

101 Small Business Ideas for Under \$5,000

**Corey Sandler
Janice Keefe**



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John Wiley & Sons, Inc.

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To William Sandler, about to embark on the first of what may be 101 jobs in his career. Here's hoping every one of them is a success.

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Preface

Every business—from neighborhood to global—begins with an idea.

The next General Motors or Wal-Mart or Microsoft will not spring forth fully developed from the back of an envelope. Big ideas need big funding.

But your next job, or your next source of supplemental income, *can* begin with a small idea and grow from there.

The two keys to success in small business are these:

1. Find something that makes good use of your skills and experience.
2. Market that idea to people and businesses that need your product.

In *101 Small Business Ideas for under \$5000*, you'll find a realistic guide to turning your ideas and skills into a business that you can run part-time or full-time or even as an absentee owner.

Some of the other books about starting a small business are little more than a laundry list of job ideas, some practical, some ridiculously fanciful. There *may* be millions to be made in recycling toxic waste, but it's not realistic to consider setting up a processing plant in your backyard pool. You *may* be able to earn a nice income running a dog-walking business, but you *do* need to give serious thought to things like liability, health codes, and personal safety.

Some jobs, such as babysitting or vacation house watch service, are simple to set up and run, and we discuss those and show you how to keep it simple and beneath the radar. Other jobs very quickly become more complex. For these, we discuss the real-world issues an entrepreneur will face:

- Start-up costs
- Legal matters
- Accounting and tax issues
- Liability insurance
- Zoning

We help you draw up a sensible business plan that can be used to direct the start-up; to present to a banker, government agency, or foundation for funding; or to help design a publicity, marketing, and sales program. We give suggestions on how a successful business can be *scaled up* from a one-person start-up to a mini-empire.

Icons help you quickly identify the type of business, required skills, estimated start-up costs, and an indication of legal, zoning, and insurance requirements.

Most of the jobs can be set up for just a few hundred to a few thousand dollars; for the more expensive start-ups, we show ways to ease into full operation one step at a time.

Acknowledgments

A book is a piece of business that begins with an idea, followed by months of hard work. In the case of the book you hold in your hand, the idea originated with editor Michael Hamilton of John Wiley & Sons, in conjunction with trusted agent Gene Brissie.

Though this finished book bears just two names on the cover, dozens of capable and creative people were involved in its conceptualization, design, production, and distribution.

We'd like to thank the capable editors and production staff at John Wiley and North Market Street Graphics, including Linda Witzling, Christine Furry, Lainey Harding, Mary Jo Fostina, and Tracy Pitz.

We also thank you, the reader, for buying this book. We wish you great success in starting your own small business and expanding it as far and wide as you can dream.

Corey Sandler and Janice Keefe

How to Use This Book

Various levels of professional assistance will be required in setting up your small business. We have tried to make it easy for you to zero in on some of the major issues you may confront and who can best help to solve them. Following is an explanation of the visual devices used in this book for quick reference.

When to Seek Professional Advice

- ① **Legal**
- ② **Legal**
- ③ **Legal**
- ④ **Accounting**
- ⑤ **Insurance**
- ⑥ **Insurance**

① **Legal**

Consult an attorney for assistance in drawing up a contract that spells out the duties you will perform, the type and quality of materials you will use, the compensation you will receive for your work, and the schedule for payment. The contract should also identify any safety and security responsibilities of the client, and limit your liability for accidents, errors, and omissions.

② **Legal**

If you will be entering a client's property, home, or office while they are there, or if you will be given a key, alarm code, or permission to enter a client's property, home, or place of business, the contract should include specific language limiting your liability for any incident that might be related to your access.

③ **Legal**

Your attorney should also be able to advise about the need for a business license, permits, or any special conditions, including noise ordinances, health codes, limitations on signs, and zoning concerns, including off-street parking for home-based businesses. Certain businesses also have to meet state and federal occupational safety regulations.

④ **Accounting**

Seek advice from an accountant about the form of business, tax reporting requirements, and an acceptable accounting system to keep track of expenses, income, and profits. The accountant should also be able to advise about special requirements for setting up business bank accounts.

⑤ **Insurance**

Discuss with an insurance agent the possible need for a business owner's policy, separate liability insurance, and the need for commercial licensing and insurance for any vehicles that might be used. Depending on your state and the nature of your business, you may need workers' compensation coverage for yourself; if you have any employees, laws generally require such coverage for them. Some commercial clients may require outside contractors to supply evidence of workers' compensation coverage before they will permit you to perform work on their premises.

⑥ **Insurance**

If you will be working with valuable possessions, including collectibles and antiques, make sure your insurance coverage protects you in the event of damage or loss, or that the owners have proper coverage that protects items on and off their property.

There can be a huge difference between the actual value of an item (which takes into account depreciation) and the guaranteed replacement value (which is the cost to buy an equivalent substitute). In the case of antiques and collectibles, an insurance company may insist on an independent appraisal to determine an item's value.

Informational Icons Used

Categories

-  Service
-  Product
-  Trade (skilled trade or craft)
-  Creative (artistic or creative skills)
-  Virtual company

Challenges

-  Seasonal
-  Liability (exposes business to liability)
-  Hazardous (dangerous to the business operator)
-  Children (involves working with children)
-  Pets (involves working with pets)

Skills

-  Technical
-  Computer
-  Training or certification
-  Food

Complexity

-  Tools and equipment (requires specialized tools and equipment)
-  Licenses or Permits (requires licenses, permits)
-  Helper (requires helper)
-  Web and phone sales
-  Handicapped or homebound (can be conducted by physically challenged)

Capital Expenditures (not including vehicle or rental space)



\$0 to \$1,000



\$1,001 to \$3,000



\$3,001 to \$5,000

Business Insurance and Risk Management

Once you've let your mind run rampant with dreams of profits, fun, and more profits, take a moment and ask yourself this question: What could possibly go wrong?

Let us suggest a few moments of doom and gloom:

- One of your clients, or perhaps a delivery person, trips and falls over the crack in the driveway you've been meaning to fix for the past three years.
- You somehow manage to lose the only copy of a precious family photograph that was entrusted to you to restore.
- You fail to advise a client of a critical deadline in filing a college application, causing her to be rejected for admission.
- A slip of a chisel cracks and destroys a priceless antique chair you've been asked to refinish.
- When you clean a chimney you overlook a wobbly interior brick that falls into the flue weeks later, resulting in a smoky blaze that destroys the house.
- A product that you sell, even if you did not make it yourself or perform any alterations on it, fails and causes damage to a person or property.

2 BUSINESS INSURANCE AND RISK MANAGEMENT

There's a lot more to say than "oops" when you run a business. An accident, error, omission, or a negligent act by you or anyone in your employ could ruin your business and even result in a claim against your personal assets. The severity of the threat could depend on:

- The way your business is set up
- The amount (or lack) of insurance you have
- The care with which the contract with the customer is drawn

That's why we recommend you consult at least two commercial insurance agents for a risk assessment. Listen to the advice you are offered; ask lots of questions. Don't be shy about requesting time: If agents don't offer you good service *before* they've cashed your check, what makes you think they'll be any better once you're a client?

We suggest you meet with more than one agent, at competitive companies. You may find one easier to understand or work with than another, or you might find a better deal.

Don't hide the fact that you are shopping around. The smartest entrepreneurs are those who *buy* goods and services instead of being *sold* goods and services. And the best businesspeople are those who realize that they have to offer real value to their customers in the form of price, service, or both.

Do the same when you seek a civil attorney who can help you protect yourself with limits of liability in your contracts and the form of your business. Ask for an introductory meeting with at least two lawyers. (In most instances, a short preliminary session is offered without charge.) Ask for advice and for an estimate of costs for specific services.

Business Insurance Basics

Everything we do involves some amount of risk. Some risks are relatively minor: You could lose or break an inexpensive item; you could put a minor dent in the bumper of your car by hitting the trash can in your own garage; you could trip and fall in the driveway and skin a knee. In these minor accidents, you have no one to blame but yourself, and you are willing to shrug them off as ordinary events of life.

Now consider the following risks: You could lose or break an expensive musical instrument entrusted to you for repairing; you could have an accident

with your car while driving someone to the airport as part of your car service business; the FedEx delivery person could trip and fall in your driveway and break a leg. In each of these incidents, you and your small business—no matter how undersized—are liable to be sued for damages, sometimes for huge amounts of money.

You also face the risk of loss due to theft of your equipment and supplies. Your business could be damaged by fire, flood, loss of heating, and other unforeseen events.

Liability does not stop with obvious things like accidents. If you are operating a business, you face liability for injuries and losses caused by your services and products and for errors and omissions or negligence in advisory and consultative services.

How Small Is Too Small?

When we were kids, we gave no thought to lawsuits, liability, and insurance when we took jobs babysitting for the neighbors, mowing lawns, clearing snow, or selling cookies and bread at ball games.

We would be remiss if we did not warn any reader of this book that we live in a litigious world. We'd like to think that any of the jobs we include in this book can be performed without risk to our readers or their customers, but that's simply not true.

We're not lawyers, and we're not insurance agents. We recommend that *at the very least* anyone planning to start a business find a capable and honest insurance agent and have a meeting to discuss a reasonable level of coverage for a small business. You may find that the job you have in mind—at least in its small, early stages—is protected by personal coverage you already have for your home or vehicle. Or you may find that the agent has serious concerns about your exposure to risk and recommends purchase of a new policy to protect you. It becomes a cost of doing business.

What is the price for a basic insurance policy? There is no simple answer to that question, because insurance companies rate applicants based on the type of business and their experience in paying claims. Rates also differ depending on geographic region, and within regions on whether the work takes place in an urban or a rural setting.

In the broadest terms, we estimate that a basic business owner's policy for an occupation that is not particularly hazardous would cost somewhere between

\$250 and \$1,000 per year. You may also need to obtain coverage for inventory and for a vehicle used for commercial purposes.

In the worst case, you may find that the insurance costs will be so high that it makes your business plan unrealistic. In that situation, you should look for ways to reduce the risk and the cost, or find a different small business to start.

Who Goes There? Liability for Home-Based Businesses

Let's think about the types of people who might enter your home or place of business (which may be in your home, or elsewhere).

Invitees are those who enter *with your permission* and *for the purposes of your business or otherwise for your benefit*. Included in this group would be those making deliveries, pickups, garbage collections, and providing service or maintenance. You need to make a reasonable effort to be on the lookout for dangerous conditions and post warnings about them.

Licensees are those who enter *with your permission* but *for their own purposes*. For example, licensees include a government inspector, a member of the police or fire department, or a utility worker permitted to gain access because of an easement. In general, your obligation to a licensee is to make them aware of any dangerous conditions: Post a sign warning of slippery floors; install a proper railing on stairs; keep gates to hazardous areas closed.

Trespassers are those who enter *without your permission*. In general, you do not have any legal responsibility to a trespasser, although there are situations, including those called *attractive nuisances*, where you may have some liability even to those who break into your property or otherwise enter without your consent. For example, in most localities you have to take reasonable steps to prevent easy break-in to a swimming pool, to keep a cute but ferocious dog fenced in, or to protect unwanted visitors from getting close to dangerous power tools and other equipment. Consult an attorney and your insurance agent to help assess risks in this area.

Be sure to consult with your insurance agent and attorney about any state or local laws or regulations that would affect your area, and ask about any particular liabilities associated with your type of business. Your homeowner's or business insurance should protect against personal injuries. Your attorney can advise you in setting up a form of business that shields your personal assets from most lawsuits and liability, shifting responsibility to your business.

Assessing Your Risks

Advisors recommend that business owners include a careful assessment of risks faced by an enterprise, no matter how small. Risk management starts with identifying various exposures to risk and then deciding on the best way to deal with each of them.

With each exposure to risk, determine how serious it would be, and whether the loss is one that you could afford to bear or whether you need to find a way to offset that risk in some way.

One of the first things you should do as you draw up your business plan is to make contact with a capable and well-informed commercial insurance agent. Shop around to find an agent who is able to communicate with you and (this is hardest to find) willing to put your interests above all, even above his or her sales commission. Ask friends, family, and business acquaintances for recommendations.

One way to deal with the possibility of risk is to mount an active campaign to *reduce exposure*. For example, you might choose not to accept very valuable items for repair unless the owner relieves you of liability or pays for special insurance coverage. You might choose not to sell particular products because of an increased likelihood of liability: for example, trampolines, diving boards, and weapons.

You might choose to insist on replacing broken parts with new ones instead of making repairs, because new parts have higher reliability. You might choose to accept a babysitting job but refuse to transport children to or from school or other activities.

Some insurance companies will provide free or low-cost consulting services to their clients to help them reduce exposure to loss, something that benefits both the policyholder and the issuer.

Another option is *risk retention* or *self-insurance*. A business might decide it can accept occasional losses as part of the ordinary cost of doing business and build the expense into prices. A garden nursery cannot expect to collect for the loss of a few plants because of an unexpected freeze; the selling price for healthy plants includes an allowance to cover previous or anticipated losses.

This is the sort of decision we might make for our personal automobile: If it is more than a few years old and has declined in value, it might make sense to eliminate collision coverage and reduce the value of the replacement cost. (At the same time, you would not want to skimp on liability coverage to protect you from claims for damage to others or to their property.)

The third option is to *transfer the risk*. This can be done by purchasing insurance for your company, or you may be able to find ways to have others assume risks as part of your business relationship with them.

One way you could transfer risk would be to hire an independent trucking company to make pickups and deliveries for your company.

We discuss various types of insurance you can purchase later in this chapter.

Understanding Insurable Risks

What, exactly, are you protecting against when you purchase a business policy? Typical named risks include the following.

Physical Damage

Losses due to fire, storm damage, vandalism, broken pipes, failed heating systems, and other incidents may be insured against. You could lose finished goods, raw materials, tools, and other elements of your business. The loss could also occur to your clients' property that has been deposited with you for repair, maintenance, or processing.

If your business is operated in a room of your home, it may be possible to add a rider or extension to your homeowner's or renter's policy to cover a small business.

Criminal Activity

You could lose property, your own or items belonging to customers, due to theft or robbery. If you will be working with valuable items such as jewelry or works of art, make sure you are fully covered.

Liability

A business or its owner may be required to pay for bodily injury or destruction of property suffered by others. The payment may be required as the result of a court ruling in a legal case, an out-of-court settlement of a lawsuit, or as an element of a contract that makes you or your company responsible for certain types of losses.

Liability insurance usually includes the costs of defending you against a lawsuit for a claim that is covered under the policy.

A company can also be required by law to assume liability for certain occurrences such as injuries that fall under workers' compensation coverage.

Public liability refers to injuries or losses by customers, visitors, and others who are not employees. The liability is incurred as the result of provable negligence or fault. The exposure here would include an injury due to broken pavement, a slippery floor, improper installation or repair of a product provided to a customer, or a new product that is defective.

If you rent a home, office, or place of business, your lease may transfer liability for injury from the owner of the property to the renter; consult an attorney to be sure of your responsibility.

Liability to employees generally falls under *workers' compensation* laws, which vary from state to state. In some states, not all types of businesses are required to have such policies, and in some localities, the owner of a one-person business is exempt from the requirement to have such a policy. Again, consult with a capable insurance agent to find out the laws that apply in your area.

If you will be starting and running a small business that will take you into the offices and workplaces of other companies, you may find that their insurance carriers require that anyone doing business with them show evidence of a current workers' compensation policy.

Business Interruption

An element of business packages is coverage to help you get past a shutdown of your business due to a direct loss (one that is covered by other elements of your policy). For example, if your office or workshop is damaged by fire, you could collect the current or replacement value of the items and receive some payment for income you lose while the business is unable to operate. The money could help pay for taxes, loans, utilities, and other fixed costs that don't stop even when your business does.

Disability or Death of Owner or Key Person

What if your business is entirely dependent on the health and involvement of a single person: an expert, an artisan, or a salesperson? If that person were to die or become incapacitated, the business might grind to a halt. Some policies in this area amount to specialized life insurance, with the business or the business owner listed as beneficiary.

Types of Insurance Coverage

The insurance industry packages named risks into classes of policies intended to cover various forms of business or business activities.

Commercial General Liability

The basic form of business liability coverage protects (up to policy limits) against damage or loss to property, bodily injury, personal injury (including slander or libel), and advertising injury and related claims.

A good policy also extends to other liabilities, including protection for damages and legal expenses related to an injury caused by a product or service provided by your company, other kinds of product liability, and liability for certain risks you may assume under a contract.

Property Coverage

This sort of policy offers protection against loss or damage to your business property as the result of fire, theft, and certain other situations. (Some policies exclude or limit loss due to floods, windstorms, and other risks.)

Depending on the nature of your business, you may need to extend coverage to protect against loss of property owned by customers and to insure against loss of valuable papers, records, and data stored on computer media.

For most companies, the best type of coverage offers to pay for lost property at replacement value rather than at its generally lower (depreciated) actual value. With the assistance of your insurance agent, make a realistic appraisal of the cost you would face if all of your business equipment, inventory, and vehicles, or the structures that hold them, were lost. If you have \$250,000 in potential losses, you should have coverage that comes very close to that amount; one way to reduce your insurance premium is to accept a small amount of the risk yourself by choosing a policy with a higher deductible that is still within your ability to absorb. There is, however, no reason to pay for a coverage limit that is higher than the amount you could collect in the event of a loss.

Business Owner's Policy (BOP)

This insurance package brings together general liability and property coverage in a single policy that usually costs less than individual plans; BOP is generally offered to small and medium-sized businesses that do not have extraordinary exposure to loss.

This sort of policy does not ordinarily protect against errors, omissions, or negligence; a more inclusive professional liability policy should be considered if your business is exposed to those sorts of risks.

Professional Liability Insurance for Errors and Omissions

For professional businesses, including consultancies, accounting, and advisory services, this is somewhat like malpractice insurance. This coverage protects against claims for errors or omissions in your work and for negligence.

Umbrella Coverage and Excess Liability

One way to save money on insurance costs is to extend your overall coverage level by purchasing an umbrella policy. These policies are secondary to basic coverage, adding more available funds after other policies have reached their payout limit.

Business Auto Insurance

If your company owns, leases, or rents vehicles, or if any employees use their own vehicles for business purposes, this sort of policy will protect against liability claims for injury to others or damage to other vehicles and property. The policy can also include collision and comprehensive coverage to pay for damage to your own vehicles and for protection against theft of personal contents.

Legalities and Taxes

As we said in the introduction to this book, every business begins with an idea. Once that business begins to spend and, more important, *earn* money, it becomes an entity that is of interest to local, state, and federal authorities. Regulators will want to regulate, inspectors will want to inspect, and tax agencies will absolutely insist on collecting taxes.

Many of the jobs we write about in this book can begin on the most casual basis, as a sole proprietorship or a general partnership. In these sorts of businesses, the owners put their own money into the operation and pay taxes on their personal income.

We can also hope that our little idea for a business will one day grow into a larger enterprise with multiple employees, assets of its own, and a long and profitable life. In this chapter, we examine the most common structures for businesses.

Form of Business

If you hang up a shingle that says “Paul Revere, Silversmith” (and your name is Paul Revere), you can set up a sole proprietorship and run your business out of your personal checkbook. In some states and localities, you must register the

business name with the county where you will conduct business. In addition, banking laws generally require a business certificate to enable you to deposit checks made out to “Paul Revere, Silversmith” into an account, although checks to “Paul Revere” would probably be accepted.

If your birth certificate actually reads “Paul Hickenlooper” (to pick a name at random), and you want to call your company “Paul Revere, Silversmith,” you will need to file a *doing-business-as* (DBA) or *fictitious name* form in most jurisdictions.

There are advantages to each of the various forms of business, including sole proprietorships, partnerships, and corporations, that might argue for one or another, depending on the nature of your enterprise.

State and federal laws differ with regard to certain requirements for various business structures: for example, whether a business needs to have workers’ compensation insurance, the deductibility of certain expenses, and the filing of tax and information returns.

Be sure to discuss available forms of business with an accountant and attorney. Here is a general description of common options; please don’t confuse this section with legal or tax accounting advice.

Sole Proprietorship

This is a business that is owned and controlled by an individual, with all of the profits directed to the owner. In many localities the company must obtain a business license from local government; additional licenses and permits may be required for certain types of businesses.

This is the simplest and least expensive form of business to set up, and the owner does not have to answer to anyone else about operations.

The most significant disadvantage of a sole proprietorship is that the company and its owner are linked when it comes to financial responsibility, liability, and taxes. If the business is unable to pay its bills, creditors can seek to collect from the owner’s personal assets. When it comes to taxes, income from the business is treated as personal income of the owner.

It may also be more difficult to obtain bank loans and other types of financing for a sole proprietorship because of the limited resources of the single owner and because the business’s success is entirely dependent on one person.

General Partnership

This is a business that is owned and controlled by two or more people, sharing in the investment, management, and profits of the company. There should be a