

The Successful Home Business Guide

Practical advice for starting and operating
a productive and profitable home-based business

Will Limkemann

SAMPLE CHAPTERS

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Foreword

The dream of starting your own home-based business can be exhilarating, exciting - and terrifying. The desire to be your own boss; create your own destiny; shatter the glass ceiling; generate unlimited income; be energized and excited by the work you are doing; work from the comforts of home; have more time with family and friends; and to discover the personal and professional freedom – to be, to do, to succeed on your terms - is powerful.

While the dream and the desire are critical to success, and the rewards are virtually endless – it takes much more to create and grow a successful home business. It takes vision, purpose and passion, aligned with knowledge, strategy, planning, resourcefulness and the right tools and actions – employed at the right time to make it all into a reality.

However, many of us don't know where or how to begin, what's realistic, what's most important and how to set goals, priorities and action plans. For that matter, we don't even know if we are, indeed, cut out to be a successful entrepreneur!

There are seemingly endless resources available to gain the insight, knowledge and tools we need to begin a successful entrepreneurial discovery and journey. Just do a quick 'home based business' Google search and you will find over 511,000,000 (yes, that's 511 million) links to information on starting your own home-based business. From product and service ideas to financing, franchising, software, counseling organizations, mentoring programs, academic offerings through community colleges and universities, the list goes on and on. It's overwhelming, and more than a little bit daunting.

So, where to begin? You're holding the answer in your hands. *The Successful Home Business Guide*, written by my respected friend and colleague, Will Limkemann, is one of the most comprehensive, content rich, yet concise books written on the subject. Whether you are an established home business owner, just starting out or thinking about creating a home-based

business, this book cuts through the clutter and gives you a step-by-step guide to starting and growing your business.

Will brings over 30 years of successful entrepreneurial experience to the pages of this book, providing invaluable insight, knowledge and direction to creating a home business. This is much more than a one-time read – it's an entrepreneur's map and a guide to turning your dream into a successful business and prosperous life.

Let the journey begin!

Roxanne Kaufman
President
ProLaureate

Introduction

It's well accepted that small businesses form the backbone of the United States and world economies. In recent years, no part of the small-business sector has grown as dramatically as home-based businesses, which now comprise 52 percent of all small businesses and annually contribute \$300 billion to the United States economy.

A survey of home businesses conducted in 2008 by the Cleveland-based Council of Smaller Enterprises (COSE), revealed that 79 percent of the surveyed companies had annual gross revenues in excess of \$51,000. A report by the United States Small Business Administration (SBA) points out that 25 percent of home-based businesses had an annual gross income of between \$100,000 and \$500,000, and in 2000 there were 20,000 home businesses grossing more than \$1 million.

Many successful home businesses have never moved away from their home base, while others, such as Lillian Vernon, Hewlett-Packard, Apple Computer, Google, Bonne Bell, and Xerox began in the founder's home, garage, or basement and grew into mega-corporations.

The COSE survey found that home-based businesses create jobs beyond just employing the owner. Almost one-half had at least one employee, and 17 percent employed three or more workers. The survey revealed that most home-business owners are dedicated people who enjoy the benefits of working from their homes and want to continue to do so, dispelling the myth that running a home-based business is a stopgap measure until one finds a "real" corporate job.

Until just a few years ago, there was a stigma attached to home-business owners. The sense was that the businesses were temporary or "play" businesses. But with the proliferation of both virtual employees and home businesses, such biases are seldom heard today.

Practically any kind of business can be operated from a home – if the house is big enough or the business is small enough, and providing that

local regulations permit it. I have consulted with single practitioners supplying consulting services, with photographers with in-home studios, with printers running presses in their basements, with light-bulb distributors whose garages are full of inventory, with a garment manufacturer staffed with almost a dozen people working in her basement, and with companies whose offices are in the owner's homes but which have plants or warehouses in industrial parks.

Whether you are expanding a hobby into a business, starting a consulting service, or want to establish a manufacturing or distribution operation, operating your business from home can provide a lifestyle that will be the envy of your friends.

For an ambitious young person, an employee weary of punching a time clock, a worker who has lost a job, or a retiree seeking a second career, the lure of entrepreneurship can be mighty tempting. The lowest risk way of starting a business is at home which can often be accomplished with just a small investment. What is required is a marketable idea fueled with passion and nurtured by a dedicated and determined owner exercising good business practices.

The Successful Home Business Guide will help you determine if starting a home-based business is right for you. It will guide you through the start-up phase, and instruct you in sound business practices to help you achieve the success you desire.

Following the recommendations in *The Successful Home Business Guide* will help you avoid making common mistakes that doom the dreams of so many entrepreneurs, and help put you on the path to achieving your goals.

Acknowledgments

I need to thank several people who encouraged and in one way or another helped me with this book: Carolyn Jack for her edits and comments, Roxanne Kaufman for her support and kind words, Pat Pell and other friends at COSE, Mark Madere and Carol Drummond for their input, and of course my dear wife Peg and my ever supportive children Susan and Brian.

1

So, You Want To Start A Home-Based Business

When unemployed, in a dead-end job, or upon retiring you may aspire to start your own business, be your own boss, and control your own destiny. The idea of owning a business is the exhilarating ultimate American Dream. A successful business can lead to self-fulfillment, personal wealth, and financial security.

Entrepreneur

n. A person who undertakes a commercial risk for profit.

Oxford Desk Dictionary

The fastest, least expensive, and lowest-risk route to becoming the CEO of *you*, is to launch a home-based business. While there was once a stigma attached to running a business from home, today it is commonplace and well-accepted. Countless entrepreneurs who have started their businesses at home have opted to continue enjoying the benefits of working at home for many years, while others have started at home but chosen later on to move to traditional business quarters, often becoming major corporations.

But is starting a business, in particular a home-based business, right for everyone? Unfortunately it's not. This chapter will help you decide if entrepreneurship makes sense for you by helping you understand your goals, determine your financial readiness to start a business, establish whether or not you have the temperament to be your own boss, and settle on the type of business that may be the best fit for you.

Do you have what it takes to be an entrepreneur?

While a few successful people seem to be born entrepreneurs, most of us have had to *learn* the skills and habits required for successfully running a business. Not everyone is cut out for the demands and stresses of the entrepreneurial life. How well do these traits describe you?

- 1.** You have a specific business concept in mind.
- 2.** You are passionate about your business dream.
- 3.** You are passionate about and committed to your project.
- 4.** Your enthusiasm is contagious; you are able to excite other people about your ideas.
- 5.** You are a self-starter, for there will be no one to keep you accountable.
- 6.** You are prepared, and able, to take some financial risk.
- 7.** You have a can-do optimistic attitude.
- 8.** You have the discipline and confidence to work alone and independently.
- 9.** You are confident in your own abilities.
- 10.** You are well organized.
- 11.** You are assertive.
- 12.** You are creative.
- 13.** You are able and willing to quickly learn what you don't already know.
- 14.** You are determined to make a difference in the world.
- 15.** You are flexible and able to adapt to changing conditions.
- 16.** You are a person of integrity.

If you recognize most of these qualities in you, you may have what it takes to be your own boss and to embark on a most magnificent journey of entrepreneurship.

What are your goals?

The thing about home-businesses, or any small business, is this: The owner and the business are one and the same, even when the business entity is set up as a corporation or Limited Liability Company (LLC) to *legally* separate

the owner from the business. Your business will exist to satisfy your needs, and without you it will not succeed or even exist.

So your business and personal goals necessarily are inseparable. Before starting a business you need clarity about your present and future desires and needs. Consider what it is you personally want, the impact you aspire to make on the world, and the legacy you hope to leave. Your goals form a roadmap of where you want to go, with instructions on how to get there.

In developing your goals, consider these questions:

1. What are your values - what is really important to you? Financial security? Monetary wealth? Relationships? Family? Friends? A big house? A big boat? Serving your community? Your church? Being liked by others? Controlling others? Building an empire? Being independent? Making the world a better place? The environment? Creating jobs? (This is not an exhaustive list)
2. How is what you want different from what you have?
3. How much money will you need to make this year, next year, and the year after to maintain or achieve the lifestyle you want?
4. What are your long-term personal ambitions? To raise a family? To retire at 50? To travel the world?
5. What are the goals of your spouse and family? Do they differ from yours?
6. How do you want to spend your time? What percentage at work? What percentage with family? What percentage doing other things that are important to you?

After carefully thinking through these questions, list the ten major goals that you want to achieve. Here's the important thing - goals must be written, or they will never become anything but dreams. Think about and write down how you'll measure the accomplishment of each goal.

Here are some goal-setting guidelines:

1. Goals must be specific. "I want to make a lot of money next year" is vague. "I will net \$30,000 by September 30" is more to the point but doesn't say how - are you expecting to win the lottery? "I will net \$30,000 by September 30 by selling 150 widgets" is good. "I

will net \$30,000 by September 30 by selling 150 widgets to XYZ Corporation” is very specific.

2. Goals should be what you really want and believe in, and not what just sounds good, or what others expect of you.
3. Goals should be spelled out as forward-looking positive statements. As you start your business you want to leave the past behind, and train your mind to think of the good things ahead. “My goal is to be my own boss” is a positive goal. “My goal is to never work for someone like Mr. Big again” is not.
4. Goals should reach high.
5. Goals should be written out in enough specific detail that you can visualize yourself actually achieving them.

Having written your goals, the big question is: “Are my goals consistent with going into business, and specifically going into the kind of business I have in mind?” Will owning your own business enable you to reach your goals?

In the movie, *The Bucket List*, Morgan Freeman plays a character named Carter Chambers, who keeps a list of things to achieve before he dies in front of him all the time, crossing off each goal as it’s achieved. You need to do the same with yours. As you reach a goal, celebrate, cross it off the list, and replace it with a new, even-higher-reaching, one.

Keep your list of goals constantly in front of you. When you embark on any activity, ask yourself if doing the activity is consistent with, and will bring you closer to, achieving your ambitions. If not, it’s just busy work.

What kind of business should you start?

So you have decided to be your own boss. You have the perfect, perhaps once-in-a-lifetime, opportunity to do what you really love to do. You have decided to start a business that is fed by your passions and that reflects your core values.

But what business do you want to be in? If you have a passion, you already know the answer. Yet you need to be able to transform the passion into a business by offering a service or product that people need or want and are willing to pay for. There must be enough potential demand for what you propose to sell to support your expected level of income. Repairing typewri-

ters may be fun as a hobby, but can you find enough people needing this service to make it a business?

Your passion should help you leverage an interest, a hobby, training, or past work experience into a product or service you can sell.

Determine what really excites you. What is it that will cause you to jump out of bed every morning? If you love to travel, perhaps you should become a tour guide or write travel books. If you love photography, perhaps you can sell prints, or sell your services to businesses or advertising agencies, or do portraits. If you are passionate about a subject but are not an expert, consider getting training in your area of interest. A local community college may well offer the courses you need.

Consider hobbies or avocations that could be transformed into income-producing jobs. If you love to bake, you could make pies, cakes or pastries and sell to restaurants. If you do wood-working, you could build kitchen cabinets or hire out to do home-repair work. If you love to sew, consider making dress and suit alterations, or creating children's clothes. Many hobbies can easily be transformed into money-making ventures.

Review past jobs. What did you truly enjoy doing? What did you excel at? Do you have a degree or other training that uniquely qualified you for the work? Consider whether a prior employer might hire you on as an independent contractor, or whether people you connected with while employed would buy services from you. Be careful that you do not violate any non-compete or confidentiality covenants you might have signed with an employer before starting a competing business or contemplating doing business with its customers or suppliers.

A 2008 survey of 400 home-businesses conducted by the Cleveland-based Council of Smaller Enterprises (COSE) revealed that 45 percent of the respondents had more than 11 years experience in their industries before starting their home-based businesses. Drawing on prior experience can significantly improve your odds for success.

Here are some things to consider when analyzing whether a particular business is right for you:

- Do you have the needed training or have you achieved an appropriate level of expertise? If not, how long will it take you to get trained? How much will the training cost?
- Are there licensing or other legal or regulatory requirements for this type of business? What steps do you need to take to meet the requirements?

- Does the business involve matters about which you are truly passionate?
- Who will be your customers?
- Will the business be able to produce the level of income that you want and need?
- How long will it take from the time you establish the business until you actually start making money?
- Can you operate the business from your home?
- What inherent risks does the business have?
- Will the business have long term-potential? Or will it be made obsolete by fads or new technology?

Finally, is your aim to start a “lifestyle” business whose purpose is to give yourself a job and meet your financial needs while offering you the freedom to pursue other activities, or to start a “wealth-building” business that will provide employment to yourself and other people, and have inherent value that you may one day be able to cash in on by selling?

Be true to yourself

Your business must reflect your values. To be truly successful, determine what is non-negotiable and don't ever compromise on those ideals that are important to you.

Be innovative

Does your business concept fill a particular need? Will it fill the need better than do existing businesses? If you have a fresh approach or new idea you will more easily stand above the crowd of competitors.

In a tough economy people and businesses with less disposable income will be buying necessities but forgoing luxury items. Does your business idea address basic needs, or might potential buyers dismiss your products or services as unnecessary frills? Consider ways to modify your business concept to fill real needs of potential customers.

Purchasing a business

It's not always necessary to start a business from scratch. Don't overlook the possibility that someone may be running the type of business you want to start and is looking to sell it. If the business has been successful, you will be ahead of the game by having ready-made processes and an existing customer base. You may also be able to buy a franchise that will meet your needs.

Buying an existing business

If you discover a successful business that you like and the owner is willing to sell, you may find a ready-made revenue stream you can tap into as soon as the business is turned over to you. But be very cautious when buying a business.

You will need to carefully research the company. Check with customers to learn about the quality of its services and products. Check out the competition and determine what advantage the business has compared to theirs. Carefully examine the financial statements to understand how profitable the business really is. Always have your accountant review the financials and get his or her advice about the real condition and value of the business.

Realize that it's often difficult to agree on a purchase price. The seller always thinks the business is worth a lot more than the buyer. You may want to get an independent appraisal of the business.

Never commit to purchasing a business without getting sound advice from your attorney and accountant about the opportunity.

Purchasing a franchise

When franchising is mentioned, you may think McDonalds or other large retail chains. Among the thousands of available franchises there are many suitable for home businesses. According to the January 2009 *Entrepreneur* magazine, the top 25 home-based franchises include commercial cleaning services, tool distribution, pet services, travel agencies, and senior care.

Cost of entry into a franchise can be quite high, often \$10,000 and more, but for many people buying a

Franchise Questions:

- 1. How much is the total investment*
- 2. How much is monthly fee*
- 3. What training is provided*
- 4. How much advertising is done*
- 5. References*

franchise is a quick way to go into business. A franchise fee generally covers cost of training and starting the business, but always count on additional expenses. Using the franchisor's systems and training, there will be little question as to how you should run the business. The franchisor should provide on-going support and marketing services which are usually paid for by monthly fees or a percentage of your sales.

Entrepreneur magazine and its web site www.entrepreneur.com annually rank the 500 top franchises. You can research hundreds of franchise opportunities listed on web-sites such as www.franchiseexpo.com. When choosing a franchise, find one that has a business consistent with your dreams and passions.

A franchise is not only a proven way to get into business, but franchisors also demand that franchise owners stringently follow their proven methods and systems. If you really want to do things your way, a franchise may not be right for you.

Before you buy into a franchise, research it carefully, learn exactly what the franchisor will provide, and understand all of the costs involved. Establish whether you will have exclusive franchise rights in your area or if your next-door neighbor might be able to compete against you. Get franchisee references and talk with them about their success and satisfaction with the franchisor's level of service and support.

Don't sign any franchise papers without reviewing them with a competent attorney experienced with franchise agreements.

Home-business scams

"Work from home and earn \$3000 per month." How often I have seen promotions like this advertised by e-mail, on the Internet, and even on road-side signs. When contemplating setting up home-business you may be tempted to consider these offers as a means to start earning home-business money quickly. Be very wary!

Most of these offers are get-rich-quick scams. If you really want to pursue such a proposal, check it out – and don't send any money or offer personal information until you know the business is legitimate and well-regarded. Don't even consider doing business with them if they won't give you a physical address, phone number, and a genuine website address.

Business as an investment

Before launching your business, consider how much time and money you will need to invest. The core question is this: Can you reach your financial goals faster and better by running your own business than working for someone else? If the answer is yes, starting a business may make sense for you. If the answer is no, you need to reconsider your motives for becoming your own boss. You can work for minimum wage anywhere – why work for low pay while risking your assets?

Buying stock in a publicly traded company is generally done as an investment. We expect the value to rise and our wealth to increase. We look at the record of past performance, consider future prospects and compare the wealth-building potential with that of other investments. In an unsettled market, we may even decide it would be wiser to purchase a certificate of deposit or to put our funds in a money-market account. The point of any investment is to make our money work for us and to maximize the return on our investment.

As a potential entrepreneur you should be making the same analysis before investing money in your own business. Whether buying a franchise, equipping your home office, or paying for licensing or training, weigh the potential return of that investment against other ways of growing your money.

Right from the start you need to look at your business as a mechanism for building wealth, and not just as a job. Set your goals and plan your business so that you will be

earning the income you want while minimizing taxes and increasing your net worth. Set your mind to creating a sound financial strategy, developing good time-management habits, and seeking out excellent business, financial, tax, and legal advice to get the best return on your investment.

Rule of Threes

- 1. Starting a business will take three times as long as expected*
- 2. It will cost three times as much as budgeted to start a business*
- 3. Sales will be one third of what was expected*

Can you afford to start a business?

It's rare that a new business is a cash machine from day one. You'll have startup costs – more about this in Chapter 4. You'll need money to live on as it may take the business three to six months to start generating enough cash to support you, and it may take three or more years for the business to reach your desired financial level.

Do you have enough money in your checking or savings accounts to both finance your fledgling business and carry you until customers start paying you? Do you have a home-equity credit line that you can tap into? Will you be able to live off of your spouse's income for a few months?

The money you invest in your business is at risk – at least until there's enough revenue to support you. The risk is greater in a product-based business than in a service-based one due to greater equipment, engineering, inventory, and manufacturing costs. The sad truth is that not all businesses survive. Can you afford the risk?

Financial considerations of being your own boss

When you consider your personal financial needs, factor in costs and benefits that you took for granted when working in the corporate world. Assume that your gross annual income from wages was \$50,000, that you had two weeks of vacation, and the company paid \$1,000 a month for health insurance. After deducting the required employee's portion of \$3,750 for Social Security and Medicare insurance, you had a net pay of \$46,250 – before withheld income taxes.

As a self-employed person paying \$1,000 per month for health insurance, and \$7,500 per year self-employment Social security and Medicare tax, you will need to net \$62,000 after all other business expenses to put the same amount of money in your pocket. (Note that your health-insurance premium for the same coverage will most likely be much more than what your employer, who received group rates, paid.)

Benefits of a home-based business

Since you are reading this book, you've most likely decided to start, or are currently operating, a business from your home, and you understand some

of the benefits. There are many reasons why owning your own home-based business makes sense:

- Low overhead with no rent and just incremental costs for operating the business equipment
- More and better quality family time
- Controlling your own schedule
- Reaping all the rewards from your creation and hard work
- No commute
- Tax deductions for business-related expenses, including portions of your home used exclusively for business
- Ability to easily end the business should it not work out

Drawbacks of a home-based business

In spite of the benefits of running your business from home, there are some drawbacks:

- It takes self-discipline and family discipline to keep out distractions
- It's often difficult to separate home and business, resulting in interruptions
- It can be lonely not having business associates nearby to talk to and run ideas by
- It can be awkward to set up meetings with clients and vendors

Take the next step

Now that you have carefully assessed what type of business you want to own, are sure that you will make a fine entrepreneur, and have a passion for starting your home-based business, use the remainder of this book as a guide for starting and profitably operating your business.

Your journey has begun.