

# Realities of Home-Based Businesses

by  
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Jana Roland lost her job as a design engineer with Golothonics – another casualty of outsourcing to southeast Asia. This had been her third job in ten years. She and Rob, a traveling consultant who was seldom home, had two school-age children. So Jana decided that rather than look for another job, she should start her own home-based business. This would give her a chance for more family time, she would not have a boss telling her what to do, and she would have greater control of her own destiny. One end of the family room of their Westlake home would make a great office, a place where Jana could both work and watch the children. There would be little cost, and maybe even some tax deductions. Life would be good.

However, Jana quickly discovered that there is more to a home office than just working out of the house. So, after putting together a business plan (yes, even a home-based business needs a plan – more about planning in a future article) Jana quickly learned the realities of working from home.

**Reality 1. Reserve a private space for the home office.** Setting up an office in the family room simply did not work out. The TV and the kids were constant distractions. Jana could never get away from her job, as she would see work waiting for her every time she walked through the room. The Roland's house had a guest bedroom that was not often used. So Jana replaced the bed with a couch that could double as a guest bed, and set up her office. Now she had an exclusive and private work area, and she could remove herself from the business when not in the "office".

**Reality 2. There are costs associated with a home office.** At Golothonics Jana had a furnished cubicle, and the company supplied a telephone, a computer, Internet Access, e-mail, and the latest versions of all the software she needed to do her job. Those luxuries were in the past! Now that Jana had office space, she needed to outfit it. She set up a card table which she would later replace with a desk. She needed a chair and a file cabinet. She had her own laptop computer, but needed to buy a printer. Jana also had to purchase accounting software, and specialized graphics software required for her design tasks.

Since her work required extensive Internet use, Jana obtained broad-band access through the cable company, and set up an e-mail account. Using the family phone line for business purposes did not seem very professional, so Jana purchased a new cell phone and decided to use the cell phone number as her business number. She could now answer the business line no matter where she was. Eventually she would set up a web site.

**Reality 3. Professional help is needed.** Jana had a great idea for her business, but she knew that engaging professionals would help her to succeed. She found a small business lawyer who guided her through the legal issues of setting up the business. She located an accountant who gave her advice on tax planning and book keeping, and would later do her annual tax returns. She worked with her insurance agent to make sure she was adequately insured. She retained a business advisor who helped her map out a business and marketing strategy and who would mentor her as she embarked on her business adventure.

**Reality 4. Running a business from home requires self discipline and good time management.** One day, after getting the children ready for school, Jana saw the TV was still on so she watched the end of the Today show. As she was doing the breakfast dishes she looked out the window and saw the bird-feeder was empty. While filling the bird-feeder, she saw her neighbor was out. After talking with the neighbor..... Well, after losing half the day, Jana

realized that if she were to run her business, she needed to prioritize her time, and carefully allocate the hours she would spend in the “office”. While often working into the evening after putting the kids to bed, Jana also realized she had to set up a work schedule so she would not spend all of her time in the office.

**Reality 5. Family.** A few weeks after starting her home business and getting into a nice working rhythm, Jana’s son got the flu and had to stay home from school for two days. In her corporate life, Jana would have taken vacation time or sick days to stay home with her son. Now she learned that one of the benefits of working at home was the ability to flexibly deal with family issues. However, when summer came, she had to make further adjustment and reverted to the child care she had used in previous summers, in order to continue working. When Rob was at home, Jana needed to cut back on the late night hours in order to spend time with him.

**Reality 6. Paycheck?** When Rob and Jana decided for Jana to start a home business, they knew it would take a while to achieve the level of income Jana had made at Golothonics. They also knew that there would be expenses in outfitting the office, and expenses for marketing. Most of their savings were in IRAs and 401-K plans. Rather than risk penalties for early withdrawals from their retirement savings, they decided to use home equity to provide interim funding. Once Jana started receiving money from her clients, she put the receipts into a separate business account from which she paid business expenses, made income tax and self-employment tax quarterly payments, and from which she paid herself.

**Reality 7. Even a home business needs to uphold a business “image”.** Jana was concerned that clients would notice a residential address on her business cards and correspondence. She also knew that there were times when she would need to have conferences with clients, and did not want them coming to her home. Her low-cost solution to both issues was in the form of a local business center. For a modest fee, she could use the business center as her mail drop and return mail address. She could reserve and rent a conference room on demand. There was even secretarial help available.

Once she got a good grasp on home-based business realities, Jana was able to refine her business plan, start marketing and selling her services, and begin satisfying customer needs in return for a nice income. She is enjoying being her own boss, getting great satisfaction from her work, and being closer to her family.

**Further reading:** *Home Business Magazine*, \$15/year, Published by Home Business Magazine, 9582 Hamilton Ave., PMB 368, Huntington Beach, CA 92646. *Start, Run, and Profit from Your Own Home-Based Business*, Gregory F. Kishel et al., John Willey and Sons, 1999, \$16.95.

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