



THE BUSINESS of WHAT WE LOVE

DISCUSSION POINTS

- **Forming a business**
- **Signing a contract**
- **Taxes**
- **Marketing**
- **Retirement**
- **Benefits**



Registering a Business




- ***Required in most states***
- ***Required to open a bank account in a business name***

Registering a Business

- **Cost range from \$40 - \$100 and usually require a renewal every 2nd or 3rd year.**
- **This will allow you to use a dba and be paid in that dba name**



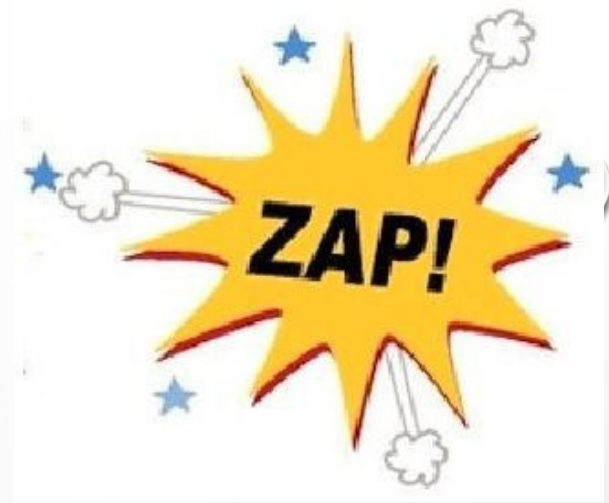
Obtaining an EIN

- **Free to obtain from the IRS**
 - **This will allow you to provide a Business EIN instead of your SSN**
- 

Obtaining an EIN

- **Easy to Get!**

Form SS-4 (Rev. January 2010) Department of the Treasury Internal Revenue Service		<u>Application for Employer Identification Number</u> (For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, Indian tribal entities, certain individuals, and others.) ▶ See separate instructions for each line. ▶ Keep a copy for your records.		OMB No. 1545-0003	
				EIN	
Type or print clearly.	1 Legal name of entity (or individual) for whom the EIN is being requested				
	2 Trade name of business (if different from name on line 1)		3 Executor, administrator, trustee, "care of" name		
	4a Mailing address (room, apt., suite no. and street, or P.O. box)		5a Street address (if different) (Do not enter a P.O. box.)		
	4b City, state, and ZIP code (if foreign, see instructions)		5b City, state, and ZIP code (if foreign, see instructions)		
	6 County and state where principal business is located				
	7a Name of responsible party		7b SSN, ITIN, or EIN		
	8a Is this application for a limited liability company (LLC) (or a foreign equivalent)? <input type="checkbox"/> Yes <input type="checkbox"/> No		8b If 8a is "Yes," enter the number of LLC members ▶		
8c If 8a is "Yes," was the LLC organized in the United States? <input type="checkbox"/> Yes <input type="checkbox"/> No					
9a Type of entity (check only one box). Caution. If 8a is "Yes," see the instructions for the correct box to check.					



Business Types for Self-Employed Persons

Business Types



- **LLC**
- **Sole Proprietorship**

Limited Liability Corporation (LLC)



An LLC is a Legal Entity formed at the state level.

It is a more formal partnership arrangement which requires articles of incorporation to be filed with the state.

LLC (CONT.):

- A Limited Liability Corporation (LLC) is not a separate tax entity like a corporation
- The IRS calls it a "pass-through entity,"
- All of the profits and losses of the LLC "pass through" the business to the LLC owners (called members)
- The LLC itself does not pay federal income taxes, although some states impose an annual tax on LLCs.

Sole Proprietorship

- ***A Sole Proprietorship is the most common form of business set up for a single person.***
- ***There is no legal distinction between that person and the business.***



Sole Proprietorship

PROS:

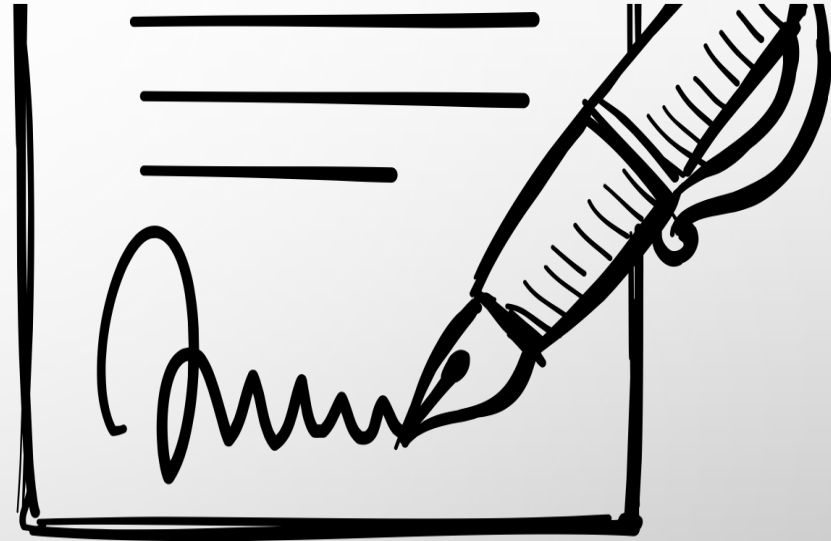
- Establishing a business is easy
- You are the boss
- You keep all the profits

CONS:

- Unlimited liability
- Taxed as a single person
- Everyday is a work day

CONTRACTS

- ***Using a contract***
- ***Deposits***
- ***Payment Options***



CONTRACTS



- ***Deliverables***
 - ***Rewrite costs (and when)***

- ***Working for/with friends***

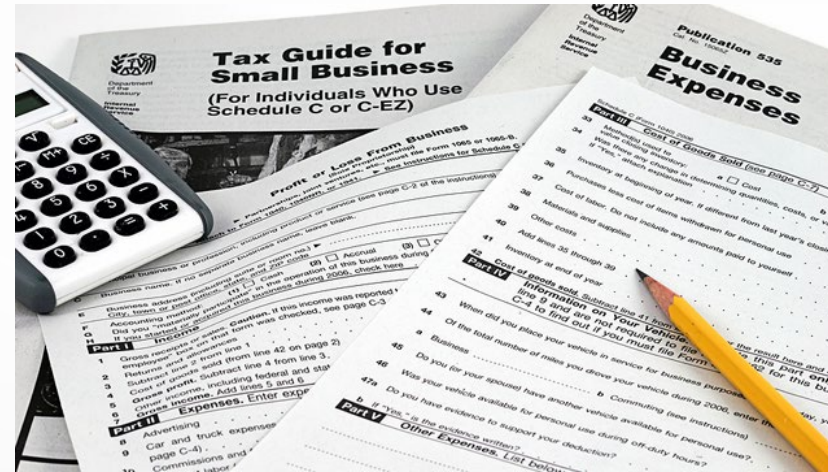
- ***Email is a legal record***

TAXES



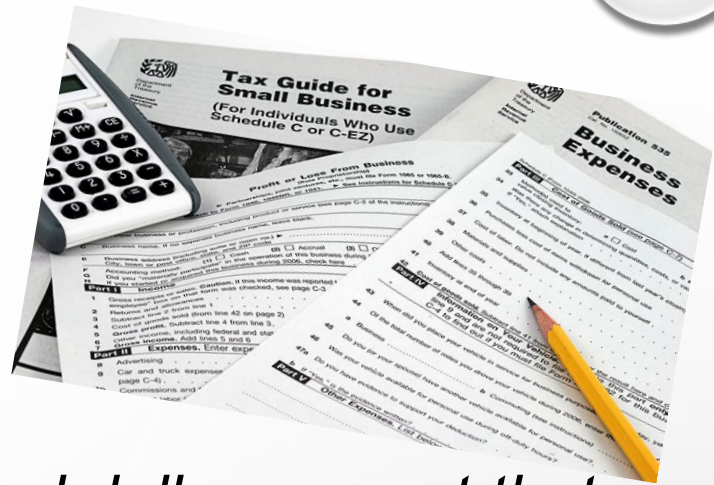
- ***Withholdings***
- ***Quarterly payments***
- ***True value of what you get paid:***
 - ***Payment minus:***
 - ***20% Federal***
 - ***5% State***

DEDUCTIONS



- *Deductions reduce your taxable income by the percentage of your highest tax bracket.*
- *For example, if you are in the 24 percent tax bracket, a \$1,000 deduction will save you \$240 ($1,000 \times 0.24 = 240$) on your tax bill.*

DEDUCTIONS



- *The standard deduction is a fixed dollar amount that reduces the income you're taxed on.*
- *Standard deduction varies according to your filing status.*
 - *For single or married filing separately — \$12,550*
 - *For married filing jointly or qualifying widow(er) — \$25,100*
 - *For head of household — \$18,800*

BUSINESS INSURANCE



- ***Liability Insurance***
 - *Protection against lawsuits*
- ***Disability Insurance***
 - *Protection when you can't work*



RETIREMENT FOR THE SELF EMPLOYED

Traditional IRA

- Up to \$6,000 in 2022, plus a \$1,000 catch-up contribution for those 50 or older.
- Tax Benefit





ROTH OPTION:

After tax contribution but benefits at retirement

Never too late to start



5% CONTRIBUTION

***Need to do your own
match.**

60K EARNINGS

\$6K (max allowed) IS 10%

SIMPLIFIED EMPLOYEE PENSION (SEP)

BANG

- For individuals or small business with no or few employees.
- Contribution limits for 2019 were up to \$56k

SAVINGS, SAVINGS, SAVINGS



From age 25–65,
I contributed
\$100/month.



TOTAL
CONTRIBUTIONS \$48,000

TOTAL
SAVINGS \$191,696

+\$55,002

Person A ends up with
more when he contributes
less...More time to grow!
**The sooner you start,
the better.**

From age 45–65,
I contributed
\$300/month.



TOTAL
SAVINGS \$136,694

TOTAL
CONTRIBUTIONS \$72,000

The accumulated amounts assume 26 pay periods per year, contributions made at the beginning of each period, a 6% annual rate of return compounded monthly, and a retirement age of 65. This hypothetical illustration is not guaranteed and does not reflect the performance of any specific investment option. It does not take into account the payment of taxes and does not intend to predict investment results. The illustration does not include fees or expenses that an investment product could assess. If included, these fees would reduce the figures shown above. Systematic investing does not ensure a profit or guarantee against loss. You should consider your ability to invest consistently in up as well as down markets. The illustration is not intended to serve as financial advice or as a primary basis for your investment decisions. Taxes are generally due upon withdrawal and will depend on tax bracket in effect at that time. This information is not considered legal or tax advice. If you need legal or tax advice, consult with a lawyer or tax advisor.



MEDICAL INSURANCE



- *Group Insurance (for LLC)*
- **NUMBER OF EMPLOYEES MATTERS**
- TO BE ELIGIBLE FOR [SMALL BUSINESS HEALTH INSURANCE](#), A COMPANY MUST HAVE BETWEEN ONE AND 50 EMPLOYEES. MEET GROUP COVERAGE REPORTING REQUIREMENTS
- ONE OF THE EMPLOYEES ON THE GROUP HEALTH INSURANCE PLAN CAN BE THE EMPLOYER OR OWNER.
- HOWEVER, AT LEAST ONE OTHER EMPLOYEE WHO IS **NOT AN OWNER** MUST EXIST AND ENROLL IN THE GROUP HEALTH PLAN. THAT OTHER EMPLOYEE MUST BE SOMEONE WHO IS:
- NOT THE SPOUSE OF AN OWNER OR EMPLOYER
- NOT A FAMILY MEMBER OR A PARTNER OF THE EMPLOYER
- *Sole Proprietors Must apply for Individual insurance*

BENEFITS

- Medical/dental insurance
- Disability insurance
- eHealth, Kaiser,
United Health Care



BENEFITS

- Vacation?
- Sick days?



