

Starting a Home Based Business



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**Self Help, Inc. and UNM-LA Small Business
Development Center**

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Introduction

Let's begin in the beginning. There are a few things in common to all people who have successful small businesses. These are:

Persistence

This is the ability to push ahead. Successful business people are not easily pulled off course, or diverted from the long, hard parts of running a business.

Facing the Facts

People who face the facts are those that understand that success comes from carefully looking at all parts of the business and being willing to change those parts which are not working well.

Minimizing the Risk

Risk usually comes from trying ideas or businesses without careful thought and analysis. To minimize risk, successful business people do not go out on a limb without analysis and they usually have a back-up plan.

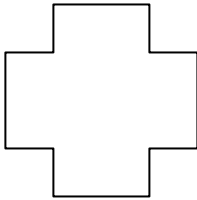
Being a Learner

To insure success, successful business people are actively learning at all times. They read, visit with others in the same or similar business, attend workshops, and/or use business counselors.

Advantages and Disadvantages

While it may seem that working for yourself at home is ideal, there are limitations you should be aware of:

Advantages



- Independence
- Flexible Hours
- Low Overhead
- No Commuting
- Earning Potential
- No Office “Politics”
- No Dress Code

Disadvantages



- Must be self motivated and have discipline
- Feeling Isolated
- Loss of regular income and benefits
- Dedicating household space for work
- Effort to balance home and work, dealing with interruptions

Business Plan (Fill Out Self Help Seed Money Application)

There is a very old saying, “If you don’t know where you are going, any road will get you there.” This is why it is very important for you to prepare a business plan. By writing down your objectives and how you will achieve them, it insures that you will be successful. It reduces surprises. People rarely plan to fail, but they often fail to plan!

There are two basic sections to the business plan. The first is the description of the business and you, and the second includes the financial projections.

Section I – The Business

1. This is a statement of the purpose of your business.
What will its product or service be?
2. Description of the business. This should include specifics such as:
 - How you will go about providing your product or services
 - What important supplies will you need and where you will get them
 - If you will need employees to help you and how many
 - What hours will you operate
 - Where you will be located
 - How will customers pay you?
3. Who will buy your product or services? Define the type of customer that you will have.

Business Plan continued...

4. Describe your marketing strategy. How will you reach your customers in a cost-effective fashion? Will you use newspaper advertising? Will you need business cards and letterhead? What about brochures and how will you distribute them?
 5. Identify the competition and try to determine how they price similar products or services.
 6. Describe your skills and abilities and why you believe that you can be successful in your business.
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Section II, The Financial Projections

1. The start-up cost estimate includes equipment, rent, supplies or expenses for other things needed in the business to start. If you are quitting a job to start this business, do you need some income while getting the business started? Discuss how you expect to raise the money to cover these start-up costs.
2. The financial analysis should include the following:
 - Pricing of your products or services
 - Projections of the number of products or services that you will sell in the first year
 - Estimates for all of your costs to operate the business for the first year, including (where appropriate to your business) rent, utilities, separate phone line, supplies, insurance, wages for employees, your marketing plan, etc.

From this you will be able to project the amount of profit from your business.



Review of the Business Plan

Notice that this analysis does not include all of your expenses. There may be loans for start-up costs, and there will be taxes. We will talk about taxes in the next brochure, “Running Your Home Based Business.” However, we need to think carefully about the start-up costs, with or without loans. If the analysis in Section II shows that the business has high start-up costs and/or a small profit margin, you will need to do additional analysis. Can you reduce your start-up costs, or operating costs? With a little more marketing expense, can you find more customers? Should you consider a different pricing strategy? It is important for you to have a profit margin that gives you a reasonable “take home” salary. Once you are satisfied with the profit margin, you should proceed with implementation of your business plan.



Legal Form For Your Business and Business Registration

The vast majority of home based businesses use the simplest legal form, a sole proprietorship. Technically, a sole proprietorship is simply a business that is owned by one person and has not filed papers to become a corporation or LLC. They are very easy to set up and maintain. In the eyes of the law, a sole proprietorship is not legally separate from the person who owns it. At income tax time, you simply report all business income or losses on your individual income tax return. In addition to filling out a 1040 form, you will also include a Schedule C form that is used to report profits or losses from your business. The IRS calls this “pass-through” taxation because the business itself is not taxed.

If, however, you believe that there may be some reason to be concerned about potential liability for lawsuits or debts, you should seek the assistance of a business counselor to discuss your concerns and to determine the best legal form for your business.



Business Registration continued...

It is very easy to set up a sole proprietorship. First you must request a Tax ID Number (also called a CRS number) from the State of New Mexico. The purpose of this is so that the state can collect Gross Receipts Taxes on the sales that your business generates as required by state law. You can find the Tax ID form at:

<http://www.tax.newmexico.gov/SiteCollectionDocuments/TRD-Forms/Misc/CRS/acd31015f.pdf>.

There is no cost for this and the state typically responds quickly to your request if the form is filled out completely and correctly.

When you receive your Tax ID Number, you must then register with the county or town where your home based business is located. The form for this registration may be obtained from the following:

Los Alamos County	662-8120
City of Santa Fe	984-6551
Santa Fe County	986-6626
Sandoval County	876-7572
City of Espanola	747-6041
Rio Arriba County	753-1780
Jemez Springs	829-3339
San Ysidro	834-7398

*Each Pueblo's regulations differ, contact pueblo directly

Liability and Insurance

There are no specific requirements for insurance unless you have employees or a vehicle used for company business.

However, just because you are not required to have insurance does not mean that it's not a good idea. There are two basic types of insurance to consider: property and liability.

You will want to consider property insurance if you have a significant investment in any of the following:

- Fixtures to the property such as lighting, temporary walls, carpeting
- Equipment, machinery, office furniture
- Computers and accessories
- Inventory and supplies
- Your personal property or that of your clients.

You must review your homeowner's policy because most of them do not automatically cover assets of a home based business.

A general liability policy will cover damages you are ordered to pay to an individual (customer, supplier, or business associate) who was injured on your property. A related, though technically different, type of insurance is product liability insurance. If your product has a risk of harming someone, you might want to consider this type of insurance.

Ideas for Home Businesses

- * Those businesses that may have extraordinary start up costs
- ** Those businesses that may have special county or city ordinances
- *** Those businesses that have licensing requirements

Animals

Pet sitting
Pet hotel and Grooming **
Pet cleanup services

Computer-oriented Businesses *

Computer repair
Computer consulting
Desktop Publishing
Temporary Help

Arts and Crafts

Calligraphy
Ceramics
Doll making
Drapery making
Jewelry making
Leatherwork
Painting
Pillows
Quilts
Sewing & alterations
Stained glass
Woodworking

Food

Bakery ***
Catering ***
Cooking Classes

Personal Services

Cosmetics
Home organization
Hair Salon *, **, ***
Image consulting
Personal shopping
Tutoring
Teaching (art, music)
Wedding planner

Publishing & Writing

Advertising copywriter
Desktop publishing *
Freelance writing
Local cookbooks

Recreation

Balloon delivery
Party planning