

HOW TO START A HOME-BASED BUSINESS

Fifteen years ago, going to work meant traveling from home to a plant or office. Today, many people do some or all of their work at home. Research on this topic estimates that as many as 13 million people squeeze extra hours into their workweek by taking work home from their full-time jobs, and that nine million people are independent home-workers who work exclusively at home.

Many people find working at home is the "ideal work arrangement" and decide to formally set up businesses in their homes. SBA estimates that more than three million of these home-based businesses are now operating throughout the country.

Every day, people are striking out and achieving economic and creative independence by turning their skills into dollars. Garages, basements and attics are being transformed into the corporate headquarters of the newest entrepreneurs -- the home-based businessperson. And with today's rising demand for "service-oriented" businesses and recent technological advances, the opportunities seem to be endless.

Getting Started

Before you dive headfirst into a home-based business, it's essential that you know why you are doing it. To succeed, your business must be based on something greater than a desire to be your own boss. You have to plan and make improvements and adjustments along the road. As you ask yourself the following questions, remember: there are no "best" or "right" reasons for starting a home-based business. But it is important for you to understand what this new venture involves.

Working under the same roof that your family lives under may not prove to be as easy as it seems. It is important that you work in a professional environment. One

suggestion is to set up a separate office in your home to create this professional environment. Ask yourself these questions:

- Can I switch from home responsibilities to business work?
- Do I have the self-discipline to maintain schedules?
- Can I deal with the isolation of working from home?
- Am I a self-starter?

Finding Your Niche

Choosing a home business is like choosing a spouse; your decision must be approached with a great deal of care and concern for the future. Before you invest your time, effort and money, take a few moments to answer the following questions. They'll help separate sound ideas from those with a high potential for failure.

- Does your home have the space for a business?
- Can you identify and describe the business you plan on establishing?
- Can you identify your business's product or service?
- Is there a demand for your product or service?
- What advantages do you have over your competitors?
- Do you have the talent and expertise needed to compete successfully?
- Can you successfully run the business from your home?

Legal Requirements

A home-based business is subject to many of the same laws and regulations affecting other businesses. Here are some general areas to watch out for, but be sure to consult an attorney and the state department of labor to find out which laws and regulations will affect your business.

- Be aware of your city's zoning regulations. If your business operates in violation of them, you could be fined or closed down.

- ❑ Certain products cannot be produced in the home. Most states outlaw the home production of fireworks, drugs, poisons, explosives, sanitary or medical products and toys. Some states also prohibit home-based businesses from making food, drink or clothing.

In addition, there are registration and accounting requirements to consider. Among them:

- ❑ You may need to obtain a work certificate or license from the state.
- ❑ Your business's name may need to be registered with the state.
- ❑ Usually, a sales tax number must be obtained.
- ❑ A separate business telephone and bank account normally are required.

And if you have employees, you are responsible for:

- ❑ Withholding income and social security taxes.
- ❑ Complying with minimum wage and employee health and safety laws.

Once you've thought over the pros and cons of home-based businesses, it's time to put together a business plan.

Developing a Business Plan

Putting together a business plan forces you to take an objective and critical look at your business idea. Even more, the finished product is an operational tool that will help move your business toward success. A business plan should be neat, not fancy, and should include:

- ❑ Cover Page: List the business name, address, mailing address, telephone number and the name of the owner(s). Identify your primary goals and objectives.
- ❑ Business Description:
 - A. Include an accurate and concise description of the business.

- B. What is the principal activity? Be specific. Give product or service descriptions.
- C. How will the business be started?
- D. Why will it succeed? Promote your idea.
- E. What experience do you bring to the business?

Marketing

Remember, marketing is the core of your business. Carefully think about these questions:

- A. Can you market your business from home?
- B. Who and what is your market?
- C. What pricing and sales terms are you planning?
- D. How will you be competitive?

The Financial Plan

Money is what fuels all businesses. With a little planning you'll find that you can avoid most financial difficulties. When you're drawing up a financial plan, don't worry about using estimates. The process of thinking through these questions helps develop your business skills and leads to solid financial planning:

- A. ***Start-up Costs:*** To estimate your start-up costs, include all initial expenses such as fees, licenses, permits, telephone deposit, tools, office equipment and promotional expenses. Business experts say you should not expect a profit for the first eight to 10 months, so be sure to give yourself enough cushion.

- B. ***Projecting Operating Expenses:*** Include salaries, utilities, office supplies, loan payments, taxes, legal services and insurance premiums. Don't forget to include your normal living expenses.

- C. ***Projecting Income:*** It is essential you know how to estimate your sales on a daily and monthly basis. From the sales estimates, you can develop projected income statements, break-even points and cash flow statements. Use your marketing research to estimate initial sales volume.

- D. ***Cash Flow:*** Cash pays your bills, not profits. Even though your assets may look great on the balance sheet, if your cash is tied up in receivables or equipment, your business is technically insolvent. Or to put it in layman's terms, you're broke.

- E. ***Anticipated expenses and projected income.*** Make a list of all anticipated expenses and projected income for each week and month. If you see a cash flow crisis developing, cut back on everything but the necessities. Remember, preparation is the foundation of success. Talk to home-based business people; join a home-based professional association or "moonlight" at a similar business. Learn how to use business resources to strengthen your home-based business.

Success doesn't just happen; you have to make it happen.

Information provided by Eastern Oregon University, [The Small Business Development Center](#) and Utah State University, [School of Business](#)