

January 19, 2012

How much money do you:

Expect to make?

Need to make to cover family expenses?

Need to make to cover business expenses?

Need to make to cover health benefits?

Need to make to allow for sick leave or vacations?

What will your hours be?

How many weeks a year will you work?

Do you want to work part time?

Do you just want to work certain times of the year?

Form a business organization

Limited Liability Company

Corporation

Partnership

Avoid the sole proprietorship. Create a shield to protect your individual assets.

Once you pick a business entity, compliance with formalities is a must, or claimants have an opportunity to reach your personal assets that are not part of the business (“piecing the corporate veil”). For example:

Use company letterhead

Sign in a representative capacity

Appoint appropriate company officials, if appropriate

Do not commingle funds

Maintain separate bank accounts

Generate separate company income records and reports

Hold annual meetings

Document major decisions in the minute book

Obtain a separate EIN (the IRS has some exceptions)

Document Loans

Properly capitalize the company

IRS (EIN) – there is an exception for the one-man LLC, the IRS allows you to use your SS No.

State tax registrations

State Boards

State registrations??

Create a pro forma budget

Do what your pro forma budget allows

Be creative

Subletting space from a professional firm, or subletting space in the same building as a professional firm so you have access to the equipment/resources you will need are options.

Have a good contract to provide your services under

Understand all its terms, including the boilerplate provisions

Limit your liability

Have good payment provisions with teeth

Develop a deal maker/deal breaker checklist

Enact a plan to develop business

Is it realistic?

Have a backup plan to generate revenue if/when work is slow or lacking

Keep track of the “soft dollar” costs of marketing (both your out-of-pocket expenses and your time)

How much do you

Currently put toward retirement?

Expect to put toward retirement as a consultant?

What is your retirement vehicle?

What will be your retirement vehicle as self-employed?

Under pricing

Over pricing

Know contractual payment alternatives

Watch out for the cut-throat contractor

Endeavor to work with clients who know the business and who know there is no such thing as the “perfect project” – that design issues are part of almost every project

Fund a reserve to cover 6-8 months of family and business expenses
spending money on new equipment, software or non-essential items

When you start to get regular checks, resist the urge to spend before funding your rev]TJ 0(t)z0MaJ 0 Tc3()-1T /CS1 cs

Most successful consultants end up having a pretty good nose for business

Follow your intuition whenever possible

If you go against your intuition, monitor that situation closely

Take what you have learned and experienced with your past employers

DRILLING DEEPER ON CONTRACTS

Notice of Error and Chance to Cure
Termination
No Liability for Contractor's Work
Construction Observation Defined
Can Sue the Consultant and not Personnel
Contract Assignment Requires Consent
Electronic File Disclaimer
Engineer Responsibilities Detailed
Hazardous Materials Disclaimer
Payment for Extra Services



Workers' Compensation Insurance as required by statute, including:

Employers Liability – Limits of \$1M Each Accident; \$1M Disease – Policy Limit; \$1M Disease – Each Employee

Many states allow a waiver of the requirement to secure this insurance for:

The Self-Employed

Officers & Directors

Other Categories

Know your state's law well so you can effectively exclude this requirement from your contract, if allowed

Commercial General Liability Insurance with Limits of \$1M per Occurrence and \$2M in the Aggregate

These policies insure against:

Bodily Injury

Property Damage

Person Injury, Advertising Injury

Medical Expenses

They are intended to protect you from liability for damages to property (other than your own work or property) caused by your work or your product

Business Automobile Liability Insurance with limits of \$1M per occurrence, combined single limits (owned, hired & non-owned)

Professional Liability Insurance

QUESTIONS?