

# SelfInformed

Published by the National Association for the Self-Employed

October 2020



**WHEN TO SPLURGE AND WHEN TO SAVE:**

## A Guide to Helping Self-Employed Individuals Budget for Their Organization

**WHEN TO SPLURGE AND WHEN TO SAVE:**

# A Guide to Helping Self-Employed Individuals Budget for Their Organization



Congratulations on starting your own small business. You're finally self-employed. Being your own boss comes with a lot of perks. You can take long lunches and create your own schedule, but it's also a big step with a definite learning curve. Much of that learning relates to money. You're not getting a regular paycheck anymore. How are you going to pay the bills every month and still save for retirement?

Let's examine a few things that you should do to make sure your finances stay in check, as well as some things that you should splurge on if you want your business to be profitable. We'll also look at ways that you can save money. It's not easy deciding what to save on and what to splurge on, but these tips will help you figure it out.



## Keep Things Separate

As you start on your journey as a self-employed individual, separate your personal money and expenses from your business ones. Opening a separate business bank account is important **for the following reasons:**

- Business expenses are deductible while hobby expenses are not. If you do not separate your expenses, the IRS may mistake your business as a hobby, which would disqualify you from taking important deductions.
- If you do not separate the two accounts, it will be easy to miss business deductions that you are entitled to.
- The IRS will require that you separate all of your business and personal expenses at tax time, which is difficult to do if both are on the same books.
- Clients will respect you more and be more inclined to take your business seriously if their business dealings are through a business name instead of a personal name.

Next, make sure you **put a buffer in place** in your business account. Finances could be a little shaky while starting out, and you want to have enough money to pay the bills. Your goal should be to have enough stashed away to pay the bills for a full month.

Once your buffer is in place, open an account specifically for taxes. You no longer have an automatic deduction from your paycheck, so you need to save money on your own. Plan on putting away about 30% of your earnings for taxes. And

then there's retirement to think about. Start an account specifically for retirement, and put another 10% of your income into that account.

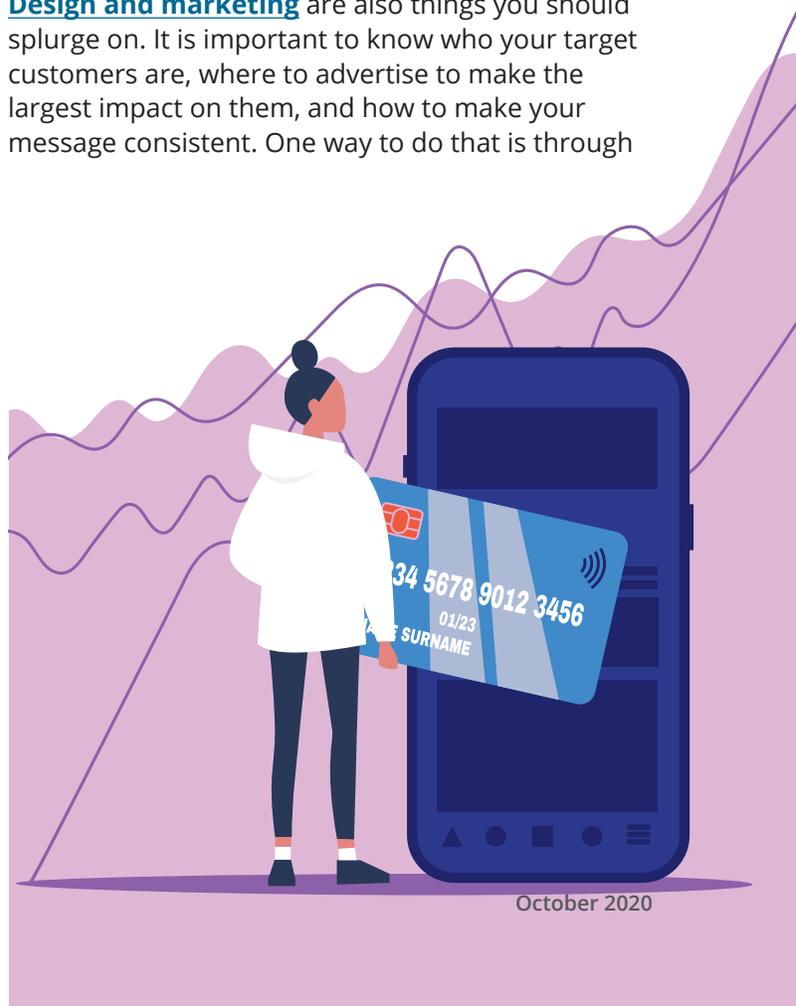
Pay yourself a set amount on a regular, ongoing basis, **just as you would any regular employee.** Don't differ the amount, regardless of how well or poorly your business performs. Make sure to **pay all personal expenses from that bank account.** You made separate banking accounts for a reason. Use each account for the appropriate expenses.

Now, let's discuss when you should splurge a little as well as ways to save in your business venture.

## When to Splurge

While saving is your utmost concern when self-employed, there are certain things you must spend money on, lest you lose money in the long run. One of those things is technology. **Let's look at artificial intelligence (AI),** for example. In a study conducted with CEOs of various businesses, almost 30% stated that AI will have a significant impact on their business during the next 12 months. AI, when utilized right, can save your business time, lower your costs, and provide better customer service.

**Design and marketing** are also things you should splurge on. It is important to know who your target customers are, where to advertise to make the largest impact on them, and how to make your message consistent. One way to do that is through



a logo. It is something your customers pay attention to and should be professionally designed and used on all of your advertising including business cards, website, and any other branding you do for your business.

Also, time is one of your biggest business assets. Consider spending money on things that will **save you time**. This includes hiring employees or outsourcing for talent to take over certain tasks, or even hiring a cleaning service. Cleaning is something that needs to be done, and it can be a tremendous time-saver to have someone do it for you.

### How to Save

The goal of all new businesses is figuring out where you can save. Technology is important, and sometimes you'll have to spend money on it to stay on top of your game. Sometimes, however, you can get what you need for free, particularly when it comes to **computer software**:

- ProfitBooks is free accounting software that can create invoices, keep track of outstanding accounts and business expenses, and regulate your inventory.
- Google Docs is a free word processing program that allows you to create, edit, and collaborate on documents.
- Slack is a messaging app you can use to message, provide feedback, and share files with your whole team.
- Canva is a free image editor that allows you to enhance photos, create speech bubbles, and add text to photos.

Do you need to create high-quality images for your products? You can save money by **using your smartphone as a camera**. Technology has advanced to the point that you can take high-resolution pictures without expensive camera equipment. Just follow these tips to make your images as professional as possible:

- Use natural light when possible for the best color.
- Take your product photos with people displaying your products.
- Keep your photo lens clean.
- Avoid using zoom on your camera, and instead, get close to the object you're shooting.

Using these tips, you can take pictures that will attract your customers and also be very attractive to your wallet.

You've begun your new adventure: being self-employed, and while there are a lot of perks to being your own boss, you also need to figure out money. Creating separate accounts for business and personal use will save you money and hassle and knowing how to splurge and save money will go a long way to making your business more profitable. With those things taken care of, you can focus on what's really important: serving your customer.





# Member Benefits

Visit [NASE.org](https://www.nase.org) to learn more about the following benefits!



## SMALL BUSINESS GROWTH GRANTS Sponsored by Dell Technologies

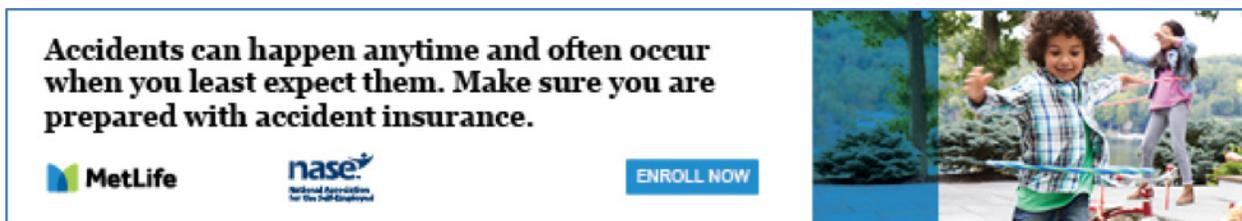
*Dell Technologies is supporting small business growth by sponsoring the October 2020 NASE Growth Grant.*

## Get Help Accessing Health Insurance

Request a Health Quote Today for NASE's affordable health insurance options.



## Accident insurance through the **MetLife!**



To learn more and enroll, visit [nase.org/accidentinsurance](https://www.nase.org/accidentinsurance)

For questions, call 1-800-232-6273.



## Small Business Owners Head to the Polls As Further Relief Opportunities Dim

The House, Senate and White House, are all battling in a legislative standoff, with Speaker Pelosi and Secretary Mnuchin attempting to navigate a challenging environment to advance a \$2T relief package primarily aimed at supporting small businesses, the unemployed, and local and state municipalities.

However, the looming 2020 presidential election is playing spoiler to the relief talks. President Trump is pushing Senate Republicans to approve the House negotiated deal, however, Senate Republicans and Democrats continue to try and maneuver around each other to secure the most political points.

The NASE along with the leading small business advocacy organizations have repeatedly called on the Administration and Congress to stop playing games and focus on relief efforts.

Late last month, the NASE called on Congress to pass a stand-alone relief package for small business, the stand alone bill would include the following key priorities for the NASE and its members:

- Allow the hardest hit small businesses to take a second draw on the Paycheck Protection

Program (PPP), as suggested in the Continuing Small Business Recovery and Paycheck Protection Program Act and Prioritized Paycheck Protection Program (P4) Act;

- Expedite PPP loan forgiveness, particularly for the smallest and hardest hit businesses, pass S. 4117/H.R. 7777, The Paycheck Protection Small Business Forgiveness Act;
- Allow full tax deductibility for PPP recipients, thereby eliminating the unexpected and substantial tax increase many business owners now face;
- Eliminate caps and increase funding for the Economic Injury Disaster Loan Program;
- Ensure tax-exempt organizations such as 501(c)6 trade organizations, chambers of commerce and destination marketing organizations (501(c)6 and quasi-governmental structures have PPP access

We encourage **NASE members to contact their member of Congress** to demand action on small business relief. ■

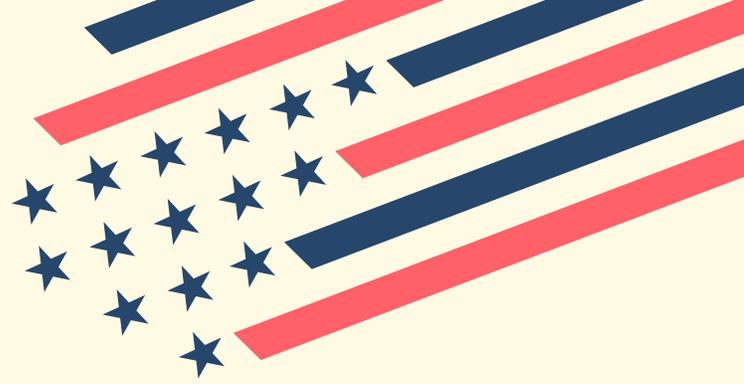
**Katie Vlietstra** is NASE's Vice President for Government Relations and Public Affairs; You can contact her at [kvlietstra@nase.org](mailto:kvlietstra@nase.org).

Use the NASE's **[Voter Information Tool](#)** in the Legislative Action Center to find out where to vote, what's on your ballot, and more...

ELECTION 2020

# Comparing the Candidates' Views

The NASE does not take a political stance and does not endorse candidates. We represent and advocate for all self-employed small business owners across all 50 states and Washington, DC. For almost 40 years, the NASE has worked with lawmakers from both parties to ensure that the voices of small business owners were heard loudly and clearly in the nation's capitol. We encourage all NASE members to read each candidate's website, do research, and make sure you exercise your right to vote.



NOVEMBER 3 2020

Joe Biden

<https://joebiden.com/joes-vision/>

Donald Trump

<https://www.donaldjtrump.com/>

