

# Self Informed

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# **IS YOUR BUSINESS *COVERED AGAINST A SLIP AND FALL ACCIDENT?***



Accidents happen. No matter how careful you are, there's always the chance that someone will slip and fall down in your store. If they're injured, they could sue you for the damages and the lawsuit can easily cripple your business. For example, [when a woman fell down in Costco in 2012, she won over \\$415,000 in her settlement](#). This is not something you want to pay for by yourself. We at the National Association for the Self-Employed have taken a look at this issue to help you figure out ways to protect your business from a costly lawsuit.

## BUSINESS LIABILITY

When you own a store and bring people in, both as customers and employees, you are responsible for keeping them safe while they're on your property. You can be sued if someone slips and falls because you didn't do a reasonable job keeping them safe. For example, if you leave a spill of water on the floor, have a poorly lit aisle in the store, accidentally leave inventory on the floor where people can trip, etc. These are all problems that you could have fixed to avoid someone getting hurt. If you are ever sued, the judge and jury will look at what caused the problem to determine whether it was something you could have avoided by being more careful.

While you should make every effort to fix these problems, all it takes is one small oversight on your end to cause a huge lawsuit. That's why it's better to add insurance protection on top of maintaining a safe store. There are a few different ways to insure this risk.

## LIABILITY INSURANCE

One way to protect your business against a lawsuit is through business liability insurance. These policies pay for the cost of a lawsuit that comes as a result of running your business. It would pay for your legal expenses as you go through a trial and if you need to pay out a legal settlement, your business liability insurance would pay for this as well.

These policies cover you in-case someone gets injured in your store, like through a slip and fall accident or if they burnt their tongue on hot coffee. They would also cover you if you are renting your storefront and accidentally damage the property so the landlord sues you to pay for the repairs. However, general liability insurance won't cover you for damages caused from your business services. For example, if you are an accountant and are sued for giving someone bad tax advice, general liability insurance wouldn't cover you.

This is another type of liability insurance, known as professional liability. If you are worried about selling a defective product, you need product liability insurance. When you talk to your insurance agent, they should explain what kinds of policies you need to cover the different parts of your business.

**General liability insurance typically costs \$750 to \$2,000 a year**, according to the Small Business Association. The amount your policy will cost depends partly on the type of business you run. If you are a web designer who rarely sees customers face to face, you'll pay less than a convenience store owner who deals with a large amount of foot traffic. Rates also depend on where your business is located because liability insurance costs more in some states than others. Finally, the cost depends on how much liability insurance you end up buying. When you buy a policy, you pick coverage limits for how much the policy will pay for a lawsuit. For example, your policy might pay for up to \$100,000 in legal fees and up to \$200,000 for a settlement. Buying more coverage adds to the insurance cost but buying too little could put you in a situation where you need to cover some legal costs yourself. You need to decide on the tradeoff.

## BUSINESS OWNER'S INSURANCE

Another way to cover your liability risk is through a Business Owner's Policy (BOP). This insurance policy combines a few different types of insurance so you get a lower price compared to buying separate policies for every need. In a BOP, you typically receive some combination of liability insurance, property insurance, vehicle coverage, and business interruption coverage.

It costs less to buy all these policies through a BOP than to buy each insurance policy separately. This makes it an ideal choice especially for smaller businesses where cost is an issue. However, the coverage limits in a BOP don't go as high as a standalone insurance policy. You should not assume that a BOP will give you all the liability insurance you need, especially if you are in a field where lawsuits are more likely. In this case, you may need to add extra liability coverage on top of the BOP to be completely protected.



## STATE-REQUIRED INSURANCE

While general liability insurance and BOP policies are good ideas, they aren't required for running your business. If you'd like to manage the financial risk of a lawsuit yourself, you are free to do so. However, state governments require that you at least have some protection in place for your employees through Workers' Compensation insurance.

This coverage pays for their medical treatment if they ever get hurt or sick while working for you. Workers' compensation also pays to replace their wages if they become disabled from the incident and can no longer work. If you fail to have this required coverage, you're breaking the law. If you're caught you could be fined and charged with a criminal offense. For example, in New York if you don't have Workers' Compensation insurance, **you could be fined up to \$50,000** and be charged with a felony for your first offense. The employee could sue you for damages as well. On the other hand, if an employee accepts payment from Workers' Compensation insurance, they waive their right to sue you for the incident.

Every state has its own separate Workers' Compensation program. Depending on your state, you may need to buy this coverage from a private insurance company or directly from the state's Workers' Compensation insurance department. Some states also allow you to self-insure, meaning you would agree to pay for the medical bills and lost wages out of your own business assets. Check with the Workers' Compensation department in your state to figure out your responsibility.

An accident can happen in a blink of an eye and without the right liability coverage this accident could ruin your business. By reviewing all these insurance options, you can come up with a plan to make sure your business is protected.

# Ask the Expert

**Q:** *This year has gone by really quickly and I don't want to wait until April to start thinking about taxes. Is there anything that I need to do before the end of the year to help reduce how much tax I have to pay?*

**A:** Happy Thanksgiving and congratulations on getting a head start on tax planning. It is important to note that most tax savings ideas end with the New Year's Eve party so acting prior to the end of the year is critical. There are two sides to the overall calculation of your taxable income. The first is the recognition of income and the second is the recording of deductible expenses. Therefore, effective tax savings can be accomplished by either reducing total income or increasing total deductions.

Reducing income simply to avoid taxes is certainly not recommended, however, the timing of that revenue can be beneficial from a tax standpoint. As a tax basis taxpayer, you will only recognize income to the extent you have constructive receipt of the cash. Billings near the end of the year that are not actually collected until after the end of the year will not be included on your tax return until the end of the next year. To the extent you have the flexibility to manage those cash receipts so that

income is not recognized until next year. This only changes the timing of the taxable income but delaying collections until after January 1st will delay the related tax and therefore reduce that amount you will need to pay for this year.

The expense side is a bit more intuitive in that additional deductible expenses will reduce your taxable income and save taxes. First of all, never, ever spend money just to get a tax deduction since you will be spending the money but only saving a fraction of the amount spent. However, if you will be spending the money anyway, it is a good idea to accelerate those expenses and pay them prior to the end of the year to make sure the deduction is available. If you know you will be buying a new computer or office equipment, supplies, or maybe dues to your favorite non-profit business association (hint, hint) try and move those expenses into 2015 rather than waiting until 2016 thereby reducing the tax that you will owe for 2015.



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Don't forget that investing in your own future can also provide significant tax savings, so make sure to plan on making contributions to your SEP or IRA account before you file your tax return. This does not have to be accomplished before the end of the year but starting now to plan your cash flow will make it easier when the time comes to actually make that contribution.

As always, don't forget that you are not alone. Bookmark our website at **NASE.org** as well as the IRS website at **IRS.gov** you will always be able to find the help you need.



# Member Benefits

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## Member Spotlight



# Teaching Self-Employment

*Joe Pielago is the cofounder of JJKR Enterprise Inc. It is a family run business used to manage long term holdings and early start-ups. In 2009, Joe received the Future Entrepreneur of the Year Award from the NASE and used that scholarship to attend the University of San Francisco. In May of 2013 Joe graduated with a Degree in Entrepreneurship & Innovation. Since graduation, Joe has participated in three start-ups and is about to launch his fourth next year.*

### What inspired you to enter the field you are in?

The excitement of starting with an idea and taking it to an operating organization is a thrill to me and I enjoy working with others to show them how to capitalize on their passions. I have had an amazing roller coaster of experiences that have given me valuable lessons in what to do and what not to do in starting a business. I want to share this knowledge with anyone who seeks it.

### When and why did you start your business?

JJKR was started in 2007 as a way to continue the growth of VOILA clothing, a clothing company I started while in high school. This is what led to the 2009 scholarship that got me through my undergraduate studies. While getting my degree I found it too difficult to work on China's hours for garment production and I put the company on the shelf. For a few years the company was used to do some profitable financial and real estate transactions under Rick Pielago's guidance. Fast-forward to 2015 and the institution still stands, with great credit, and a few holdings to grow from. With the diverse experiences of the management team, there is a track record to use in guiding others in turning their ideas into profit.

### What challenges have you faced in your business?

JJKR has been a rather simple process but is still in early stages of a new operating structure, which can provide some challenges down the line in terms of staffing and financing depending upon projects. I have witnessed the good, the bad, and the ugly that can contribute to an organization's success or failure. I want to help others avoid crucial and simple mistakes that can be detrimental to the organizations long term health.

### Do you market your business?

Networking has been crucial for the company. So far we have been concentrated in Los Angeles, which is filled with amazing ideas and people. Most people I talk to have someone they want me to connect us with about their business and I see if there is anything I can do to help. No need to market yet as a large portion of the business is long-term holdings of my past endeavors.

### What's your schedule like, what's a typical day for you?

Currently I work out of the **Chef'd** headquarters (one of the projects I was associated with) while I am working on some other entrepreneurial endeavors. Additionally, I am working to help one of my business partner's real estate management firm streamline their operations and organizational efficiencies. JJKR is incubating two concepts right now in seed stages, so stay tuned! I am focusing on growing my knowledge base and network right now as I am still refining my craft. If anyone wants to talk business, don't be shy, it's what I love to do!

### Do you have any employees?

Currently my father and I work on JJKR and consult our network when opportunities are out of our knowledge wheelhouse. Ideally the organization will grow into a small team of people who will be managing the start-up teams, assets, and equity fund. The goal is long-term wealth preservation and growth for the Pielago family holdings.

### When and why did you join the NASE?

In July of 2015 I joined NASE because technically I wasn't self-employed till that time. Receiving the 2009 Future Entrepreneur of the Year Award from NASE was so very helpful to my growth as a businessperson that I felt it only fitting to sign up for a membership to the NASE. I am very thankful to NASE for believing in my abilities and proud to be a member.

*"I feel it's my job to help others turn their passion into products and profit while advising on avoiding certain situations."*





**Which NASE member benefit is most important to you?**

The scholarship was truly an amazing benefit. The one university I wanted to go to told me if I wanted to go there I had to write a check, and my parents and I couldn't write that check. I was disappointed, but then this scholarship was awarded to me (in part because of the VOILA clothing company my best friend and I started) and I was very excited. I couldn't believe it and I had a renewed desire for a degree. I reached out to USF after originally declining and put the scholarship towards an Entrepreneurial degree, which was mostly unheard of in 2009. Thank you NASE for this, I was able to pursue exactly what the Future Entrepreneur of the Year Award was designed for and am currently pursuing my entrepreneurial passions.

**What's the best thing about being self-employed?**

For some reason when I have to answer to myself, I do much better. I have really high standards, so who better to answer to? I also enjoy sharing with others the craft of starting a business. There seems to be this grey area between an idea and a business when there doesn't need to be. Experiencing a wide range of start-ups and failures, I feel it's my job to help others turn their passion into products and profit while advising on avoiding certain situations.

**What's the best compliment you've ever received from a client?**

Dei Mare has been a great partner in both ventures. A great friend and I have been working on this project and are getting ready to launch sales. While working together one day he mentioned how happy he was that I could help him with the finances, accounting, and business development because it gave him capacity to focus on the parts of the business that he truly enjoys. It's through these types of synergies that businesses can thrive.

**What's the most important piece of advice you would give to someone starting their own business?**

Hire smarter people than you, and listen to them. Our job as entrepreneurs is to connect the dots and put the right people in the right positions to succeed. There are two pieces of advice from my professors that I always keep in mind. The first, "An "A" team with a "B" idea will always trump a "B" team with an "A" idea," and the second, "Do not be greedy, half a percent of a billion is worth more than a hundred percent of nothing."



**Learn More in the NASE Small Business Locator**

Learn more about Joe Pielago, **JJKR Enterprise Inc.**, and other Self-Employed businesses in the **NASE Small Business Directory**. You can add your own company to the NASE Small Business Locator in up to three categories at no charge – it is a free benefit to NASE members.



# MyRA Launches: Starter Retirement Savings Tool

*“the 2015  
Federal  
Reserve Report  
demonstrated  
that 31% of  
people who  
are still working  
said they have  
no retirement  
savings or  
pension at all.”*

On Wednesday, November 4, 2015, the U.S. Department of Treasury announced the launch of **MyRA**, a retirement savings tools for American workers who don't have access to a retirement plan (401k, pension, etc) through work or haven't taken advantage of retirement plan previously.

*MyRA* has been a long standing initiative that the President has promoted to encourage all Americans to save for retirement. The plans are free and contributions amounts are determined by the individual, making it easy to save. You can set up the plan to deduct automatically from your paycheck via direct deposit, link to your checking and/or savings account, or direct any part of your federal tax return to your account.

The NASE does not endorse *MyRA* but believes that it is important for our members to save for retirement and *MyRA* is one of the many tools that can be used by the self-employed to save, including Roth IRA accounts.

With the launch of *MyRA* comes heightened awareness as to the lack of savings by individuals for retirement, two recent studies highlight the issue, “the 2015 Federal Reserve Report demonstrated that 31% of people who are still working said they have no retirement savings or pension at all. Employees who are close to retirement age average only \$12,000 in savings, according to a 2013 report by the National Institute on Retirement Savings.”

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