



NASE Answer Desk

# ShopTalk 800®

Advice From Micro-Business Specialists



Don't be shy. Turn to the ShopTalk 800 consultants when you need fast, accurate answers to all of your micro-business questions.

### Online:

- Go to [www.NASE.org](http://www.NASE.org)
- In the Quick Link box, enter "ShopTalk"

### On the phone:

- Call 800-232-NASE
- 8 a.m. to noon Central time zone
- Monday through Friday

## The NASE ShopTalk 800 program is your hotline for micro-business answers.

The professional consultants at ShopTalk 800 have helped more than 75,000 micro-business owners over the years. They've heard every conceivable question and provided answers to entrepreneurs at every stage of business development.

These consultants understand self-employment issues because they're business owners themselves. So when you ask a question, you're getting answers based on firsthand knowledge and experience.

The scope of their expertise ranges from e-commerce and retail to marketing and legal issues. They can help you find ways to boost revenue and profits or to cut expenses and overhead. They can answer questions about hiring and firing employees, controlling and tracking inventory, or buying and selling a business.

And that's just a sampling of the topics that the ShopTalk 800 consultants can tackle.

No matter what business challenge you're facing, you don't have to face it alone. The ShopTalk 800 professionals can give you ideas for solutions, point you toward more resources or simply act as a sounding board to help you make smart decisions.

NOTE: NASE ShopTalk 800 provides financial and business information pertinent to micro-business owners and the self-employed. It is not intended to replace the role of the business professional in your business matters. As always, it is recommended that you discuss your specific circumstances with your own business consultants for advice.

### Starting A Business

#### **Where can I find information about all the issues I need to deal with as a new business owner?**

Welcome to the wonderful world of being self-employed. Here are some resources that will help you.

Every state has a Web site where you can find information about regulations for doing business in your state. Just go to [www.state.XX.us](http://www.state.XX.us) (insert your two-letter state abbreviation for the XX) and look for the business section.

Also investigate local community colleges and universities. Most colleges offer continuing education courses on small-business topics like finances, marketing, business law and more. These inexpensive, street-savvy courses usually offer a considerable amount of information, along with the opportunity to interact with other entrepreneurs.

Another great source is the small-business section of bookstores. You'll find plenty of books on starting and operating a business. Just browsing these books will answer many basic questions.

If you dedicate just a few hours a week to reading and research, you'll get up to speed quickly and have a much better chance for success.

# Choosing a Business Structure

## **What's the best legal structure for a business?**

The best legal structure will vary from business to business because you must consider numerous issues, such as personal liability and tax advantages.

Your choices for a business entity are sole proprietorship, partnership, limited liability company (LLC) or corporation. Each of these structures offers unique advantages and disadvantages, depending upon your type of business.

It's important to understand that nobody can suggest which legal structure is best without reviewing financial issues as well as personal and tax liabilities under the different entity scenarios. It requires serious number crunching. Talk to your tax advisor or attorney before making a decision.

## Business Insurance

**I'm just starting out in business.  
What kind of insurance do I need  
and where do I find it?**

The type of insurance you need depends upon your type of business and the risk you're willing to take.

Here are some types of insurance you may need to consider.

General liability insurance covers physical damages. If you offer personal services, such as consulting, consider professional liability insurance, which generally covers two areas. It provides general liability for physical damages. It also provides errors and omissions (E&O) coverage, which covers damage caused by professional acts. E&O insurance is comparable to malpractice insurance for doctors.

If you drive a personal vehicle in the course of business, you need a business rider on your policy. If you operate your business out of your home, consider a home office rider, since general homeowners' policies don't cover equipment or liability for business operations in the home.

There are other types of insurance such as business disruption, property and contents when you office away from your home or have a storefront, key man insurance if you're in business with other individuals, and the list goes on.

Meet with an insurance agent who sells commercial business insurance. The agent can review your particular situation and help you understand your options.

# Business Grants

## **I'm a new entrepreneur. How can I get information about government grants for startup businesses?**

Grant programs are limited and often restricted, but some are available.

Check the U.S. Small Business Administration (SBA) Web site at [www.sba.gov](http://www.sba.gov). Enter "grants" in the search box to find information.

While you're at the SBA site, look up the telephone number for the local office that serves your area. Contact the office for information about local small-business assistance programs.

Your state Department of Commerce small-business division may have grant information. Go to your state's Web site to see if it has financial assistance programs for small businesses.

A word of caution: When searching for grants, you'll come across Internet sites, publications and materials that promise sources of government funds. They ask you to pay for the information. In almost all instances, these are not reputable offers. You can get the same information for free from the SBA and other sources.

### Business Loans

#### **How do I get a business loan and where can I find lenders?**

The amount of money you need and your reason for needing the money will determine what type of loan and lender you need.

For example, if you want a loan to keep pace with business growth, more lenders will be interested than if you need money to pay overdue bills.

As a general rule, expect to contribute from 10 percent to 25 percent of the total funding you need from personal sources (savings, family, home equity loan, other investors, etc.). You will also need to provide a general overview or business plan outlining how much money you need, as well as strong financial projections showing cash-flow effects of the loan. You will need to provide market information and show what overall affect the loan will have on your business.

Whether the purpose of the loan is to start a business, grow a business or meet higher operating capital demands, you have to provide sufficient information and data to prove to a lender that you and your business will be able to pay back the loan.

To find a lender, start with the bank where you already have an established relationship. For small-business lenders, contact your local SBA office. Depending on the amount of money you need, you may qualify for the SBA Micro Loan program. This program is specifically designed for people who need small-business loans of less than \$25,000.

# Marketing To Businesses

**My business has a target market of other micro-businesses. How can I get contact information for these businesses in my area so I can send them a direct mail piece?**

First, develop a thorough profile of the businesses you want to reach. "Micro-business" is broad term. Instead be more specific. Maybe you want to target businesses with less than three employees or businesses with sales within a certain dollar range.

After you develop the profile, start looking for lists of names you can buy. Try your local chamber of commerce or local retail association. If there's a magazine that reaches your target customer, find out if you can buy the publication's mailing list.

Also contact mailing list brokers. You can search for them online or check the Yellow Pages. Before you purchase a list, be sure the broker can provide names of businesses that match your customer profile.



### Getting Paid

#### **When beginning to work as an independent contractor, what steps should I take to make sure I get prompt payment for my services?**

The key to getting paid on time is to follow good credit and collection policies.

To communicate your payment terms clearly to customers, you should have a written agreement with each customer that outlines the work to be completed or the products being purchased, as well as payment terms. Your terms should generally be “due upon receipt” or “net due 30 days.” These words should appear on your invoice, along with a specific due date for payment.

If you don't receive payment within 14 days after the due date, contact the customer and find out when payment will be sent. If you don't receive payment within 30 days from the due date, contact the customer again and explain that you will need to cease work or delivery of any outstanding services or shipments until the past-due amounts are paid.

If you don't receive payment in 45 days, send a demand letter to the client stating that if payment is not received within 10 business days, you will begin collections actions. If you don't receive payment in 60 days, start collection either through small claims court, an attorney or by turning the account over to a collection agency.

Remember: The longer you let a debt go, the harder it will be to collect.

# Employee Or Contractor?

**I'm a landscaper and I'm tired of dealing with all the complexities of employee payroll. Instead of employees, can I simply hire independent contractors?**

Treating individuals as independent contractors rather than employees isn't always an option.

Generally, independent contractors must be treated as businesses; that is they can choose when, where and how to complete their work. They provide you with invoices, which you then pay.

Employees come to your place of business. You provide the tools they need to do their jobs and you dictate their work schedules. You also set their pay rate.

If your workers meet the employee test, you're taking a serious risk if you treat them as independent contractors. I suggest you look at IRS Publication 15A, Employer's Supplemental Tax Guide, for more information.

## The Hiring Process

### **I ran an ad to fill a job position and received 25 résumés. How do I make the right hiring decision?**

First, make sure you have a concrete job description that specifies the job responsibilities as well as what you expect the person in the position to contribute to your business.

Next, sort the résumés into three piles: one pile for those that you are absolutely not interested in, another pile for those that you definitely want to interview, and a third pile for those that you might interview if none of your first-choice job candidates work out.

Have every candidate fill out a job application. Review the completed applications and the applicants' résumés. Do certain candidates have a history of moving from job to job or do they stay for several years? Does their previous experience match what you need? Does the information on the job applications match their résumés?

During the interview ask straightforward questions, and let the applicant respond. You should do about 20 percent of the talking, and the candidate should do about 80 percent. Make notes on the good and bad points of each candidate so you can review them later.

Conduct at least three interviews to pare down the candidates. The first interview narrows the applicant list to several people you think might be good candidates for the job. The second interview weeds out prospects who won't fit into your business. The third interview is the final decision-making process between the final few candidates.

Before making an offer to any candidate, perform a reference and background check.

# Retirement Planning

## **What are my options for a self-employed retirement plan?**

You must first determine which type of retirement plan will best suit you.

The IRS sets the rules for each type of plan. These rules govern issues such as how much you can contribute annually, how the contribution is calculated, when you can withdraw the money, etc.

The rules differ for each plan. So, when you establish a retirement plan you are actually choosing the specific set of tax rules you want to govern your plan. And you have many to choose from. Some plans you might want to evaluate include a traditional or Roth Individual Retirement Account (IRA), a Simplified Employee Pension (SEP) IRA and an individual 401(k).

After you choose the type of plan you want, find a bank, brokerage house or mutual fund company that will administer your plan. When your plan is in place, decide how you want to invest your money. You can invest in stocks, bonds, mutual funds and other types of investments that the IRS has approved for retirement plans.

# Get Your Questions Answered

## How To Ask ShopTalk 800 Your Questions



Go to the NASE Web site at [www.NASE.org](http://www.NASE.org). In the NASE Quick Link box, enter "ShopTalk."

Or you can:

Go to the NASE Web site at [www.NASE.org](http://www.NASE.org). On the Business Resources tab drop down menu, click "ShopTalk 800."

Use ShopTalk 800 as an NASE Member or guest.

Fill in your contact information and ask your question.

You'll receive an e-mail when your ShopTalk 800 reply is ready. Follow the link in the e-mail to your secure online answer.

It's that easy!

# Get More Answers From The NASE

## Tax Advice From TaxTalk

Get confidential answers to your tax questions from certified public accountants who understand micro-businesses.

- **How do I take the home office deduction?**
- **Do I have to pay estimated taxes?**
- **Can I deduct travel costs as a business expense?**
- **What tax forms do I file as a sole proprietor?**
- **Do I need to pay self-employment taxes?**

With an NASE Membership, you have unlimited access to the TaxTalk CPAs at no additional cost. Simply ask your questions and receive answers via e-mail within one business day.

## Accounting Advice From ABCs Of Finance

If you have questions about accounting, bookkeeping and cash management issues, ABCs of Finance has the answers.

- **How can I improve my cash flow?**
- **Is it better to lease or buy equipment for my business?**
- **How do I create a business budget?**
- **What financial documents do I need for a bank loan?**
- **What's the best way to track accounts receivable?**

NASE Members have unlimited access to this financial advice at no additional cost. Submit your question using the online form and you'll receive a complete answer within business one day.



# Five Reasons You Should Join The NASE

The NASE delivers the tools, benefits and resources you need to succeed as an entrepreneur.

## Estate Planning Advice From EstateTalk

Get online advice about wills, trusts, guardianships, estate taxes and more from a licensed attorney.

- **Why do I need a will?**
- **How can I avoid estate taxes?**
- **Can I leave my business to my children?**
- **Who should I name as executor of my will?**
- **What is a living trust?**

Protect your family's future by getting answers to important estate planning questions. An NASE Membership gives you unlimited access to an EstateTalk attorney at no additional cost.

- 1. Unlimited access to professional consultants who can answer your business questions, at no additional cost**
- 2. Savings on technology, payroll services, e-commerce solutions and more to help your micro-business grow**
- 3. Access to affordable health insurance and life insurance to protect you and your family**
- 4. Roadside assistance, identity theft protection and home office coverage to give you a safety net when you need it most**
- 5. Emergency room and hospital confinement benefits to assist you if the unexpected happens**

Become part of an association that serves more than 200,000 members nationwide. Make a smart choice for you and your micro-business.





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