

The Facts about Self-Employment

Nationally, the unemployment rate continues to hover around ten percent. In New Hampshire, the unemployment rate is at seven percent. And, according to the New Hampshire Economic and Labor Market Information Bureau, the unemployment rate for the Littleton area was at 7.5%, the Berlin area was at 7.7% and the Colebrook area was at a whopping 12.4% this past November.

So, more and more people are resorting to creating work for themselves rather than continue to try and find a company willing to hire them. Many people starting their own business are those who were forced into early retirement as well as twenty-something's who may have a great education but just can't find a job that pays more than minimum wage. Self-employment can be both very rewarding and very stressful. Not only have I been self-employed for ten years now, I have helped a number of clients start and grow their businesses over the years. Some have been successful, some are still working on gaining success and a couple of businesses have, unfortunately, failed. Based on my observations, I have decided there are three key elements to starting and growing a business.

The first key to success is having an adequate cash reserve or alternate means of support. Most new businesses are not going to immediately create income to support you in the lifestyle you would like. There is a good chance you will not be able to pay yourself a salary for a number of years. Therefore, it is important to ensure you have the cash to cover not only the start-up and on-going expenses of your business but also your personal expenses. A loan might be an option if you can obtain one. But, if you do take out a loan, be sure you have a good idea of how you will pay it back so it doesn't become one more bill that you are going to struggle to pay each month.

This leads me to the second key to success and that is to have a business plan. Studies have shown that businesses with a plan are much more likely to be successful. As Benjamin Franklin once said "by failing to prepare, you are preparing to fail". A well written and thought out business plan is really a means to help you identify your strategic plan, which should in turn help you become successful. And, be sure to integrate your business plan with your personal goals and your personal financial plan so everything is working together. I have seen a number of small businesses that generate positive cash flow but there isn't sufficient means to save for retirement and meet the owner's other personal financial goals. So, to me, the business really isn't as successful as it ought to be. But, with some good planning and a business plan that incorporates the personal financial plan, the business owner will ensure that not only is he/working towards a successful business, he is also working towards meeting his personal financial goals.

The third key to success is to get help. Most small business owners are great at what they do but that doesn't necessarily mean they are good business managers. So, there is nothing wrong with learning from others how to run a business, write that business plan, figure out the cash flow, create a marketing plan and learn whatever other skills you may be lacking. There are so many free and low cost resources available it always amazes me when people don't take advantage of them. If nothing else, it can be a great way to do a bit of networking.

Self-employment can be great. Personally, I love the independence and not having a boss. But, I think that if I hadn't created a business plan for myself, if I hadn't asked for help and if I hadn't had the cash reserve to cover my pared down expenses during the first few lean years, I probably would not still be self-employed today. So, if you are unemployed (or even if you are not), self-employment is a viable alternative to working for someone else. Just remember that creating a business plan, getting help from the experts and ensuring you have sufficient cash to cover both the business and your personal needs during the start up phase of your company may vastly improve your odds of creating a successful and rewarding business.