

## 21 STEPS TO HOME BUSINESS SUCCESS

Fifty million home-based businesses will be in operation by 1997, according to Link Resource's National Work-at Home Survey. All around the country, people who want more control over their lives are starting home businesses

In New Orleans, Rick Hart's home based cajun Cargo ships seafood nation wide. In Palatine, Illinois, Stephaine Heavey works from home designing and selling original patterns for fabric dolls. And in Dallas, Lisa McElya published the Dallas Party & Event Planners Guidebook from the entire first floor of her two-story home.

These three people are living the new American dream of owning a business, but avoiding the high overhead and start-up costs of a commercial location. If the idea of working from home is appealing, but you don't know where to begin, here is a step-by-step guide.

### STEP #1 DECIDE WHAT PART OF THE HOUSE TO USE

Select an area away from family activity. The perfect space is a separate room (or perhaps the garage), but any area will do, if it can hold all the business supplies and equipment, and also provide enough work space for desks, tables, or counters.

### STEP #2 DETERMINE HOW MUCH TIME YOU CAN SPEND ON THE BUSINESS

Many people start a home business on a part-time basis while raising children or working outside the home. Others start full-time when family and finances allow. However you begin, figure out how many hours per week you can devote to the business. Make a weekly chart of your activities, examine it, and determine where the business fits. Don't assume you have time and find out later you don't.

### STEP #3 DECIDE ON THE TYPE OF BUSINESS

Make a list of things you like to do, your work and volunteer experience, and items you own that can be used in a business. Look over this line-up, and using ideas from it, list possible businesses to start. Eliminate any business that isn't appealing

or doesn't fill a need people have.

For ideas on different types of businesses, consult the end of this article. Other ideas can be found in the source material listed at the end of this article.

#### STEP #4 CHOOSE A LEGAL FORM

The three basic legal forms are sole proprietorship, partnership, and corporation. The most common is the sole proprietorship. As its name implies, a sole proprietorship is owned by one individual. It is the oldest form of business, the easiest to start, and the least complicated to dissolve. Here are some of the advantages of this business form:

1. You own all the profits
2. Your business is easy and cheap to organize. You don't need any government approval, although you may be required to carry a city, state or county license. Your only other obligation is to notify the Internal revenue Service (IRS) for the purposes of sales tax.
3. You're the boss
4. You enjoy certain tax savings.

You must pay regular individual taxes on your income, property, and payroll, but these are not levied as special taxes, as with a corporation. You will also have to pay sales tax which you have received from your customers.

5. Greater personal incentive and satisfaction. Since you have your investment to lose if your business is not successful, you should be more willing to put time, thought, and energy into the business. And when your business is successful, you enjoy maximum sense of accomplishment since you know its success was dependent upon your decisions about your management ability alone.

For more information about this and other forms of business, send for the U.S. Small Business Administration (SBA) Publication MP25. Selecting the Legal Structure for Your BUiness (50 cents). It outlines the advantages and disadvantages of each legal type of structure. If after reading it you are still uncertain what form of the business should take, consult an attorney.

#### STEP #5 DETERMINE WHERE THE MONEY WILL COME FROM

There are three ways to finance start-up costs: use your own

money, obtain a loan, or find investors. If possible, it is better to start small, use your savings, and not worry about repaying a debt. also keep in mind that since you are a home-based, chances of qualifying for a loan or finding investors are slim until the success of your idea is proven.

#### STEP #6 GATHER INFORMATION

Spend a few weeks researching home-based businesses. A library or bookstore can provide numerous books on business basics, and on the specific type of business that interest you. *Homemade Money* by Barbara Brabee (see sources) is an excellent book to start with.

If you are considering a computer business, get in touch with the association of Electronics; Cottagers, P.O. Box 1738, Davis, CA 95617-1738. To keep informed of what is happening in home business world, contact National Home Business report, P.O. Box 2137, Naperville, IL 60566, for subscription information; and Mothers Home Business Network, P.O. Box 423, East Meadow, NY 11554 (send SASE for free information).

#### STEP #7 CHECK ON ZONING RESTRICTIONS

Find out how your property is zoned, the call City Hall and ask what regulations apply to home businesses in that zone. Also, if you rent or live in a condominium, check the lease or homeowner's association rules to be certain a home business is allowed.

Generally, if you do not annoy your neighbors with excess noise, odors, and traffic, you will not be deterred from running a business at home. The neighbors may not even be aware of the business, but it is necessary to know exactly what you can and can't do before you start. This is important should any problems or questions arise later.

#### STEP #8 PICK A BUSINESS NAME AND REGISTER IT

If the business you choose is different from your name, file an assumed (or fictitious) name certificate with the county. You are notified if another business already has that name, so you can select a new one.

Do this before investing in expensive stationery and brochures.

It costs only a few dollars to file, and it protects the business name from being used by someone else in the county.

#### STEP #9 WRITE A BUSINESS PLAN

A good business plan clarifies your ideas and establishes a plan of action. A good business plan should include a description of what you are selling, your background and qualifications, who the prospective customers are and where they can be found, what is needed to build the business, how you plan to promote, and how much money is need for start-up costs.

SBA Publication #M925, The Business Plan for Home-Based Business (\$1) is helpful.

#### STEP #10 GET AN IDENTIFYING NUMBER

If you are the sole proprietor of the business and have no employees, you may either use your Social Security number or an Employee Identification Number (EIN) as the business number on official forms. If you have employees, or the business is set up as a partnership or corporation, you must obtain an EIN. To do this, complete IRS Form SS-4 (Application for Employer Identification Number) and file it with the nearest IRS Center.

#### STEP #11 OBTAIN A SALES TAX PERMIT

If the product or service you sell is taxable, you need a state sales tax permit. Call the local tax agency, explain the type of business you have and what you sell, and ask if you need to collect sales tax. If you do, they will send you the necessary information and forms to complete. You also use this tax number when your purchase items for resale.

#### STEP #12 OBTAIN LICENSES & PERMITS

It's very important not to overlook any necessary license or permit. For example, some cities and counties require a general business license, and most have special laws regarding the preparation and sale of food.

Call City Hall to find out what is need for your particular business. In addition, Chamber of Commerce provide information on

city, county and state licenses and permits.

#### STEP #13 SELECT BUSINESS CARDS, STATIONERY, BROCHURES

Spend time on the color, design and paper for these items. They make a definite impression-good or bad- on the people who receive them. If you are not certain what is most suitable and effective, consult a graphics designer or a creative printer whose work you like.

#### STEP #14 OPEN A BUSINESS CHECKING ACCOUNT

Call several banks to find out what services they offer, and what minimum balance, if any, must be maintained to avoid paying a service charge. Also ask about credit card if you plan to offer this convenience to your customers. Bank fees can be significant, so shop around for the best deal.

If your personal checking account is with a credit union, see if it can also provide a separate business account. when you open your account, you may need to show the assumed name certificate and business license.

Finally, investigate obtaining a credit card in the business's name. If this is not possible, set aside a personal credit card to use for business expenses.

#### STEP #15 SET UP RECORD-KEEPING SYSTEMS

Put together a simple and effective bookkeeping system with an 8 1/2 x 11" three-ring binder, columnar pad sheets and twelve pocket dividers from the office supply store. For each month, set up columnar sheets for income and expenses. Use a pocket divider for each month's receipts, bank statement, deposit tickets, and canceled checks.

In addition, an automobile log for business mileage, and filing system for correspondence, invoices, supplier catalogs, client records, etc. are two other useful tools.

For more information on record-keeping, see IRS publication #583, Information for Business taxpayers.

#### STEP #16 CHECK IRS REQUIREMENTS

If you comply with basic IRS guidelines, you can deduct a percentage of normal household expenses (mortgage, interest, taxes, insurance, utilities, repairs, etc.) as a business expense. see the box accompanying this article and, for more detailed information, IRS publication #587, Business Use of the Home.

Also become familiar with these IRS forms: Schedule SE (compensation of Social Security Self-Employment Tax) and Schedule 1040 ES (estimated Tax for Individuals). Depending on circumstances, you may have to file them.

#### STEP #17 OUTFIT THE BUSINESS

Make a list of everything needed to start the business, but before you buy anything, look around the house for things you already own that are usable.

When you are ready to start purchasing, check the classified ads and garage sales. Both are good, inexpensive sources for office furniture, typewriters, computers, answering machines, etc. But only what is absolutely necessary for start-up, and wait until the business is off the ground to get the extras.

#### STEP #18 DECIDE ON TELEPHONE REQUIREMENTS

Call the telephone company to find out the cost of a business phone in your area. If you cannot afford a separate business line, investigate the telephone company's regulations on using your personal phone in a business. It may be possible to do this if you follow certain guidelines. Keep a record of long distance business calls as they are a deductible expense. Finally, consider the benefits of an answering machine to catch calls when you are out.

#### STEP #19 CHECK OUT THE POST OFFICE & UPS

Using a post office box as the business address down plays the fact you are home-based. It also prevents customers from dropping in at all hours.

While looking into box rental, ask for information on the various

postal rates, particularly bulk rate, if you plan to do large or specialized mailings. If you mail many packages, check out United Parcel Service (UPS), as it is less expensive than the Post Office.

#### STEP #20 PURCHASE THE NECESSARY INSURANCE

Check with your homeowners insurance agent about a rider for your existing policy or the need for a separate business policy. Also make sure you have adequate personal and product liability coverage. Shop around, as each company has different rules regarding home businesses

To save money on medical insurance, join an association and participate in their group plan. One such body is The National association for the Self-Employed: they can be reached at 800-527-5504.

#### STEP #21 ORGANIZE THE HOUSE & YOURSELF

To have more time for business, organize and simplify household routines. Start by holding a garage sale to get rid of unnecessary possessions. Next, have a family conference and divide household duties, making sure each person does his or her part. The, set up a planning notebook to keep track of appointments, things to do, calls to make, errands to run, shopping, etc. Finally, set up a work schedule so you won't get sidetracked by TV, neighbor's visits, snacking, and telephone calls.

Creating and operating a home business is a wonderful and rewarding challenge. The satisfaction is not only in the money earned, but in doing what makes you happy.

#### SOURCES

SMALL BUSINESS ADMINISTRATION. Pamphlets mentioned in this article are available by calling the nearest SBA office or ordering from SBA, P.O. Box 15434, Ft. Worth, TX 76119.

#### NEWSLETTERS

HOMEWORKING MOTHERS. Mothers' Home Business Network, dept. 10-6,

P.O. Box 423. East Meadow, NY 11554: sample available for \$2 and SASE.

NATIONAL HOME BUSINESS REPORT, Barbara Brabec Productions, Dept 10-6, P.O. Box 2137, Naperville, IL 60588; \$18/year, quarterly. (Sample issue, \$4.00)

#### BOOKS, REPORTS

ELECTRONIC COTTAGE HANDBOOK #2 MAKING \$\$ WITH YOUR HOME COMPUTER by Lis Fleming. Fleming, Ltd., P.O. Box 1738, Davis, CA 95617-1738; \$7.00 ppd.

HOMEMADE MONEY by Barbara Brabec, Barbara Brabec Productions, P.O. Box 2137, Naperville, IL 60566; \$16.95

HELP FOR YOUR GROWING HOMEBASED BUSINESS by Babara Brabec. Barbara Brabec Productions, P.O. Box 2137, Naperville, IL 60566; \$13.45.

THE #1 HOME BUSINESS BOOK by George and Sandra Delany. Liberty Publishing Publishing Co. Inc., Dept 10-6, 50 Scott Adam Rd., Cockeysville, MD 21030; \$4.95.

THE COMPLETE WORK-AT-HOME DIRECTORY AND IDEA BOOK. E.A. Morgan Publishing Co., Dept. 10-6, P.O. Box 1375, Huntington, NY 11743; \$15. (Includes free report: " The Legalities and Tax Advantages In a Home Business.")

THE WORK-AT-HOME SOURCEBOOK by Lynie Arden. Live Oak Publications, Dept. 10-6, 6003 N. 51st Street, Suite 106, Boulder, CO 80301; \$13.95

STAY HOME AND MIND YOUR OWN BUSINESS by Jo Frohbieter-Mueller. Betterway Publications, Box 219, Crozet, VA 22932; \$11.45

101 BEST BUSINESSES TO STAR by Sharon Kahn & The Philip Lief Group (Doubleday, 1983, \$19.85). Many of the businesses profiled are suitable for running at home.

#### ASSOCIATIONS

AMERICAN HOME BUSINESS ASSOCIATION, 60 Arch St., Greenwich, CT



06830.

NATIONAL ALLIANCE OF HOME-BASED BUSINESS WOMEN, Dept. 10-6, P.O.  
Box 95, Norwood, NJ 07648; \$30 annual membership.

NATIONAL ASSOCIATION FOR THE COTTAGE INDUSTRY, Dept. 10-6 P.O.  
Box 14850, Chicago, IL 60614; \$45 membership.