google is smart enough to recognize "link farms" and may penalize you for using them.

Figure out the best keywords to target. A lot of people get hung up on the concept of "their ranking on Google." That is a meaningless concept! You have thousands of different rankings on Google, depending on what people typed into the search bar while they were trying to discover what your company has to offer. It's not too hard to become the #1 search result when someone types in your company name– but it's the people who don't already know about your company that are more valuable. If you have a Google AdWords account, you can use data from it to determine which keywords seem most relevant to your site by sorting them by CTR (click through rate.) You can also use AdWords' keyword tool to get an idea of what keywords are searched for most often. Ideally, you want to find search terms that are very specific to what your company offers– there will be less competition for these search terms, and so it will be easier for you to rank highly for them. The keywords you decide to target are the ones you'll want to focus on when writing the text on your website.

Make sure your web pages have text in them. Although the current web design trends are very image-focused, search engines will have a much easier time determining what your website is about if you have text relevant to the customers you are trying to reach. At least have a couple of paragraphs describing what your website is about, making sure to include the keywords you want to rank for in that description. Make sure your images include <alt> tags that provide a textual description of what they are.

Pay attention to titles and headers. Search engines pay special attention to your page titles and your page headers. At a HTML level, this is information contained within <title>, <h1>, <h2>, etc. Because this text is highlighted on your webpage, they know it's pretty important in describing what your page is about. Be sure to use the keywords you are targeting within these tags in order to rank most highly for them. Your page titles should contain your company name, along with a description of the page that includes the keywords that best describe it– but Google will only display the first 55 or so characters of it, so keep it short. Your title is basically the headline that Google will show in search results, so it's especially important to pay attention to it.

Get a Google Webmaster Tools account. By setting up an account that's tied to your website, you'll be able to see if Google is having any trouble when it crawls your site to determine its content. There are many technical problems that could result in your website being essentially invisible to Google, and you need to address them if they exist. There are also extra tools within Webmaster Tools to help you identify the best keywords to target for SEO.

Pay attention to your user experience. Search engines don't just focus on whether your website's content is relevant to what someone is searching for; they also determine how good of an experience someone will have once they get there. If people will be searching for you from mobile devices and tablets, then you need to have a website that is "adaptive" and lays itself out better for these smaller screens. Load up your site on your smartphone– if you can't read what it says, then you may have a problem. Site speed is also taken into account, so be sure to install and properly configure any caching plugins your content management system may offer.

Many people create entire careers out of SEO, so there's much more to it if you'd like to learn more. I recommend the resources at moz.com (http://moz.com/learn/seo) as a great resource for more depth on SEO.

BASICS OF LANDING PAGE OPTIMIZATION

Let's say someone discovers your web page about your product through a paid ad, or through a search result, and they click on the link to your page. That's great, but you're not done yet– you need to convert that visitor into a paying customer!

Landing page optimization (LPO) is maximizing the chance that someone who visits your web page will actually do something that's valuable for you, and not just lose interest and click away, never to be seen again.

One way to do this is through the design of your page. It should call attention to the action that you want your visitors to take once they are there, and allow them to determine within a few seconds whether that action might be worth taking.

As an example, here is one of my own landing pages, used when someone is searching for software for simulating the sky and clouds:

Notice how there's not a whole lot of text– just the main points needed to convey what my product is, and the problem it solves for my customers. There is a big, orange button inviting the customer to do what I want them to do– download a free evaluation of my product.

Many people would recommend even eliminating the menu or "site navigation" links on a landing page, and make clicking that button the only possible action. I didn't go that far, as my products are fairly expensive and customers are likely to want more depth on my company and its offerings.

If you scroll down, more detailed information is available about the product– but above the fold, things have been kept as simple and visual as possible. A large video dominates the page, which auto-plays when loaded. It's designed to capture your attention before you click away.

Be sure your landing pages are customer-focused; the value proposition of your product to your customers must be clearly and concisely communicated. In my case, it's the time they save by purchasing this technology off the shelf, and that's what I lead with.

Your landing page is also an opportunity to gather sales lead information; in this example, I'm requesting email addresses to automatically add to my newsletter mailing list. Most people are wary of getting more spam however, and I'd rather have them download my product evaluation than get scared away– so on my page, that email address is optional. Most of the people who do submit one use a fake address, but a few do provide a real one. My email platform automatically removes undeliverable email addresses, so those fake addresses don't do any harm.

Relevance is also important to LPO. Think about the different kinds of customers you have, and create an experience unique to each kind. Every type of customer you have should have their own ad campaigns that speak to their specific interests, which lead to a specialized landing page that also focuses on that unique interest. If your landing page is highly relevant to the words in your ad, Google AdWords will reward you with more and better impressions of that ad– so the benefits are twofold. The more the user feels like your landing page was built just for them, the more they are likely to convert into a paying customer. You may end up maintaining a large number of slightly different landing pages and ads as a result, but it is time well spent.

Landing page optimization is also a large discipline in its own right. Moz.com also offers many great blog articles on the topic of LPO if you'd like to learn more.

THE IMPORTANCE OF EMAIL CAMPAIGNS

Email is still one of the most effective channels for reaching your customers, when done properly. Not only does it let you reach new customers, it keeps you in mind with your existing customers– making it more likely that they'll buy your products again, or refer you to their friends.

First, you need a means of maintaining your mailing list and sending mass emails– in a way that won't end up getting all of your emails automatically spam-filtered. For beginners, I recommend using a third party service such as MailChimp or Constant Contact, as it will be the most foolproof approach. I created my own mass email system using a package called Dada Mail together with Amazon's Simple Email Service in order to keep the expense low– but if you're not very technically inclined, it's all too easy mess up in such a way that results in emails from your domain, including your personal emails, not getting delivered. You can always start with a paid service, and move to your own later once you know what you're doing. MailChimp even allows you to start off for free, and upgrade to a paid account only once you have a large subscriber base or need access to more advanced features. So it’s not even something you have to budget for initially.

Don't be a spammer. Only send emails to people who opt in, either by becoming a customer of yours, or providing you with an email address. Your website should have a signup form on it, and your landing pages should solicit email addresses in exchange for whatever your page is offering. You are legally required to provide a means to unsubscribe from your mailing list with each message; using a package such as MailChimp or Constant Contact will ensure these are processed correctly.

Once you've got a mass email system and some subscribers, you need to decide what to send them. Have you been maintaining a blog like I recommended in the SEO section? If so, you can just send a digest of your blog entries once a month. Major new product announcements are of course also relevant. As with everything, keep these emails customer-focused; they should address the problems your customers are faced with, and that might not even have anything to do with your products. The main point is to remind your subscribers that you're around, and that your company is an authority in solving whatever problems they have. Keep the tone conversational, so your customers feel like they're reading a personal email and not just product marketing.

Email frequency is also something to think about. Once or twice a month is enough to keep your company in the back of everyone's minds. Emails sent too frequently will start to be viewed as spam, and increase the likelihood of people unsubscribing.

Finally– make sure to send a test mail to yourself before pushing the button to send it to your entire mailing list! You want to catch missing subject lines, broken links, and typos before your customers do. Once that mass email goes out, there's no way to take it back– so take your time editing and proofreading it first.

USING SOCIAL NETWORKS

Marketing through social networks has become challenging, as they are starting to push paid advertising in favor of reach that could be had for free in years past. But in many industries, social networks are still an important component of your inbound marketing efforts. If your customers spend a lot of time on social networks, then figuring out how to reach them – and their friends – is worthwhile.

You need to think about who your customers are, and where they hang out online. Are you selling craft products? Pinterest may be the most important network for you to focus on, then. Marketing to younger people? Try Instagram. Business-to-business? LinkedIn might be for you (that’s the one I target the most). Twitter is still important as well. I'm sure that list will probably change by this time next year, so again– just think about what social networks are used most by your potential customers, and focus on them.

Effective maintenance of a social network presence can be a full time job in itself. As a small business owner, you need to just pick one or two of them to focus on. Here are some general social media tips:

Twitter is a lot of work. Twitter posts in themselves are very likely to be lost in the noise of everything else. Using Twitter effectively is more about outreach through your other activities on Twitter. You should be retweeting and replying to people within your industry much more often than you are posting about your own company. Twitter is about building up your subscriber base, and staying active not only with your own announcements but in the discussions of others. Even if you have a product announcement that gets re-tweeted by some account with a huge amount of followers, you'll just see a surge of traffic that disappears within a few minutes. The goal here is to become a well-known name within the community of your potential customers– and that's better served by re-tweeting information that is useful to them, regardless of whether it comes from your company or not. You need to be posting several times per day to get the most out of Twitter from a marketing standpoint, so think carefully about whether you expect the return from that effort to be worth the time.

With Facebook, my advice is almost to not even bother. Even if you can get a large number of people to "like" your company page, your updates will only be shown to about 6% of those followers– and that number is likely to decrease further as Facebook tries to force companies into paid advertising and promotion of their posts. As discussed earlier, Facebook is worth evaluating as an advertising platform, but don't expect much free exposure for your company through it. There may be some SEO benefit to having a FaceBook page that links to your main website, and that alone may be worth the small effort of setting one up.

LinkedIn is useful for B2B businesses. If you're a business that sells to other businesses, LinkedIn is worth looking at. Product announcements framed as a personal achievement aren't viewed as "spammy" there, and getting involved in LinkedIn group discussions is an easy way to get your name in the inbox of hundreds of people.

Don't just post about your company. Become a valued resource for the people who follow you. Don't just market your stuff– find articles and information that are relevant to your customer base. Participate in other discussions. Nobody wants to follow a commercial on social media (unless it’s incredibly clever); instead, provide useful content that's all about your customers, not all about you.

Maintaining a social network presence for your company can be very time-consuming, and as a small business owner you probably have more efficient ways to spend your time. As addictive as social media can be, you must measure the impact it is having on your business, and budget your time accordingly. If your social media efforts aren't resulting in a substantial percentage of your website traffic originating from social media sites, or your customers aren't saying they discovered you through social media, then you should question if this is what you should be spending your time on.

That's a great segue into our next section...

MEASURE AND ACT

It's important that you measure the effectiveness of your various marketing campaigns, and act upon those results.

If you sell products online, Google Analytics is a free, sophisticated tool that lets you track trends with your customers, and where those customers came from. Go get an account, and integrate it with your website and any other websites that sell your products on your behalf.

I could write an entire book about using Google Analytics, and I'm sure others have. But even with the most basic integration, you'll be able to measure things like how many visitors came to your website each day, which websites they came to yours from, what countries they are in, and what devices they are using to view your site.

Here are some of the more important metrics you’ll see within Google Analytics, and how you should act on them:

Sessions: This is how many times your site was visited each day. If you see a sudden surge or drop, it’s worth understanding why – dig into your “acquisition” metrics to narrow down which source of traffic changed. If it’s across the board, then this might indicate a technical problem with your website that needs fixing. However, you shouldn’t necessarily panic if this drops, or congratulate yourself if it increases. Sessions don’t pay the bills; it’s the quality of that traffic that matters.

Conversions: Once you’ve set up goals in Google Analytics tied to people actually giving you money, or doing something that is a good proxy for giving you money, this is the main thing you want to focus on. Google Analytics allows you to break down your conversion data by location and source, and to analyze the path users took before they completed your conversion actions. Trends that you see in your conversion data will affect your bottom line and your livelihood, so it is critical to monitor, understand, and act upon this data. If conversions for a specific product are dropping, you need to figure out how to boost its marketing, make the product more appealing, make its web page more likely to convert, and/or abandon it in favor of creating a better product.

Average Time on Page: This is a measure of user engagement with your site. If it’s dropping, then the traffic you are attracting to your website isn’t really interested in what you have to offer. Evaluate your marketing efforts, and whether they are really reaching the right people. A drop in this metric may also indicate a rise in malicious traffic to your site, which you may need to block.

Channels: This section, under “acquisition”, lets you break down your traffic by where it came from. You may see data for sessions that originated from direct traffic (someone typed your URL into the address bar,) organic (free) search, paid search, display ads, social media, or referrals from other sites. The balance between free and paid traffic is good to understand, as it lets you know how important those paid advertisements really are to your business. Ideally you’d want your traffic to grow over time, but come increasingly from free sources like good SEO and PR practices. This view also makes it easy to determine the return on investment on your paid advertising, which may influence your decisions on whether to spend more or less on it. Digging into the “referral” channel can also be interesting; as it lets you know what other websites are driving traffic to yours. Often, you’ll discover online discussions about your product in this manner, and this is an opportunity to go chime in yourself as the owner of the company and keep the discussion going.

INTERPRETING YOUR METRICS

If you do one thing beyond the basic integration of Google Analytics, make it setting up "goals". This can currently be done from the Administration menu. You tag your site with certain events that tell Google Analytics when a customer does something valuable– like purchasing a product, downloading an evaluation or white paper, etc. Armed with that information, you can not only see the effect your marketing efforts are having on traffic to your site, but the impact they are having on sales.

There is good website traffic, and there is bad traffic. Looking at visitors or page views alone can be very misleading. Perhaps you have an ad that is attention-grabbing, but reaching the wrong people– they come to your website, but never buy anything. Visitor data can also be polluted by malicious traffic, such as referrer spam13 or click fraud. Or maybe you have an ad on a display network that got picked up by some mobile app that tricks its customers into clicking on it, resulting in more junk traffic to your site. It's those goals, also referred to as conversions in Google Analytics, which you should be focusing on– not page views or visits.

View your web metrics with skepticism. Many times I've been excited to see a surge in traffic to my website, only to find that it's all coming from a country that doesn’t even speak English and is likely part of some click fraud ring. Other times, it's a surge in referrer spam. Always dig into what drove a change in your metrics– view the traffic by country, and by referrer, to make sure it is legitimate.

A drop in traffic or conversions however is worth digging into. It could be indicative of a technical problem with your website, a change to search engine algorithms that affected you, an important referrer dropped their link to your site, or it could just mean that you haven't spent enough time on marketing lately. Checking your Google Analytics metrics every day is sure to shake you into action when things are not heading in the right direction.

Be sure to look at long term as well as short term trends. Don't just focus on data from the past week, as it will be easy to overlook a longer-term increase or decrease in your business. It's those long-term trends that are the hardest to turn around, so you need to be aware of them if they exist, understand what's driving them, and do something about them if your business is to survive. Perhaps your product is simply losing its relevance in the marketplace slowly over time, despite your best efforts to market it. Doubling down further on marketing is not the answer in that case– the answer is to start building a new product that addresses the new problems your customers need to solve.

Tying your sales information to Google Analytics lets you make very precise statements about the return on investment for various marketing efforts. Armed with that data, you can do more of what's effective for your business, and less of what's not.

Metrics for your website aren't the only metrics you should be following, of course. Use the reports in whatever accounting package you are using to ensure your cash flow is stable, your revenue is growing, and your expenses are under control. Keep an eye on your business bank account, and have a number in mind below which you start to get worried. It's easy to overspend on advertising, and it's easy for markets to change or for competitors to eat into your business– requiring you to build a new product before revenue from the old one completely dries up. Ultimately, your sales revenue trends are the best indicator of when that needs to be done.

TRACKING AND CLOSING SALES

As a new business owner, you'll probably hear about "CRM" solutions such as salesforce.com, Zoho, and many others. CRM stands for Customer Relationship Management, and it’s really just a fancy term for a sales database.

It is important that you keep track of your sales somewhere. You want to be able to contact your past customers if you need to, or just to let them know about new products of interest to them. But, you may be able to get by with just a spreadsheet at first. There's no need to invest in an expensive CRM system until you've got a handle on how sales of your product are driven. These systems are geared toward full-time sales people who mine leads, make cold calls, and follow up with their prospects until they close a sale. If you've followed my advice however, your products sell themselves on the Internet through your automated targeted online ads. Investing lots of your time into each individual sale simply does not scale when you're a one person company, especially when your market is large and worldwide. Your sales process needs to be as automated as possible.

Email campaigns can be used to close sales automatically. Most email platforms allow you to set up automatic rules to send a series of pre-written emails over time to new customers when they are added to your mailing list. For example, once a potential customer signs up for a trial of your product, you can automatically email that person a few days later to ask how it's going, and to offer some tips for getting the most out of the trial. Just prior to the end of the trial period, that customer can receive another automated email reminding them it's time to purchase it. Your customers are busy, and they need these reminders. A computer can send those reminders just as well as a human being can– once a human being has written the form-letter emails once. It's good to include contact information if they do want to talk to you, but most people just need a little nudge. That nudge can make a real difference in your sales. Automated systems like MailChimp can send as many of those nudges as you need, at very low cost and while you sleep.

AVOIDING PITFALLS

Small businesses are a significant part of the economy. According to the US Small Business Administration, 46% of the United States' gross domestic product comes from small business. There is a lot of money in our world– and that means there are also predators looking to take some of it from you. This section lists a few things to watch out for.

BEWARE OF LEECHES

Being a new business owner is intimidating. No matter how good you were in your corporate career, it left you largely unprepared for launching a business of your own. When people emerge who are willing to help you get started, it can seem like good fortune– but be wary. Very wary.

There are often local entrepreneurs who became successful, and genuinely want to give their experience back to the community. Those are the sorts of people you want to talk to. You can usually identify them by their willingness to help you for free.

There are predators out there that look for new business owners, and try to scam them out of ownership of their business. If someone you only met recently wants to be your partner, be on your board of directors, or be your co-founder– don't do it. Once you've signed an agreement with this person that gives them some percentage of your company, you'll probably never hear from them again until it's time for them to collect their money.

Even if you decide to share your company with someone who is generally well-meaning, taking on partners can still go very wrong. What happens if your partner gets a divorce? Could their share of the company end up getting transferred to their spouse, who will now be your new partner, like it or not? What happens if they die? What happens if they just lose interest in your company after a few months and stop contributing in a meaningful manner? It's possible to create a legal agreement that addresses these contingencies, but it's best to just avoid the situation entirely.

Even sharing your company with your spouse can be a bad idea. Apart from the obvious problem of what happens if you get divorced for whatever reason, it can create problems if you end up selling your company later on. Whoever is interested in purchasing your company wants to deal with a single decision-maker, and if you've split ownership of your company 50/50 with your spouse, they now need to deal with both of you. Some acquirers would just walk away.

It makes sense to seek outside expertise on areas that are crucial to your business, and complement your own knowledge with those of others. But that expertise usually can be had for free through your local business incubator, economic development council, or Meetup groups. Professional services can be purchased on an hourly basis. Giving up a percentage of a lifestyle business rarely makes sense, and it ties you down unnecessarily.

Growth businesses are another beast entirely– if someone is giving you outside investment, it's reasonable that they will want a cut of your company and some control over it in return. This book isn't about growth businesses. If you're unsure whether your company is a growth business or a lifestyle business, you must achieve clarity on your long-term plans for your company and your own life first. If you know your goal is a lifestyle business to maximize your personal freedom in the long run, then you know you must plan to avoid outside investment and retain full ownership of your business.

BEWARE OF WELL-MEANING ADVICE

If you do get involved with the local community of small-business owners, you'll probably get more free advice than you know what to do with. That's great– but it's easy to let it become distracting.

At first, it may seem like all small business owners are faced with the same challenges. But most businesses are not like yours. Remember most small business owners are primarily selling products or services locally– if you are selling your goods globally over the Internet, then what works for them won't work for you. Even if they are selling on the Internet, their customers may be very different from yours.

Always consider advice through the lens of "how similar is this person's business to my own?" It's great to receive unsolicited advice, but it's even better to seek out other small business owners yourself that do run businesses similar to your own. As long as you're not competing with them, they'll probably be happy to offer whatever advice you want over coffee or a phone call. I've said this before in this book, but it bears repeating.

Here's a real example. When I started my own business, I heard a lot about the importance of sales efforts. You know, gathering lists of prospects, making cold calls, doing in-house demos, and following up to close sales. Through my local business incubator, I met lots of other business owners who testified to the importance of these techniques. Based on their advice, I was convinced that having a real sales team was crucial to my business's success.

Trouble is, those other companies relied almost entirely on sales within their local area, and they were selling big-ticket products and services that cost tens to hundreds of thousands of dollars. Furthermore, their customers are in industries where they are accustomed to dealing with sales people all the time. In contrast, my own products are relatively inexpensive, and sold globally through the Internet. Most of my customers are software engineers, who hate nothing more than a sales person wasting their time.

At the time, I failed to see the distinction, and I found a couple of people to work on sales for me on a commission basis. It didn't end well– first of all, they didn't really understand the niche my business targets, and so most of the prospects they identified were never viable customers in the first place. The ones they did contact didn't get very far. In the end, Sundog Software's sales team lasted about two months, and was just a big waste of time and effort during the crucial first few months of my business.

After that, I sent an email to the CEO of a successful company very similar to mine, and asked him how he handled sales. He was happy to help– and I learned that he saw the most success through automated email campaigns. Finally, it clicked– but only after seeking advice from the owners of successful businesses that are very similar to my own. He offered lots of other advice as well, that continues to influence the path of my company today.

Keep in mind that business advice you get locally is likely to only be relevant locally, and within the businesses your peers are in. Accept all the advice you can, but filter it accordingly. That goes for this book too– what worked for me is what worked for an online-based software product business. If your business is completely different, you need to ask yourself if your unique customer needs result in some of my advice being more important than others.

BEWARE OF HIRING SALESPEOPLE

I've already given you my horror story on sales people above, but it's one I've heard repeatedly from others– including from career sales people! I was fortunate that all I lost was some time with my experiment in sales. However, the sales person I worked with originally wanted a share of the company in exchange for his efforts. Had I agreed, I’d be burdened with that drain on my company with nothing in exchange.

Despite how comfortable or not you are with sales, the best sales person for your company is you. When someone knows they're talking to the CEO, they pay a little more attention– even if you're just the CEO of yourself. Nobody will be more informed about your products and your business than you are, and nobody else has the authority to cut deals on the spot.

My own approach was to mainly automate sales and just focus on closing people who had questions about my products. Even if you can't do that for your business, you need to put off hiring sales people as long as possible.

The main issue is that it's very hard to hire a good salesperson. These people are trained at mental manipulation, and they know how to sell themselves just as well as they can sell any product. If you've never done any sales work yourself, then you have no way to really evaluate them or know what questions to ask them. It's just too easy to get won over by a salesperson that will ultimately be ineffective, and waste a lot of your precious bootstrap money in the process.

Good salespeople won't just work on commission either, so don't think you can just try someone out without any risk. If someone offers to work on sales for your small company without a salary, they may have an ulterior motive – like negotiating an ownership stake in your company. A salesperson you don't even know who offers to work for some percentage of your company is probably a scammer of some sort, and you should run away quickly. Remember your goal is to build a lifestyle business that maximizes your personal freedom. Being tied down by employees or partners that deliver questionable value is not a decision that should be taken lightly.

Can you really find a salesperson that is knowledgeable about the specific niche your product targets? If not, they may end up doing more harm than good to your company's reputation. Within a small niche, that reputation can spread quickly. The only person who really has the depth required to answer technical questions from your customers is probably you; other people may be useful in identifying leads, but you’re the best person to actually talk to them.

If you want to ramp up your sales efforts without taking on all the risk associated with a salesperson, there are alternatives. Can you hire a college student temporarily to just mine LinkedIn or other sources for sales leads, which are then handed to you? That time-consuming prospecting work can often be outsourced, allowing you to spend one day per week actually talking to, or emailing, leads that you have pre-qualified. Identifying leads is something you can outsource at low cost, but closing them is not.

BEWARE OF PRESSURE TO HIRE

You'll find that many people measure the success of a business by how many people it employs. This can be distracting.

Remember, hiring is not your goal with a lifestyle business. Your goal is your own independence and financial freedom. Hiring people you don't need compromises all of that.

This can seem to present an ethical dilemma, if you are taking advantage of local government-funded resources for small business owners. The goal of those resources is to create more local jobs by encouraging small business growth. By taking advantage of these resources, yet avoiding hiring as much as possible, it seems like you're not keeping your end of the bargain.

But, you are keeping your end of the bargain. As your business grows, you certainly won't be able to do it all yourself. This book simply advocates using contractors whenever possible instead of full time employees, in order to preserve your freedom and flexibility. So, when someone asks you "how many people do you employ?" tell them about the number of contractors you're keeping in business. If you try to hire those contractors locally, you're still doing your part to grow the local economy.

You can also talk about your company's revenue or net profit. Even if most of that money is going directly to you, some of it still flows through to the local economy through the local goods and services you purchase.

Your success is not measured by the number of W2 tax forms you give out each year. Sometimes you need to help others understand that, or even remind yourself of it.

BEWARE OF MISLEADING STATISTICS

This pitfall has already been discussed in "Measure and Act," but it's a big one. Making decisions based on metrics is a good idea, but small businesses tend to have relatively small numbers that they are working with. As such, your metrics are easily polluted by noise and random variations. One new click fraud ring, or the disappearance of a referrer spammer, can be enough to move your web metrics significantly. Your sales revenue probably sees more variation each month due to chance or seasonal effects than from anything you've done– especially if you are in a business with long sales cycles.

It is therefore important to look not only at short-term, but long-term metrics related to your business. How does this entire quarter's sales look like compared to the same quarter last year? Are there disturbing trends in my web metrics if I look back a full year? The more data you can aggregate together, the less susceptible it will be to outliers when you're analyzing it.

If you’re going to be making decisions that affect your livelihood based on statistics, you need to have at least a basic understanding of statistics. Get a “Statistics for Dummies” book (it’s actually pretty good,) take a course on Udemy, Coursera, or at the community college – whatever works for you. At a minimum, learn what standard deviation is and how to measure whether data is likely just noise or a real trend.

Also, remember the most reliable metrics are the ones where money is involved. How many people visit your website is easily gamed; the amount of money people spend on your website is not. The balance in your business checking account is gospel.

Here's a real example: I recently congratulated myself on the success of a new AdWords campaign, set up to target people similar to those who visited my website. Its cost-per-action (CPA) was lower than any other ad campaign I had, so I decided to invest more money into it, believing it was giving me a great return.

The problem is that the "action" I was measuring for CPA was not directly tied to money– it was tied to downloading a demo of my product. When I dug deeper into why this ad campaign was doing so well, I discovered that almost all of its traffic was coming from China, Iraq, and Vietnam. Exactly zero traffic was coming from the United States. Given that my website and product documentation is all in English, it's safe to say that the majority of those actions were in fact worthless in the end, and something was probably gaming this campaign somehow. I made the wrong decision on how to spend my advertising dollars as a result of this misleading statistic– most of it probably ended up with some click fraud ring in China. After blocking those countries, this ad campaign became more effective.

Question suspicious results that aren't directly tied to customer spending, and don't let short-term variance affect your decision making without also looking at longer-term trends.

BUILDING A GROWTH ENGINE

It takes constant effort to keep your lifestyle business thriving. You may have started your company with one great idea, but that idea won't stay successful forever. The needs of your customers may change over time, and you may even saturate your market at some point. You always need to be trying out new ideas in order to maintain the financial security your business provides in years to come. You're in this for the long run, and so you need to build a metaphorical engine that keeps your business growing over time.

FINDING THE TIME

Creating, marketing, and supporting one product is a lot of work– how do you find time to try out new ones at the same time? This is why it's important to automate and outsource as much of what you do as possible.

As a business owner, you need to adopt a new mindset for how you spend your time. Every time you find yourself starting a new task, you must ask yourself if your time would be better spent developing a new product, or doing whatever it is you are doing.

For example, let's say you have a new product idea. Conservatively, you believe it could generate around $50,000 per year in new profits, and would take about three months of your full time effort to bring it to market. If you do the math, that works out to a return of about $104 per hour just in the first year. Let's assume this product can bring in revenue for at least 3 years– now we're up to $312 that one hour of your time is worth, if you're working on that new product.

What were you planning to do instead of working on this new product idea? If you could pay someone else to do it for less than $300 per hour, and you have the cash to do so, then you clearly should.

Now, you do need to be mindful of your cash flow. Paying others to take care of aspects of your existing business in order to free up your own time is basically bootstrapping another business. Doing that takes money up front. From a practical standpoint, you need to be careful about how much you're spending on contractors and other outside help. Look at your current cash flow situation, and decide how much you can spend per month on outside help while still having a few months of reserve cash on hand. Even if outsourcing work makes sense financially in the long run, it won't matter if you bankrupt your business before those new products hit the market. So, farm out what you can– but don't bet the farm on it either. Figure out an upper bound per month that you can afford to spend on outside help, and stick to it.

Automation is even better than outsourcing. Is there some task you spend a lot of your time on that could be automated? Perhaps aspects of your sales and marketing, like sending out follow-up emails to new customers, or allowing customers to get the information or products they need in a self-service manner. Think about the time you spend automating your work in a return-on-investment standpoint as well; how much time per year would automating this task save, compared to the amount of time it would take to automate it? What is that extra time worth?

What needs to sink in is this: your time is almost always better spent developing a new product than doing something else. It will probably earn more money in the long run than taking on extra freelance work. Adding new features to an existing product also won't present as much of a return as building a new product might. Not all of your new product ideas will succeed, but think like a venture capitalist– try as many good ideas as you can, and if you have enough, some of them will be hits. The key is to get them out to market as quickly as possible so you can try as many ideas as you can.

Always think critically of the return on investment you are getting on your time. It is the one resource you cannot make more of; spending it wisely is the key to growing your business. You must find ways to minimize the time it takes to support your existing products, in order to free up time to create new ones.

Support and expand your existing products only as long as they are profitable, and have new ones ready to take their place. To do this, you need to plan in advance for the decline of your products. It sounds pessimistic, but it is necessary. If you have agreements with your customers that promise support in perpetuity, you will never be able to discontinue that product. Make sure any end user license agreements and contracts are explicitly time-bound for any support you will provide. Otherwise, you won’t have time to develop and support new products that are more relevant to your evolving markets.

FINDING THE PEOPLE

If you do need to hire contractors, finding the right ones is crucial. A bad contractor can burn up thousands of dollars while accomplishing nothing, or building the wrong thing. You may have hired someone on the presumption that your time is more valuable than the rate you are paying them – but if you could have done what they are doing in a quarter of the time, then you aren’t coming out ahead.

Using referrals through LinkedIn or other social networks can help. If someone you trust has used a contractor successfully, that means a lot. For more routine tasks, there are websites like Elance that offer contractors with customer ratings you can look at.

However, still start carefully with a new contractor, regardless of how well they are recommended. Start with a very small, well-defined task, with a strict upper bound on the cost or number of hours you are willing to spend on it. Make sure this number is one you are comfortable potentially losing. If the contractor meets your expectations, you can start outsourcing larger tasks as your budget permits. If not, then you haven’t lost much. Take advantage of the flexible and temporary relationship of a contractor in order to try them out before committing to larger projects.

Make sure your contractors have a contract! Your lawyer can provide one, or there are many boilerplate contracts available on the web you can adapt to your needs. The important points are to be very clear on the deliverables, when they are due, when and how payment will be made, who owns the resulting intellectual property, and where the work will be performed. It must also be clear that the contractor is responsible for their own benefits and taxes and is using their own equipment. If you are providing equipment and/or a workplace for your contractors, the IRS may question if they are in fact employees instead – and that’s a headache you don’t need. In the US, remember to get a W9 form from them, so you’ll know how to fill out their 1099 form at tax time.

FINDING THE IDEAS

We've established that working on new product ideas is a good use of your time, but that assumes your new product idea is viable. How do you find viable ideas?

A good place to start is with your existing customers of your existing products. They already have a relationship with you– hopefully a positive one! If you can build more products that meet their needs, it will be a lot easier to sell them to existing customers than to find new ones. That can get your new product out of the gates running.

So, take a customer to lunch. Have a phone conversation. Send out an online survey. It's OK to have them evaluate some product ideas of your own, but even better is just to ask them "what problems keep you up at night?" Those are the sorts of problems people shell out money to solve.

Not only can you build off your existing customer base to grow your business, you can also build off your existing products. Is there some aspect of the manufacturing or creation of your current products that would make it easy to create new ones? I did this with the software development kits my company sells– realizing that the market of software developers was relatively small, I used my own software to develop add-ons for a popular flight simulator game. With a few months of effort, I was able to leverage the years that went into developing that software to create a highly competitive product for flight simulation enthusiasts. Today, this derivative product brings in over $100,000 per year in revenue– and the up-front costs were just a few months of my development effort.

Perhaps your company sells physical products, and the manufacturing, distribution, sales, and marketing you worked so hard to establish can be mostly re-used to sell another product. Find ways to leverage the initial development costs of your earlier products to bring new ones to market quickly and cheaply.

Are there new markets for your existing products you haven't considered? Perhaps a little bit of re-packaging is all you need. My software products were initially targeted toward developers of training and simulation systems. All it took was a weekend of caffeine-fueled coding to launch a variation of those products targeted to video game developers. That weekend of effort ended up generating about $1000 per month for years. Not huge money, but it was definitely a good return on the investment of my time. One hour that weekend created $1,800 over the following three years. Not a bad hourly pay rate!

Finally, be open to completely new product ideas for completely new customers as well. Your company’s mission statement isn’t cast in stone – if new business opportunities present themselves, and you’re in a position to execute on them without risking much, why not? Sundog Software isn’t just selling software these days; it’s also experimenting with online courses in the areas I’m knowledgeable about, and selling books on starting a business! Both of those ideas came through my personal connections and networking efforts, along with the opportunity to try them out. I don’t know if they will pay off, but if they do, it could result in my company pivoting in a big way – with no initial cost other than some of my time.

THE COMPOUNDING EFFECT

You don't need to be an accounting genius to see how this mentality can lead to great rewards year after year. If every year you launch a new product that generates $100,000 per year– you'll be making a million dollars per year, every year, after ten years. That's much easier said than done; not all of your products will be a smashing success and revenue from older products will likely decline over time. But if you have the discipline to always be launching new products, they can create ongoing revenue streams for you that just keep adding together year after year.

It takes hard work and diligence, but forcing yourself to find time to launch new product ideas is what leads to long-term wealth. Increasing the sales of an existing product by 20% can take a lot of work. Launching a new product that sells more than 20% of your existing product may be a lot easier. Even if you only achieve 20% growth every year– that's a much better return than you'd get from the stock market, or from pay raises in a corporate job.

I don't want you leave this book thinking it's some sort of get-rich-quick scheme. In reality, solo-preneurs that earn over a million dollars per year are incredibly rare. I know exactly one, personally. All those new products take time to support, and there are only so many tasks you can outsource or automate. Your available time will ultimately place an upper bound on your earnings, not to mention the quality of your ideas and your ability to execute on every aspect of building them and promoting them. If you start hitting the wall of your own time, you need to decide whether to hire others to continue growing your business, or be content with maintaining the cash flow– and personal freedom– you have already achieved. That is what is known as a good problem to have.

I do want you to leave this book understanding that working for yourself is a realistic path to a rich lifestyle. You don't need a million dollars per year to live as comfortably as you can reasonably imagine. A 2010 study by Nobel laureate Daniel Kahneman showed that income over $75,000 per year doesn’t actually increase personal happiness. Earning $75,000 per year from your own business is certainly an achievable goal– and you'll have all the benefits of being your own boss as well.

ADAPTING TO YOUR NEW LIFE

Successfully transitioning to self-employment isn't easy, but hopefully this book has armed you with the knowledge you need to do it successfully. If you do, you'll find your lifestyle is a lot different than what you were used to! You'll never look at corporate employment the same way again, and you'll enjoy a level of personal freedom you quite literally never knew existed.

Even positive transitions aren't easy, however. It can take years to adjust to your new life and feel comfortable with it. I probably can't change that for you, but I can at least tell you what to expect.

SURVIVOR'S GUILT

Once you realize you're able to support yourself without the benefit of a big corporate employer, you'll probably be in a little bit of denial. Perhaps you spent decades in the service of others, trained to believe this was a virtuous thing to do. You worked hard to further your career, and then threw your career away. Were all of those years wasted? That's not something you want to believe, but you suspect it may be true.

How can I face my friends who still have traditional jobs and see them in the same way? They want to talk about their work, but it just reminds you of a corporate career you no longer look back on fondly. Yet they remain all-consumed with their careers. You don't want to talk about how your life has changed too much, because it will feel like you're gloating.

These are difficult feelings to come to terms with.

First of all– the time you spent in your career was not wasted. You probably learned and refined the very skills that your business is based on while working for someone else. People learn by doing, and accomplishing that learning while someone else is paying you for it is not a bad deal. You would not be successful in your own business without the benefit of that learning experience that's behind you. Your only regret should be if you continued in the same job once it stopped offering new things to learn.

Second, don't be afraid to talk to your friends about your new business. Answer their questions honestly. Getting to where you are now wasn't easy, and talking about that path isn't gloating. Maybe some of your friends are at a point in their careers where they should be launching businesses of their own too, and hearing your story might help them realize that.

You will feel a little guilty as you make your daily commute 50 feet from your bedroom to your home office. You'll feel guilty when you take a break by the pool because you're mentally drained for the day, not because the clock says 5 PM. You'll feel guilty on the days when you earn more money from sales before breakfast than you used to in an entire day of work. You can't help but think about how most people don't have such luxuries, and feel like you are somehow cheating the system. Your problems aren't even first-world-problems; they're zero-world-problems.

You'll get over it in time. Just be thankful that these are the things you worry about now.

LETTING GO OF FIXED SCHEDULES

If you were a workaholic in your career, letting go of the 8-plus-hour-day can be a particularly tough thing to do. As the owner of your own business, you only work when it's needed. There will be busy days, and there will be slow days. Some days you will have more mental energy than others.

If you find yourself checking your social networks and news for more than a few minutes, then you are filling time for the sake of filling time. Nobody expects you to be at your desk continuously during a certain set of hours any longer; let go of that artificial restriction. If you're not being productive, either find a way to be productive (like working on a new product,) or accept that you're done for the day. Go do whatever it is you do to relax and recharge.

Nobody's going to stop you. Nobody's going to fire you. Nobody's going to give you a bad performance review. All that matters is whether the needs of your customers are being met, and whether you are taking appropriate steps to grow your business.

That does not need to happen between the hours of 9 AM and 5 PM. It should happen whenever you have the most energy and are the most productive. Perhaps you can arrange your day such that more menial tasks are done when your energy level is low. I usually try to do challenging tasks in the morning, and take care of things like bookkeeping after lunch. By matching tasks to your current energy level, sometimes you can make efficient use of more hours in the day.

LIVE A LITTLE

Remember, the whole point of launching a lifestyle business is to improve your lifestyle. Take advantage of what your new life has to offer.

Freed from the burdens of commuting, meetings, and the demands of your employer, you now decide how to spend your time. You have rejected the notion of working non-stop for others in pursuit of some undefined point in the far future called "retirement." Your new life can be better than retirement! Even spending all of your time on the beach gets boring pretty fast (I tried it; it lasted about three days). If you've built your new business around something you enjoy doing, then it's just one more rewarding activity that you fill your time with. And you'll have more free time to do all the other things you enjoy. How many shows or events have passed through your city without you giving them a second thought, because you were too busy? How many unique experiences does your area have to offer? Have you ever had time to travel just for pleasure? Have you ever considered moving just for the opportunity to intimately experience someplace new and interesting? While you had a job, your money was probably spent mostly on things, because you didn't have time to invest it in experiences. That will change.

If you've followed the advice of this book, you'll have constructed a business built around what you love to do, that you can take with you anywhere. If even one reader achieves that freedom, then writing this book was time well spent.

I wish you the best of luck on your journey! Even if now isn't the right time for self-employment for you, remember it is a real option and something you can start working toward as your end goal. Your lifestyle business won't happen unless you make it happen, so go build a product and see where it leads you!

RECOMMENDED READING

The following books were mentioned, and I recommend reading them to learn more on specific topics of interest.

Ferriss, Timothy. The 4-Hour Workweek: Escape 9-5, Live Anywhere, and Join the New Rich. Harmony, 2009.

Mohammed, Rafi. The 1% Windfall: How Successful Companies Use Price to Profit and Grow. Harper Business, 2010.

Reis, Eric. The Lean Startup: How Today’s Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses. Crown Business, 2011.

Rumsey, Deborah J. Statistics for Dummies. For Dummies, 2011.

Shelton, Hal. The Secrets to Writing a Successful Business Plan: A Pro Shares a Step-By-Step Guide to Creating a Plan that Gets Results. Summit Valley Press, 2014.

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ABOUT THE AUTHOR

Frank Kane is the owner and sole employee of Sundog Software, LLC, a lifestyle business that produces computer graphic technology for virtual-reality oceans, skies, and clouds. Sundog Software became Frank's full time focus in 2012 at the age of 41, and has grown from $100,000 annual revenue in 2012 to over $300,000 in 2014.

Frank received a degree in electrical engineering from the University of Massachusetts at Dartmouth, and spent the early part of his career as a software developer on computer video games for Sierra Online in California, and at Looking Glass Studios in Boston. Frank later spent nine years at Amazon.com in Seattle, where he progressed from a software engineer to a senior manager in charge of various parts of Amazon's personalization, recommendation, and content management technologies. As his last corporate job, Frank was senior manager in charge of technology at IMDb.com, a subsidiary of Amazon. Personal circumstances forced Frank to leave IMDb in 2012, move away from Seattle, and focus on growing Sundog Software instead.

Frank lives in the Orlando area with his wife and two daughters. He enjoys hanging out at theme parks, collecting Star Trek memorabilia, and writing about himself in the third person.

1 The Impact of Business Requirments on the Success of Technology Projects, IAG Consulting.

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10 “Stress… At Work”, DHHS (NIOSH) Publication Number 99-101. http://www.cdc.gov/niosh/docs/99-101/

11 http://www.businessinsider.com/startup-odds-of-success-2013-5

12 There is an exception– if you set yourself up as an employee of your own company, which is treated separately for tax purposes, and your company pays unemployment insurance premiums to the state– you actually can collect unemployment benefits if you close your business and essentially lay yourself off. Talk to your accountant for more details.

13 This is when websites generate a bunch of traffic to your website, with the sole purpose of tricking you into checking to see who they are when you see them as a large traffic source in Google Analytics.

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