



Accutek Solutions
Doug Beecher, C.P.A.

51 North 1000 West, Suite 5
Hurricane, UT 84737
Tel: (435) 635-3684
Fax: (435) 635-5454
E-mail: dougbeecher@yahoo.com
Website: www.accuteksolutions.com

January 2000 - How Can A Part-Time Business Help Me Financially?

As a general rule, you are better off financially in an ownership position than in a user or renter position. In a previous article, the benefits of owning your own home compared with renting were outlined. The same principle is true for investing your long-term savings money, such as your retirement savings. You are usually better off with investments you own, such as real estate, mutual funds, or your own business, than you are by loaning your money to a bank or insurance company at a fixed interest rate so they can invest it for you. The major exception to this general rule, both for home ownership and for investing your savings, is if you will only be involved for a short time. For example, if you will be moving from the home in a short time, say a year or two, you usually don't want to own it.

The same principle applies to your employment. Every person trying to earn a living from the sale of his or her services is in business. As such, you should try to make your services as valuable as possible. You should also negotiate the highest fair market price for those services just as you would try to get the highest price for anything else you are trying to sell, whether it is your home, your car, or whatever. It may be that the pay and benefits package at your current employment does reflect full market value for your services, and if so, that is great. Just keep in mind that when you sell your services to an employer, generally that employer marks up the price of your services and resells them to its customers. Your services may be worth more with the added value your employer can provide, or they may be more valuable to you if sold directly to the end user. You should reevaluate your situation annually, both to make sure your services are of the best quality possible, and to assure you are continuing to receive the best fair market price you can for them. Be sure to consider all options when making this evaluation.

Often we take on a part-time second job in addition to our primary employment to try to earn the extra money our families need. This often is an especially good opportunity for a business of your own, because second jobs usually pay lower hourly wages than primary ones. If you know a service or repair skill, see what people are willing to pay a business to provide them. It is probably substantially more per hour than what you can get at a second job. Write up a simple business plan to see if this is so. Outline who is buying your proposed service and what they are paying for it now. Determine what you can do to make the service meet more of these customers' needs than are being met where they buy now, and how much it will cost you to do it. If the difference between your proposed selling price and cost will produce a good return on your time and on any start-up costs you will have, then you have the outline for a good business opportunity.

The government also recognizes there is a benefit to society in your successful business, whether full- or part-time. Accordingly, it offers you a number of tax incentives to encourage you to take the effort and risk required to develop a successful business. Once you are established in the business, you can deduct all the costs of training designed to improve the skills of you and any associates you may have in the business. This includes course fees, books, update services, and travel. You can often coordinate this travel with personal travel and still make it deductible. The same holds for travel designed to provide services to your customers, or to try to obtain new customers or suppliers.

You can take a deduction for paying your dependent children under age 18 to work in your business, and they will be exempt from the usual social security, Medicare, unemployment, and possibly even income taxes on their income. This can be a great way to help them save taxes on the money they need to earn for future needs (such as college) as well as current spending money, that you are now paying for them and also paying tax on.

It is also possible to deduct the expenses for the portion of your home that you use exclusively for your part-time business, including insurance, utilities, and repairs.

To summarize, I am encouraging you to consider operating your own business for all or part of your family's income, both because it might increase your income and because it could improve your tax situation. I am also advocating that you write a business plan before you begin to evaluate the benefits and costs of such a move, and that you review your situation once a year to make sure you are continuing to do what is in your family's best financial interests.

Next month:

Make sure you are claiming all of the charitable contribution deductions you are eligible for on your income tax returns. I hope to have you with me then. If you have a topic you would like to see covered in these monthly newsletters, we'd love to hear from you!