



TENNESSEE VETERANS BUSINESS AND RESOURCE PLANNING GUIDE

a partnership between the U.S. Small Business
Administration and the Tennessee Small Business
Development Center

Tennessee Veterans Business and Resource Planning Guide

Funded in part through a cooperative agreement with the U.S. Small Business Administration. The mission of the U.S. SBA Office of Veterans Business Development is to maximize the availability, applicability, and usability of all administration small business programs for veterans, service-disabled veterans, reserve component members, and their dependents or survivors. All opinions, conclusions, or recommendations expressed are those of the author(s) and do not necessarily reflect the views of the SBA. Contact the TSBDC at (877) 898-3900 or visit the Web site www.tsbdc.org for the phone number and address of the Tennessee Small Business Development Center (TSBDC) office in your area to request arrangements.

Produced by the Tennessee Small Business Development Center Lead Center at Middle Tennessee State University.

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A Letter to Veterans

Dear Veteran:

If you are reading this book, you have taken a major step toward meeting your goals and enhancing your chances of becoming a successful entrepreneur. This guide will outline the steps to follow and suggest actions to consider.

Some programs described here are specifically designed to aid veterans and disabled veterans; others are available to the general public. Consider exploring the entire gamut of programs: local, state, and federal.

A new business requires a concerted and collective effort. In Tennessee, we have found success by exploring as many programs as possible for which a veteran might qualify. This is especially important if you're trying to develop investment capital for a business venture. Insufficient capital can be a major stumbling block to opening a business. You will find described in this guide potential funding sources for veterans and disabled veterans as well as other governmental resources.

Any potential business owner should have a comprehensive plan. Studying the ensuing chapters will help you put together a complete plan. It requires the diligence you learned in the service as well as the high level of commitment you have already demonstrated. Entrepreneurship is not for the faint of heart and will be very demanding of you and your family.

In the end, however, starting your own business can help you achieve a high level of independence and offer a legitimate opportunity to excel and reach achievable goals.

This guide was designed to help you on your journey.

You should take advantage of every possible source of assistance. The Tennessee Small Business Development Center (TSBDC) in your area can be the springboard you need to become a successful entrepreneur. You will find the TSBDC a wonderful advocate and, along with your veterans service representative, key to achieving your goals.

It is recommended that all veterans take full advantage of any benefits available through individual counseling and through publications such as this one.

If you are a veteran, use this booklet wisely, as a tool. Follow up with the agencies cited. You'll find counselors who want to help you. They have traveled down the road themselves and know the pitfalls.

Good luck on your journey,

The TSBDC Family

Acknowledgments

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Veterans Business Considerations

Potential Funding Sources

Tennessee values its veterans and disabled veterans very highly, as does the entire nation. And because we do, our veterans have received significant funding for business ventures.

There are, however, many misconceptions concerning the availability of “free grants” or outright “gifts” of money for business ventures. Everyone who attempts to start a business is judged on his or her own merits and the merits of the business idea. The required profile for obtaining funds can be very complex and quite narrow.

Even though the pool of funds is highly competitive for all small businesses, there are several major points to remember. Each funding source has its own criteria. You always need to show a track record or working knowledge of the specific business. Some businesses require certain credentials. Many funding sources are specific to locale, race, gender, etc. Other funding sources require that you undertake a specific business and hire a certain number of employees. In these cases, your project’s primary focus must impact the local economy through the creation and saving of jobs and the generation of other funds.

In the last few years, federal and state funding entities have instituted small-business loan programs earmarked for military veterans and members of the active military. So your active or retired military status means that you may qualify for one or more of these loan programs.

For example, the U.S. Small Business Administration has a Patriot Express Loan Initiative for eligible U.S. military community members including veterans, service-disabled veterans, active-duty service members eligible for the military’s Transition Assistance Program, reservists and National Guard members, and including their current spouses and widowed spouses of service members or veterans who have died during service or of connected disabilities.

Learn more about both the SBA and other veteran loan programs by consulting Appendix C of this planning guide.

Both of these programs reflect an awareness of the importance of contributions of military personnel to the preservation of our way of life. But it is important to point out that active, reserve, or retired military status does not automatically qualify you for this special funding. You must demonstrate that you have a sound business idea and strategy, and you must display the practical traits that are essential to business success. Your SBDC veterans business advisor can help you sort through these issues and answer your questions about eligibility and other matters.

As a veteran, you may be eligible for special treatment. The rest of this section addresses how you may qualify for such consideration. You should be aware of all programs that exist for veterans and then make use of them.

Big Business vs. Small Business

Certain projects were funded by the government because these projects have had significant economic impact. For example, the loss of manufacturing jobs throughout the nation, and Tennessee in particular, has been a major source of concern. Today, at local, regional, and state levels of government in Tennessee, there is a movement to restore manufacturing jobs. The federal government has created Community Enterprise and HUB Zones, which offer numerous benefits and enticements for businesses, particularly in manufacturing.

Many studies substantiate that more than 90 percent of people employed work for small businesses. The generally accepted definition of a small business is one that employs fewer than 100 people. Throughout all 50 states, the Small Business Administration (SBA) has developed a network of Small Business Development Centers (SBDC) to provide assistance to small business owners. Today, SBDC offices are located throughout Tennessee.

The Small Business Development Center

The Small Business Development Center has been in existence in Tennessee since 1984. To

support small businesses, the SBDC has taken a lead role in developing methods of creative financing for loan applicants.

The SBDC has worked cooperatively with veterans organizations in an important joint effort to help veteran entrepreneurs acquire capital to create or expand their businesses.

Business counselors know that businesses fail because of lack of business management skills and money. This is why they refer veterans to the SBDC. At TSBDC Regional Centers, trained staff provide technical assistance for start-up and small business firms. (See Appendix B.) The TSBDC places special emphasis on providing services for women, veterans, the handicapped, and minority entrepreneurs, offering focused, one-on-one counseling or targeted training and instructional programs.

First Steps

What is the first step for any veteran? Develop your individual profile as much as possible. You can do this during a visit to your local veterans office. If you are a disabled veteran, contact both offices of Veterans Affairs and Disabled American Veterans with questions about what qualifies for service-connected disability compensation.

You should be able to document the time you served and prove that you were honorably discharged. Generally, the Veterans Affairs Office, with proper medical verification, will rate the degree of disability—as low as 10 percent to a maximum of 100 percent, or total disability.

Here is a hypothetical case. An applicant who wants to go into business and is considered 100 percent disabled receives 100 percent benefits from the government. The applicant, who had also been exposed to both Agent Orange and nuclear testing, therefore receives specific compensation as well as Social Security disability benefits as a permanently disabled individual.

The service-connected funding support will be ongoing regardless of the success of the business. This insures a steady income; however, Social Security payments may be jeopardized if the business venture is successful. Social Security disability payments can be protected for up to three years if a proper PASS plan is submitted. (For an explanation of PASS, see page 15 and Appendix A, page 47.)

The veteran could also plug into VR. Vocational Rehabilitation Services, administered by the Tennessee State Department of Human Services,

can provide a qualified individual with support of up to \$11,000 for a business venture. (See Appendix B for a more detailed description of VR.)

Thus, in this hypothetical case, the applicant has a fallback base of money from the government and has real money to invest in the business. It's likely that this applicant could obtain support now from local development agencies, the Small Business Administration (SBA), and/or lending institutions—assuming, of course, that the applicant has a project with the potential for success, a valid market, an in-depth business plan, and a demonstrated business-related skill.

Today, the general public is more aware of the plight of the disabled veteran. For many years, there was general ignorance of the high rate of unemployment among all individuals with disabilities. Government, as well as society, now realizes that this population is capable of gainful activity and of making a significant contribution of time and talent to their communities.

Should I Start a Business?

In regard to disabled veterans, about 20 percent counseled usually go forward with business ventures. Many in the general population experience failure in their attempts to start a business. National figures reflect a success rate of only one out of eight, and there are failures among disabled veterans as well.

Veterans of the armed forces are represented in every walk of life in the United States. Veterans are a vital part of the nation's population, the labor force, and the business sector. More than 24 million veterans of the armed forces represented one out of every nine persons in the United States aged 20 and over. Veterans are an important group of entrepreneurs, and many veteran business owners have gained important skills from their active and reserve duty services that often are directly relevant to business ownership.

Businesses owned by veterans and by service-disabled veterans have been the subject of a special research effort by the U.S. Small Business Administration's Office of Advocacy since the enactment of the Veterans Entrepreneurship and Small Business Development Act of 1999. Advocacy-commissioned studies discovered the following:

- About 22 percent of veterans in the U.S. household population were either purchasing or starting a new business or considering doing so.

- Almost 72 percent of these new veteran entrepreneurs planned to employ at least one person at the outset of their venture.
- About 23 percent of current veteran business owners and 32 percent of those planning or in the process of starting a new business indicated that their venture would be 50 percent or more Internet-dependent.
- Military service appears to have provided necessary business skills to a significant proportion (one-third or more) of both current veteran business owners and those planning to become owners.
- The self-employment rate of male veterans was higher than that of nonveterans from 1979 through 2003 (the last year covered in the study), at which time it was 13.7 percent (including both unincorporated and incorporated self-employment).
- Veterans with service-connected disabilities are self-employed at lower rates than veterans without such disabilities when all veterans, including those not in the active labor force, are included in the calculation. Most of this difference is attributable to the number of service-disabled veterans not working because of their disabilities.
- Computer use is correlated with higher self-employment rates among all veterans.

A number of steps can be taken to reduce the chances of failure. For example, proper research and extensive analysis are critical to ensure accurate business projections. Great care must also be taken not to jeopardize funding resources. Even with all this, a disabled veteran may well decide that he or she would be better off not going into business because the risks are too high.

Naturally, SBDC involvement can significantly increase the odds of success. The Tennessee SBDC has had great success with thousands of small businesses over the past five years. As reported by our clients, the TSBDC was instrumental in creating over \$482 million in incremental sales and saved \$409 million of potentially lost sales. Also, through TSBDC assistance, over \$162 million in financing was achieved. As a result of TSBDC assistance, over 11,000 incremental jobs have been created or saved.

Funding Sources that Have Proven Successful

Not all resources listed here will apply to everyone. You may be able to add to the list. The intention here is to cite programs that have been most successful in providing assistance to all types of veteran applicants. Quite often, it is possible to combine two, three, or four of these programs to benefit a client.

The SBDC requires that all potential clients start by completing a client intake questionnaire (Form 641), with a section that identifies special categories: woman-owned, minority-owned, veteran-owned, disabled, eligible for/or currently receiving assistance, and any other information relevant in identifying a special interest group.

We highly recommend that all veterans complete this form. Many veterans fall under several of these categories. (A veteran applicant could be female, minority, and disabled, for example.) Each designation could qualify the veteran for potential funding. At the very least, in Tennessee, the veteran would be eligible to be considered for support by the following: the Department of Vocational Rehabilitation, the Department of Veterans Affairs, and the Social Security Administration. Here are several examples of how such coordination of funding sources can work.

The U.S. Small Business Administration

The Small Business Administration is a federal agency that supports small businesses throughout the United States. It also supports Service Corps of Retired Executives (SCORE), a volunteer group of retired executives that provides free counseling advice.

All SBDCs in the country receive some form of financial support from the SBA. SBDC business counseling is free, and there is no limit to the number of counseling hours. The SBDC helps clients find financial support and provides business counseling. Veterans and disabled veterans receive prime consideration from the SBDC, though the merits of each applicant are judged by various standards. These include a collateral position for the Small Business Administration, an in-depth business plan, and the ability to repay the debt in an appropriate time frame.

Based on certain conditions, the Small Business Administration could guarantee a loan to the applicant with any lending institution willing to grant it.

The loan rate is subject to negotiation between the client and the lending institution.

The Small Business Administration only guarantees loans; it doesn't make direct loans. Direct loans once were made, in particular to disabled veterans, through a program called Handicapped Assistance Loans (HAL). No one can predict if the direct loan program may someday return. You would be wise to check on that possibility in the future.

At least five Small Business Administration programs may be especially applicable to the veteran: 7A, 8A, 504, Patriot Express Loan, and SBA Express. Contact the SBDC for more information.

- The **Patriot Express Loan Program** is offered by SBA's nationwide network of participating lenders. It features fast turn-around time for loan approvals as well as the SBA's lowest interest rates for business loans. Patriot Express loans can be used for most business purposes, including start-up, expansion, equipment purchases, working capital, inventory, or real estate purchases.
- The **7A program** is the major SBA vehicle to guarantee an applicant's loan. The SBA can guarantee a project up to \$1 million or 80 percent of the project. There must be a funding source (bank, savings and loan) that is an active participant and that makes a formal request to the SBA. To qualify, veterans should be working closely with counselors at Veteran Affairs and the SBDC.
- The **SBA 8A program** is for individuals already in business but at a disadvantage in the marketplace. Generally, this type of loan is reserved for women and minorities. A strong case can also be made for disabled veteran applicants who can prove that their condition puts them at a distinct disadvantage. This program, which deals with government procurement, requires filing a specific application with the SBA. By filing the application, you could be awarded special status and allowed a privileged status in bidding on government work.
- The **SBA 504 program** might be an appropriate loan package to consider if your business venture requires any type of building or structure. In the 504 program—also called the “brick and mortar” program—your two “partners,” SBA and the lending institution, want to see tangible assets. Your building can provide this strong collateral base.

The financial obligation is distributed—10 percent (you), 40 percent (the SBA), and 50 percent (the lending institution). SBDC files contain many instances of veteran entrepreneurs who have taken advantage of this great opportunity to provide only 10 percent of the financial backing for their venture. (You can put up more if you like, but 10 percent is the required minimum.) Using the 504 program, combined with a good profile, you could obtain \$700,000 in funding for only \$70,000 in collateral, based upon the appraised value of your building.

- The **SBA Micro Loan** provides very small loans for start-up, newly established, or growing small businesses. The SBA makes funds available to nonprofit community-based lenders, which in turn make loans to eligible borrowers in amounts up to \$35,000.
- The **Military Reservists Economic Injury Disaster Loan (MREIDL)** is for eligible small businesses facing financial needs because an owner or an essential employee is called to active duty. Loans up to \$1.5 million for a maximum of 30 years are available at an interest rate not to exceed four percent.
- **SBA Express** encourages lenders to make more small loans to small businesses. Participating lenders use their own documentation and procedures to approve, service, and liquidate loans of up to \$350,000. In return, the SBA guarantees up to 50 percent of each loan. SBA Express lenders can also offer revolving lines of credit to borrowers.
- The **SBA Community Express** program guarantees loans up to \$250,000 and allows up to seven years for payback. Lenders are not required to take collateral for loans up to \$25,000. Lenders may use their existing collateral for loans from \$25,000 to \$250,000. Businesses located in renewal communities or Hub Zones may make loans up to \$250,000 without collateral.
- **VetFran**, launched by the International Franchise Association (IFA), provides financial incentives to aid veterans in acquiring franchises of their choosing from more than 160 participating companies, including SBA loan guarantees.

- The **Office of Veterans Business Development** has as its mission to maximize the availability, applicability, and usability of all administration small business programs for veterans, service-disabled veterans, reserve component members, and their dependents and survivors.

U.S. Social Security Administration

We discussed earlier how a disabled veteran might receive VA funding and federal benefits from Social Security—either Social Security Disability or Supplemental Security Income (SSI)—at the same time. These funds can be applied toward a Plan for Achieving Self-Support (PASS), mentioned earlier and described in Appendix C.

A regular monthly Social Security benefit payment, of course, significantly enhances cash flow. As an income and resource exclusion, PASS allows a disabled veteran to set aside income and/or resources (including Social Security) for a work goal or for starting a business. PASS can also help establish or maintain Supplemental Security Income eligibility and increase or help maintain Supplemental Security Income payments. Exclusion of income can be granted for up to 18 months. This period can be extended another 18 months if deemed necessary.

This would mean that you would have anywhere from \$9,000 to \$18,000 from the Social Security Administration to put into the business venture.

Division of Rehabilitation Services

The disabled veteran who wants to submit a PASS plan for consideration should also consider Tennessee's Vocational Rehabilitation program (VR) for individuals with disabilities. This program, administered by the Tennessee Department of Human Services, provides the disabled veteran with 100 percent of allowable start-up costs up to \$5,000 and 50 percent of allowable start-up costs over \$5,000; however, no funds are loaned for working capital. The maximum amount of the contribution is \$10,000. Once the business is in operation, every three months, you must provide your counselor with information about your monthly sales and income and the number of hours that you worked for the same time period so that you and your counselor can determine if projected sales and income are accurate. The disabled veteran must demonstrate that the business and cash flow are stable. Generally, a

period of six months or more is needed to measure business success and close your case as successfully self-employed.

Simply being disabled, in itself, is not enough to qualify for this type of funding. For the VR office to consider financing the project there must be a good chance of success. Most VR offices require a letter of support from the local SBDC or SCORE office.

Submitting a PASS plan and a VR plan removes two great risks for the disabled veteran. The PASS plan is for a specific trial period and cannot be restored to full benefits without penalties. The VR plan is not really a loan or a grant; rather, it is an investment in the individual which never has to be repaid. This program is available in many states in addition to Tennessee.

Regional Industrial and Economic Development Agencies

Veterans can also qualify for consideration by municipal, county, town, and regional community development agencies. Almost always, these agencies prefer to underwrite manufacturing or industrial projects because manufacturing jobs pay well. New jobs in manufacturing also attract positive press—important in obtaining future funding for the agency. This type of agency can also be more flexible than industrial development agencies because these agencies will consider the formation of new jobs of any type if those jobs help the local economy. This is especially true in areas of urban blight and in rural areas where economic opportunities are limited. In any case, community development funds should be viewed as supplemental rather than primary funding resources. (See Appendix B.)

Other Types of Funding

The potential for creative financing is almost limitless. Other funding sources available to veterans and disabled veterans include State Workers' Compensation, private insurance companies, gas and electric utility companies, the United States Farm Credit Bureau, and Federal Agriculture Home Administration.

Your Veterans' Affairs and SBDC counselors can help you determine which are applicable to your client profile.

Sample Veteran Case

Let's look at the case of a disabled Vietnam veteran who ran a farm produce stand and who came to the SBDC requesting relief from a business loan through restructuring or borrowing additional funds. The loan had come from the Small Business Administration through its direct loan guarantee program, at an 8 percent interest rate.

An extensive review suggested that the best course of action for the veteran was as follows (please remember that in the recent past, the SBA made direct loans and had a handicapped assistance program):

- Request a postponement of the principal payments to the Small Business Administration. The SBA's Veterans' Affairs officer was helpful in obtaining that variance.
- Obtain a personal credit history and review it for accuracy and its impact on obtaining financing.
- Help develop a more extensive business plan (many current secondary resources were left out of the initial plan), and consider developing cash flow by using the property as collateral.
- Query the Veterans' Administration (specifically the Disabled American Veterans) to identify the severity of the client's disabilities.
- Initiate an application through the Small Business Administration on behalf of the client, requesting consideration as a Handicapped Assistance Loan applicant.
- Work with counselors at Tennessee's Division of Rehabilitation Services for individuals with disabilities (VR) to qualify the client for business funds.
- Inquire of USDA if their Rural Area Development program could be of assistance to the client.

Results of These Actions

The steps listed above show how agencies can collectively provide assistance to upgrade the level of gainful activity of individuals with disabilities. Assistance in the form of advice as well as funding can help the client better understand his/her small business venture.

The Small Business Administration was more than willing to allow the necessary time for an SBDC review. The initial perusal suggested that the property was worth significantly more than it was at the inception of the Small Business Administration loan. The SBDC was able to assist in locating funds for an appropriate appraisal, which validated the increased worth of the property.

The increased value, along with a properly developed business plan, made this venture more viable. Several agencies were helpful in clarifying disabilities, which enabled the client to be considered a proper applicant for a Handicapped Assistance Loan. The 3 percent loan rate allowed the client to pay off the 10 percent note, have money for expansion, and properly resupply his/her farmer's market at approximately the same payment required for the 10 percent loan.

Additional funds for the project came from VR (for coolers for the farm market), Tennessee Department of Economic Development (working capital), and Veterans Administration (voice-activated computers to monitor the business).

The only unsuccessful effort was developing a Plan for Achieving Self Support (PASS). Social Security felt that too many additional funding sources were available to the client—compensation, Agent Orange, Veterans Benefits, Social Security, etc., to approve a PASS plan. The client could not live within the Social Security guidelines to qualify for PASS.

It is highly questionable that this project would have been properly funded without an adequate business plan. A sound business plan enables a sound business. This business plan identified not only primary income through cash flow projections but also secondary income support. The secondary income was substantial (Agent Orange Benefits, Veterans Benefits, and Social Security), which created a positive profile.

Don't be discouraged with the time it takes to identify funding sources. A client with perseverance can make it through the maze of red tape.

Community and Economic Development Resources

Other general funding sources are worth identifying.

A large group of funds is monitored by local economic development agencies throughout the country. Generally speaking, these agencies are community development or economic development agencies whose sources of funds are local tax dollars or federal dollars. Their intent is to improve economic impact by creating jobs or aesthetically improving a neighborhood. These programs can help a client's loan package. In essence, that agency becomes your partner and helps to create a funding "cushion" for the bank.

Here's an example. Say that you are looking to buy a building to house your retail store and have two rental apartments above the store. You have your eye on a specific building. The potential rental space is unoccupied and has many code violations. The building is in a city, in a neighborhood that has been designated for reclamation. You go to a bank, make a legitimate offer for the property, and are turned down.

In this case, the SBDC would suggest that you speak to both the city's Economic and Community Development offices. It might be possible to produce the following outcomes:

- Perhaps your building has been designated a historic landmark. There are funds that can be used to rehabilitate the property.
- Perhaps in fixing up your building, you are helping to remove "urban blight." This is the main criterion for obtaining Federal Housing and Urban Development funds.
- Perhaps the city likes your project and is willing to commit up to \$25,000 at 10 percent interest because you are having a positive economic impact.

In this hypothetical case, the chances now might be good for the bank to accept the loan package because now you're not looking to them for major financing. Your loan application would include you, the city (involving the SBA and Housing and Urban Development), and the bank. Your 10 percent would come from the VR office, and the PASS plan could be used for "seed" money. It is conceivable that approximately \$25,000 to \$30,000 could be raised in such a manner.

Summaries of Other Multiple-Funded Veteran Cases

Case I, Requested: \$700,000

Veteran's Share	18%
Bank's Share	48%
SBA 504 Share.....	34%

Case II, Requested: \$385,000

Veteran's Share	5%
Economic Development's Share	16%
SBA Guarantee	50%
Local Development's Share	8%
Bank's Share	21%

Case III, Requested: \$228,000

Veteran's Share	23%
Bank's Share	14%
Industrial Development's Share.....	11%
SBA Guarantee	41%
Local Development's Share	11%

Case IV, Requested: \$138,500

Veteran's Share	3.6%
SBA Guarantee	57%
Bank's Share	10.6%
Revolving Loan Fund	28.8%

These case summaries are a small sampling of the large number of veteran and disabled veteran cases counseled by SBDC. These cases show how you might use creative financing. You should also take advantage of the free counseling available from the SBDC.

Funding through Workers' Compensation and Private Insurance Companies

Two often-overlooked sources of capital for a business venture are Workers' Compensation and private insurance companies. Veterans receiving these benefits may wish to consider these options.

Both of these programs are required to pay you a specific insurance benefit for a particular length of time. If you are willing to settle on a mutually-agreed-upon lump sum payment, you can use the money to start your business and save money for the insurance programs. The programs will not settle any claim with a client who can't demonstrate that the business will be a sound investment.

Other Funding Methods

Some veterans have collateralized property to use in their loan packages. In some instances, using this collateral is a good way to demonstrate good faith. For clients engaged in a large manufacturing enterprise, every county in Tennessee has a county industrial development agency or a metropolitan development agency. There are large Chamber of Commerce programs and Tennessee Economic Development Zones as well. All of these could be sources of funds for projects with the right profile: the potential to create significant industrial and manufacturing jobs.

Clearly, many great financial programs are available. The key factors for success are doing your research, formulating a business plan, obtaining good counsel, and perseverance. This guide should also help.

What Kinds of Small Business Should I Consider?

This important question is one that only you can answer. Many factors should bear on your decision. What are your particular strengths? They may be skills you learned in the military. Your choice should be based on what you enjoy doing or are familiar with. Long hours are generally associated with small business ownership. So your business should be something to which you wouldn't mind making a commitment. In the final analysis, your choice really has to be a good fit for both you and your family.

In the largest sense, every business is feasible for any veteran. We include the list below simply as a way to get you thinking about your particular skills and interests—perhaps to help you uncover career options you never considered before.

As a matter of fact, the following is a list of types of small businesses currently being run by veterans who received initial assistance from local SBDC offices. It goes without saying that the success of any business you select will depend on the amount of effort and capital invested.

Antique store
Artist
Auto repair, detailing, sales, and other services
Bakery
Bar
Bed and breakfast
Bottled water
Cleaning service

Coffee shop
Computer services
Convenience store/deli
Daycare—children and adults
Doctor, dentist, chiropractor, other
Driving school
Electrical contractor and supplies
Employment agency
Fitness center
Franchises
Gift shop
Graphic design
Handyman
Hardware store
Home construction/improvement/inspection
Home furnishings
Insurance
Inventor
Landscaping—design and maintenance
Laundromat
Liquor store
Logging, firewood
Manufacturer
Martial arts
Music production and performance
Online/Internet business
Pet care, boarding, grooming
Photography and videography
Printing
Real estate and property management
Restaurant and catering
Retail store
Security services and private investigation
Sporting goods and outdoor equipment, guides
Trucking
Vending machines
Wholesale trade

The following list includes types of small businesses that have been funded by the Small Business Administration, including many by individuals with disabilities.

Antique dealer
Arts and crafts store
Audiovisual rental
Bait and tackle store
Beauty salon
Bookstore
Cabinetmaker
Cable installation
Candy store
Carpet cleaning

Ceramic studio
 Cleaning service
 Clock repair
 Clothing store
 Coin-operated laundromat
 Coin shop
 College selection service
 Composting management
 Computer-aided drafting
 Construction
 Contract poultry breeding
 Convenience store/food market
 Counseling service
 Dairy farm
 Decorative and novelty stitching
 Demographic research
 Donut shop
 Driving school
 Employment agency
 Equipment rental (chairs, tents, etc.)
 Farmer's market
 Firewood, retailer
 Firewood, wholesaler
 Flea market vendor
 Franchising
 Furniture refinishing
 Furniture, retail
 Gem cutter
 General contracting (excavating and road work)
 General home improvement
 Greenhouse/florist
 Grounds maintenance
 Hot Dog stand
 Ice cream parlor
 Import/export
 Janitorial supply
 Jeweler
 Law firm
 Lawn and garden service
 Lawnmower repair
 Leather craft
 Liquor store
 Locksmith
 Machine shop
 Marina and marine retail supplies
 Manufacturing of expandable polystyrene foam
 Mercantile store
 Motor oil distributor
 Moving and storage
 Musician
 Nanny service
 Nursery school

Office supply
 Pension consultant
 Pet shop
 Petting zoo
 Photography
 Plastic for packaging and insulation
 Post Office mailings
 Printing T-shirts
 Private investigation
 Process server
 Rabbit breeding
 Residential care home
 Retail hardware
 Retail tobacco
 Retail and wholesale egg business
 Sales/manufacturer's representative
 Silversmithing
 Small engine repair
 Sound production
 Sports shop
 Tax accounting service
 Taxicab service
 Telephone answering service
 Television repair
 Towing
 Trophy shop
 Watch repair
 Welding
 Wholesale automotive parts
 Wholesale plant nursery

Plan for Achieving Self-Support (PASS)

The Plan for Achieving Self-Support, or PASS, allows a person with a disability to set aside income/resources to achieve an occupational objective and become self-supporting. An approved PASS participant is eligible for Supplemental Security Income (SSI), or if the participant is currently receiving SSI, he or she receives a higher payment.

- A person with a disability who wants to open a small business can set aside income and resources to reach a business goal and qualify for an SSI cash benefit.
- A person with a disability who needs education or occupational training to reach an employment goal can set aside income and resources to pay for tuition, books, supplies, fees, and costs associated with education or training.

- The person must have a disability, qualify for SSI, and be able to manage on SSI cash benefits for food, clothing, shelter, etc.

A PASS is a work incentive designed to provide opportunities and encouragement for people with disabilities to enter or reenter the workforce. The program can also reduce or eliminate the need for Social Security cash benefits. A PASS, in short, is a short-term investment to help you realize a long-term gain.

Candidates for a PASS include people with disabilities who are:

- receiving, or would like to receive, rehabilitation services (VR, VA, physical/occupational therapy etc.);
- currently in, or would like to enter a school or training program (college, SBDC); or
- marginally employed or underemployed seeking work or currently working (including self-employment).

Currently, people with disabilities have the primary responsibility for developing a PASS. Unfortunately, most people with disabilities are not prepared to do this. The following guidelines should help.

The plan must

- be designed especially for the individual with a disability;
- be in writing, and include name, Social Security number, and an original signature;
- be approved by SSI at the outset, with amendments signed and approved by SSI;
- include a specific occupational goal and a connection between planned expenses and this goal, which must potentially reduce or eliminate the need for Social Security payments;

- show resources or income the individual can or will be able to set aside (set-aside income must be separate from any other money and deposited on a timely basis— weekly/ monthly—and must equal total expenses);
- include the starting date of the PASS, which can be used only for expenses connected to the occupational goal; and
- include the approximate month(s) for the planned spending, the cost of the item(s) to be purchased and/or used, and the total of the expenses and how they are calculated.

A PASS can be written for 18 months. An additional 18 months will be added as an amendment if you have not reached your occupational goal and you are following the PASS guidelines. A 12-month extension can be added for an education or training program. At this time, there is no limit on the total number of months. All PASS proposals must include an anticipated completion date.

Examples of Planned Expenses

The following list shows types of expenditures that may be planned in order to accomplish an occupational objective:

- equipment
- supplies
- operating capital
- consumable goods
- tools for your disability or for general use
- training costs for tuition, books, supplies
- room and board while attending training, trade, or business activities
- private vehicle

Sample Completed PASS Application

Date: July 15, 2009

SS#: 000-00-0000

Name: John Doe

Phone: (000) 000-0000

Address: 1124 Sycamore Lane, Anywhere, USA

Currently receiving SSDI? YES SSI? YES

1. **Occupational objective:** My goal is to become a self-employed cabinetmaker. I am a client of VESID. John Smith is my counselor. I have a written business plan. The SBDC, two interns from Syracuse University, and I wrote the plan.

2. **Month/year occupational goal expected to be achieved:** I would like to begin my PASS August 1, 2009, by depositing my SSDI check of \$379 into my business account (see checking account.) My PASS will be written for 18 months, at which time I will determine my business needs and decide whether I need an extension.

3. **Planned expenditures for achieving occupational goal:**

Item	Rent	Utilities	Consumable Goods
Month of Expenditure	August '09	August '09	August '09
Connection to Occupational Goal	Place of business	Cost of business	Cost of business
Cost Calculation	\$312.50 per month	\$50.00*	\$16.50
Total	\$312.50	\$50.00	\$16.50 = \$379.00

4. **What income or resources will be used to accomplish the occupational goal?**

I will begin depositing my SSDI check of \$379 per month into my PASS account. As the business grows, I will deposit the gross sales into the PASS account. VR is in the process of preparing a \$10,000 investment contribution. The contribution will be used to purchase equipment for the shop and for some needed electrical work.

5. **What income and property does the individual expect to receive to achieve the occupational goal?**

During the duration of the PASS, I will be accumulating:

Location/Rent	\$312.50 per month
Utilities	\$ 50.00+ per month
Sales	To be determined
Equipment	Provided by VR to start the business.

6. I've been working with VR since March 2009 and the SBDC since January 2009 to meet my goal of becoming a self-employed cabinetmaker. I have no other resources to meet my goal.

**Will increase as business grows.*

See Appendix C for complete rules regarding PASS for blind and disabled people.

Small Business Planning Guide

Every business requires a plan. Why should you go to the effort of creating a written business plan? There are three major reasons:

- The process of putting together a business plan, including the thought you put in beforehand, forces you to take an objective, critical, and unemotional look at your business project in its entirety.
- The finished product—your business plan—is an operating tool which, when used properly, will help you better manage your business and work toward its success.
- The completed business plan is a way to communicate your ideas to others and provides the basis for your financing proposal.

The importance of planning cannot be over-emphasized. By taking an objective look at your business, you can identify areas of weakness and strength, pinpoint needs you might otherwise overlook, spot problems as they arise, and begin planning how you can best achieve your business goals. It may even help you to avoid some problems altogether.

This guide has been designed with these considerations in mind. It is important that you complete as much of the work as possible. A professionally prepared business plan won't do you any good if you're not familiar with every aspect of the plan. This deep understanding comes from being involved with your plan's development from the very start.

No business plan, no matter how carefully constructed, will be of any value unless you use it. Going into business is a very serious matter in terms of your future and your family's future—over half of all new businesses fail within the first two years of operation. A major reason for failure is lack of planning. Use your plan. Don't put it in a bottom drawer of your desk and forget about it.

A business plan can help you avoid going into a venture that is doomed to failure. It can help you see if your proposed venture is marginal.

Finally, your business plan provides the information others need to evaluate your venture, especially if you need to seek outside financing. A thorough business plan automatically becomes a complete financing proposal that will meet requirements of most lenders.

Suggested Business Plan Outline

Cover Sheet

- Name of business
- Names of owners
- Address and phone numbers of business

Statement of Purpose

- The business
- Description of business
- Market
- Competition
- Location
- Advertising
- Management
- Personnel
- Application and expected impact of loan
- Impact of loan (if needed)
- Summary

Financial Data

- Supporting documents
- Personal resumes
- Personal financial requirements and statements
- Cost-of-living budget
- Credit reports
- Letters of reference
- Job descriptions
- Letters of intent
- Copies of leases, contracts, legal documents, and anything else relevant to the plan

Cover Sheet

The cover sheet should

- identify the name of the business and the date of the plan,
- identify the location and telephone numbers of the business or where the owners can be reached, and
- identify the person who wrote the business plan.

The cover sheet should not be elaborate but should be neat and attractive. If you have a logo, use it. If the plan is to be submitted as a financing

proposal, use a separate cover sheet for each bank or capital source.

Statement of Purpose

The first page should state the plan or proposal objectives as simply as possible. If for your sole use, the statement should be a brief description of how you intend to use the plan.

If the plan is also to be used as a financing proposal, the statement of purpose becomes more complex. It should include responses to the following questions:

- Who is asking for the money?
- What is the business structure (sole proprietorship, partnership, corporation, etc.)?
- How much money is needed?
- How will the money be used?
- How will the funds benefit the business?
- Why does the loan or investment make sense?
- How will the funds be repaid?

The deal you are proposing—the loan or investment, its use and expected effects on the business, and how you will repay it—should be supported by the rest of the plan.

If you are not seeking a loan, the plan should still support and justify the use of your own money (or the money of partners, friends, and family). Keep the statement short and businesslike. It will usually be no longer than half a page but may be longer if necessary. Use your judgment.

Contents Page

The Contents Page should follow your Statement of Purpose. The remainder of the plan should be devoted to elaborating on and supporting the Statement of Purpose. A business plan, even for a modest project, generally runs to 20 pages or more.

There are three main sections of your plan:

- The business
- Financial data
- Supporting documents

Description of Your Business

This is the most important, most complex part of your business plan. It should make a clear statement of

- what the business is (or will be);
- what market you intend to serve, the size of the market, and your expected share;

- why you can serve that market better than your competition;
- why you have chosen this particular location;
- what management and other personnel are available and required for the operation; and
- why (if appropriate) borrowed money or an equity investment will make your business more profitable.

These six considerations are crucial. They are the written policy of your business—rules you should not deviate from without compelling reasons. Since policy gives stability and direction to your business, it requires a great deal of thought and planning.

Your business will reflect your personality and abilities—not someone else's. In describing your business idea, aim at clarity and simplicity. A rule of thumb: if you can't describe your idea clearly and simply, you haven't thought it through.

Deciding what your business is—and where you want it to be in five years—is the most important decision you will have to make. If a small business is involved in more than one activity, your judgment of what the central activity or central activities are is crucial. Your entire planning effort is based on your perception of what business you are in. Be sure to take the time to think this decision through.

The description of the business includes

- the type of business: is your business primarily merchandising, manufacturing, or service?
- the status of the business: is your business a start-up, an expansion of a going concern, or a takeover of an existing business?
- the business form: sole proprietorship, limited liability company (LLC), partnership, or corporation?
- a statement of why your business will be profitable.
- the date you plan to start the business.
- the hours your business will be open (if your business is a seasonal business, describe how the hours will be adjusted seasonally).

Knowing exactly what your business does and how it operates enables you to plan for profits effectively. Before you begin to consider profit-making, you must be able to clearly state the aims and goals of your business. As the business progresses, the question of how to make profits must be continually asked.

For a New Business

Your description of the business should contain responses to the following questions (as well as the previous questions):

- Why will you be successful in this business?
- What is your experience in the business?
- Have you spoken with other people in this kind of business? What were their responses?
- What will be special about your business?

Many businesses fail to take advantage of the insights and experience of actual and potential competitors. Your best single source of information, they will often give you much valuable advice for nothing more than a chance to share their expertise. Talking with competitors (and observing their business practices) will also help you define what the special advantages of your own business could be. Two more questions to consider:

- Have you spoken with prospective trade suppliers to find out what managerial and/or technical help they will provide?
- Have you asked about trade credit?

Trade credit is a source of funds. “Net due in 30 days” allows you to use the supplier’s money for 30 days—like a noninterest-bearing loan. This means, however, that you may forgo any frequently available cash discount if you pay the bill within 10 days. Taking the discount your supplier offers can represent a substantial savings. If you can borrow the funds somewhere else at a lower rate of interest, you should do so. However, such credit is often not available until a business has been in operation long enough to establish a reputation for paying on time. Many suppliers also offer free services as an inducement to buy their products. For instance, store fixture manufacturers give free layout advice, and utility companies give hints on how effective use of light can create more sales. Two additional considerations:

- If you will be doing contract work, what are the specific terms of the contract? (Reference any firm contract or letter of intent, and include it as a supporting document.)
- How will you offset any slow payment by the customer?

Especially important when contemplating contract work is to find out how and when you will be paid. Get a feel from other contractors about their experiences. Remember that a slow-

paying customer can put you out of business if you aren’t prepared. If you find that slow payment is a fact of life, plan ahead to compensate for the shortfall.

For a Takeover

Your description should contain a brief history of the business you plan to take over and should respond to the following questions:

- When and by whom was the business founded?
- Why is the owner selling it?
- How did you arrive at a purchase price for the business?

Businesses that are strong and growing are infrequently offered for sale, and most sellers may give—not necessarily deliberately—misleading reasons for selling their businesses. Protect yourself. Ask your banker to check out the business. This is a routine activity for banks, which have the means to find out such information. You can also ask your lawyer or accountant, persons who are often experienced in this area.

Pricing a business requires professional expertise and ethics. Paying for a professional appraisal may turn out to be an excellent investment because it not only establishes a fair price for the business but also provides justification for the price if outside financing is needed. Include a copy of the appraisal as a supporting document. The price should reflect business assets; the rate of expected income on your investment; and perhaps a “good will factor,” such as patents that can be capitalized, a reputation for excellent service, or an advantageous lease.

Since you will be repaying the purchase price out of profits, make sure that you get what you are paying for. Consider the following:

- What is the trend of sales?
- If the business is going downhill, why? How can you turn it around?
- How will your management make the business more profitable?

These last two items should be supported by income statements and tax returns. If a business is sliding downhill, there may be reasons that aren’t obvious. Discuss the owner’s reasons for selling. Ask the bankers involved with the business. It is difficult to restore a tarnished reputation. It can’t be done overnight.

Some additional thoughts as you check out the business: Have you evaluated and aged the

inventory? Checked with trade creditors? Aged the receivables? What is the condition and age of operating machinery? Does the business owe money? If it does, will you inherit the liabilities? Check with state, federal, and local agencies concerning outstanding taxes due.

Determine exactly what you are buying. You are planning to put your money on the line. Don't be afraid to ask for advice before you commit yourself to any deal. A good attorney is essential at this point to help determine what you are buying and to make sure that the terms of the sale are in your favor.

For a Franchise

Many small business owners have been helped in getting a start by investing in a franchise. You may want to consider such an investment.

Most franchises require some or all of the following:

- initial franchise or license fee
- training costs
- on-site start-up and promotional costs
- periodic royalties
- charges for the building, equipment, inventory, supplies
- occasionally, bookkeeping charges

Along with the franchise costs, you should have on-hand working capital for at least three months of operation and preferably more. You can determine working capital needs by a simple formula: multiply living expenses by three and add total franchise costs.

Keep in mind that a parent company is involved in franchising for two basic reasons: to expand and to raise capital. So if you have a reasonably good credit record and pass all financial requirements, most franchisers will bend over backward to get you on their team. The help that franchisers provide usually includes assistance with business plans, loan application help, introduction to lending sources, and, in many cases, serving as guarantor of the loan.

Remember that the price of the franchise does not always reflect the actual cost of the business. Additional costs can include down-payments on the land, building, and equipment; fixtures; signs; and many other items.

Be sure you understand the requirements of your cash investment. Do a thorough search of the company in which you will be investing your money. Federal franchise laws require that all franchisers give the franchisee a full and complete disclosure

including a description of the business, training programs, services provided, number of franchises, financial statements, and audits. The disclosure must fully describe all that will be required of the franchisee.

It is imperative that you, as the potential franchisee, retain legal counsel to review all contracts, agreements, and other documentation that may be required before signing them.

The Market

To generate an ongoing sales flow, you must become knowledgeable about your market—the people who will be buying your service, product, or merchandise. Basic market considerations are as follows:

- Who/what is your market?
- What is the current size of the market?
- What percent of the market will your business expect to capture?
- What is the market's growth potential?
- As the market grows, does your share increase or decrease?
- How will you satisfy your market?
- How will you price your service, product, or merchandise to make a fair profit and, at the same time, be competitive?

Define Your Market

In marketing terminology, define your target market—the target of all your efforts. You do this by considering

- Who needs your product or service?
- Who buys the kind of merchandise you stock?

It may be necessary to alter your service, product, or merchandise mix to meet the needs of the market you have targeted; however, you must first know exactly who/what your market is. Perhaps it is defined by geographic location, socioeconomic or ethnic factors, age, gender, or other conditions.

Whatever your market elements, make sure you identify them. One way to do this is to simply list all important characteristics, and then, by using census data or other available information, find out to what extent these characteristics are present in different areas.

You must then measure your target market. As simple as this may sound, remember, having too few customers puts you out of business. Although your

business will receive cash from four sources—sales, loan proceeds, sale of fixed assets, and proceeds of new investment—it will ultimately rely on sales as the main source of money. (If there are no sales, there is no business.)

You can obtain information about the size of your market from your Chamber of Commerce, trade publications, marketing consultants, other business persons, schools, and colleges. Census data, which you can find at your nearest library or online, is an excellent source of information.

Get help in assessing the market from such sources rather than trying to guess by watching passing traffic and hoping for the best. Good marketing strategy must be planned, and it must be based on good information.

When you have a feel for your market, answer the following questions:

- How will you attract and keep this market?
- How can you expand your market?

These two critical questions lead to other ideas to consider, such as how and where to advertise, the suitability of your location, and how attractive your office or store is to the clientele you hope to draw.

The second aspect of your marketing strategy concerns price:

- What price do you anticipate getting for your product?
- Is the price competitive?
- Why will someone pay your price?
- How did you arrive at the price? Is it profitable?
- What special advantages do you offer that may justify a higher price?

To make a profit, your business must make more on sales than it spends (both directly, as in cost of goods sold, and indirectly, as in overhead and selling costs). Many businesses flounder because they lose sight of this simple truth.

A Brief Note on Credit

Will you offer credit to your customers? If you do, you are, in effect, making a loan to them. Can you afford to do this? Do you have to extend credit? Can you evaluate credit risk? Can you collect? Can you afford to write off bad debts? Customer credit can represent an unexpected cash drain on the business. If you must offer credit, make sure that you plan how to absorb its effects. Offering credit to your customers costs you money, especially if you then have to borrow funds to cover these accounts. It may

strangle your business by tying up funds you could possibly use for other purposes.

Pricing

Keep in mind that pricing reflects a total package of product and service and expenses.

There is no point in pricing yourself out of the market, nor is there anything to be gained from a price which puts your business in the red.

Competition

If you have decided on your target market and it is large enough to be profitable and it contains reasonable expansion possibilities, the next step is to identify and assess your competition. Consider these questions:

- Who are your five nearest competitors?
- How will your operation be better than theirs?
- How is their business? Steady? Increasing? Decreasing? Why?
- How are their operations similar and dissimilar to yours?
- What are their strengths and weaknesses?
- What have you learned from watching their operations?

This section should enable you to make your business more profitable by picking up good competitive practices and avoiding your competitors' errors. Opening a business in a market that is already more than adequately served is a common error. Carefully evaluating the competition will sometimes lead you to alter your basic business strategy or modify operations to compete more effectively. This should be an ongoing practice, since market shift and success attract competition.

Learn from competitors' mistakes, and go after the market segment currently being inadequately served. A good practice is to identify an unserved or underserved target market, identify the needs of that market, and go after it. An advantage for a small business is its ability to operate profitably in a market too small for big businesses to consider. Checking out the competition is a valuable extension of your marketing efforts.

Location

Proper site location can help your business make money. If you are going into business, first try to identify the ideal site, then figure how close you can

come to it, remembering that rent is computed as the combination of space and advertising.

Information about specific geographic areas is available from Chambers of Commerce, trade sources (such as magazines and associations, planning commissions, bankers, and lawyers), and industrial development commissions. They may also have information about tax breaks and financing incentives for businesses that will employ substantial numbers of people in towns under their commission.

Do not go into business in a given spot simply because the price is low. Rent and purchase prices are usually fixed by market forces, and a low price can reflect low desirability. Although for some operations this consideration is beside the point, for others—merchandising operations in particular—it is a very important factor.

Each business has its own location needs. If your enterprise is manufacturing or wholesale, low rent and easy access to transportation routes are very important. For most retail operations, however, exposure to people and accessibility are most important. Traffic studies may be available for the area you are considering. Sources of this information may include state or local highway agencies, local libraries, or Chambers of Commerce. Your local banker may well be one of your most useful information sources. Some locations seem to be “jinxed,” and most likely he or she will know why and will tell you.

In this section of your business plan, you should answer the following:

- What is your business address?
- What are the physical features of your building?
- Is your building leased or owned? State the terms.
- If renovations are needed, what are they?
- What is the expected cost? Get quotes in writing from more than one contractor. Include quotes as supporting documents.
- What is the neighborhood like? Does zoning permit your kind of business?
- What kinds of businesses are already in the area?
- Have you considered other areas? Why is this one desirable for your business?
- Why is this the right building and location for your business?
- How does this location affect your operating costs?

The key to correct site selection is to keep in mind that a bad site can put you out of business, but a good site can increase your profits. Once you get started or if you are already located, keep a constant eye on changes in your location—new roads may be built, populations may shift, zoning ordinances may change. Such changes could mean you need to alter your business plan.

Advertising

Effective advertising can help owner-managers of small companies achieve benefits such as increased sales, sustained sales volume, and reduced selling costs. The secret to such results is not so much in the amount of money budgeted for advertising but in how it is spent.

Advertising can be one of small businesses’ most effective weapons in an intensely competitive business climate. It can offer a creative and effective way for retailers to bid for their fair share of the market in the face of stiff competition and rising costs.

Advertising is not an end in itself but rather a means of providing customers with convincing reasons why they should patronize a particular business.

Businesses should always build their advertising messages around the particular advantages they are prepared to offer their customers. Usually, these advantages relate to price and quality of products, convenience and accessibility of store location, or quality of service.

Planning for Timely Advertising

While frequently considered a temporary expedient, advertising should be based on long-range planning that includes more immediate plans and goals. Moreover, it should be consistent throughout the year as a cumulative sales effort. Although this planning should be the controlling factor, advertising plans should be flexible.

Because small businesses have limited funds, they must plan carefully to obtain maximum effectiveness from their advertising expenditures. Advertising should be planned in relation to the overall merchandising program. It should also be coordinated with such specific management activities as buying, inventory balancing, and acquisition of new customers. In other words, the effectiveness of a limited advertising budget can be greatly strengthened if advertising goals are planned in relation to the total merchandising and selling program.

Timing is possibly the most important single consideration in the planning of effective small business advertising. Timing involves adjusting advertising plans not only to seasonal sales patterns but also to the business's special days and to the community's or shopping district's special events. Coordination of the advertising program with the buying schedule is also necessary. A promotional advertisement that is not backed up by adequate merchandise can do more harm than good.

Media, Copy, and the Internet

It is becoming a truism that you will not be taken seriously as a business without an Internet presence. Businesses should explore fully the opportunities of presenting themselves to customers via the Internet. An Internet presence can be inexpensive and effective.

The newspaper is a medium used by many small businesses. Other effective media for business are direct mail, radio, television, handbills, billboards, and, increasingly, the Internet—through a company Web site.

The key to success in direct-mail advertising is a carefully selected and maintained mailing list. Small businesses should not overlook the use of radio and television where local rates are low enough to fit the budget of a small shop. These media can be used occasionally with great effectiveness to advertise outstanding promotional events. Each business must determine the type of advertising copy most appropriate to the identity or image it is seeking to establish in the public mind. All advertising copy benefits by observing the basic rules of eye appeal, simplicity, brevity, straightforwardness, and credibility. An advertising message that is obscure, confusing, or misleading may be successful in the short run, but generally is bound to fail.

To be effective, an ad must

- attract attention of the reader or audience;
- offer visual persuasion, showing how the product will benefit the customer;
- show why the product is necessary and why it should be purchased at this time; and
- encourage purchase, giving reasons for buying, particularly from the business doing the advertising.

Sources of Advertising Help

Businesses can find many outside sources of assistance, such as the following:

- The advertising departments of newspapers offer assistance in preparing copy, artwork, and layout. They are often willing to advise the business on general merchandising and sales promotions planning.
- The firms that supply the retailer with merchandise often provide advertising materials free of charge, grant advertising discounts, and participate cooperatively in the business's advertising by sharing a portion of the cost.
- Direct-mail agencies compile specialized mailing lists that the business can use to contact selected customer groups. These agencies also assist in the preparation of mailing literature.
- Trade newspapers and magazines often provide useful information to the business manager about advertising practices. Trade associations, Chambers of Commerce, and Better Business Bureaus also provide information on advertising and advertising ethics.
- Some advertising agencies specialize in serving small businesses and typically will take full responsibility for all aspects of advertising.

In addition, businesses should stay well-informed about their competitors' advertising. The larger ones usually have effective advertising. A study of the methods they use, the merchandise they feature, the style of their copy, and the size and layout of their advertisements can provide helpful ideas.

Budgeting

Advertising has three basic goals, if it is to be profitable:

- Sell goods and services.
- Create a positive business image.
- Allow the advertiser to compete successfully.

Budgeting for advertising is necessary for maximum returns. The amount to spend depends on many factors such as specific promotional objectives, store location, competition, age of store, and past success in attracting customers. Often, businesses discover that what they need to spend on advertising and what they can afford to spend are not the

same. They must study their own situations carefully and, within the limits of their financial capabilities, allocate funds on a planned basis over an extended period, usually six months.

Management

Roughly 98 percent of small businesses fail because of managerial weakness; fewer than two percent of the failures are due to factors beyond the control of the people involved.

Your business plan must take this into account. If you are preparing a financing proposal, you should make sure that your prospective financial source is aware of the steps you have taken or are taking to correct any weaknesses in your managerial staff. If you are to use your business plan to the fullest, you should highlight both management strengths and weaknesses.

There is no known cure for incompetence, but there are direct cures for inexperience. Acquire the necessary experience yourself, or find a partner or employee who has the requisite experience.

In preparing the Management section, you should cover five areas:

- Personal history of owners and key managers
- Related work experience
- Duties and responsibilities
- Salaries
- Resources available to the business

Properly treated, these five will help make a proposal convincing and a business plan useful. The aim is to spot areas of potential weakness before problems arise and threaten to put you out of business.

Personal History of Owners

In this segment, include responses to these questions:

- What is your business background?
- What management experience have you had?
- What education (including both formal and informal learning experiences) have you had that has a bearing on your managerial abilities?
- What is your personal data: age, where you live and have lived, special abilities and interests, reasons for going into business? Keep in mind that your family will be affected by your decision to go into business. Try to assess the potential impact. While they may

be supportive now, will they continue to be supportive a year from now?

- A personal financial statement must be included as a supporting document in your business plan if it is a proposal for financing.

Bankers and other lending sources want to see as much collateral as possible to secure loans. Be forewarned: under most circumstances, the personal credit worthiness of the principals will be a major concern for the banker. Also, you will undoubtedly be expected to sign personally for the loan. This means that your personal assets could be taken if the business fails—even if it's set up as a corporation.

Related Work Experience

This segment is an expansion of the experience factors mentioned earlier. It requires, but is not limited to, information on

- direct operational experience in this type of business;
- managerial experience in this type of business; or
- managerial experience acquired elsewhere, whether in totally different kinds of businesses or as an offshoot of club or team membership, civic activities, church work, or some other activities.

Some managerial skills are transferable; others are not. Managerial experience and expertise that is not carefully balanced can cause serious problems. The talents required of a financial specialist are quite different from those of a used-car salesman. A combination of both sets of talents in one individual is rare.

Duties and Responsibilities

Once you have filled in the experience and skills and have a feel for the weaknesses of the proposed management, this segment is relatively simple.

Make sure that you spell out in advance

- who does what,
- who reports to whom, and
- where the final decisions are made.

Allocating duties and responsibilities is critical. If the chain of command is unclear to your employees, you will have personnel problems. This is a major responsibility of management and must not be evaded under the guise of "We can work it out later when we see where the problems are."

Salaries

When completing this section, include salaries of management and all employees. Don't forget to include employee benefits as well as salaries (e.g., medical, pension, Social Security, insurance coverage). Be realistic when computing upper-level salaries.

Knowing what you need, as distinguished from thinking you know what you need, takes effort. One sure way to damage a small business is to take the money out for family necessities. If your business can't afford to pay you a living wage and you have no other income or savings, you had better reconsider your deal.

Resources Available to the Business

All businesses, no matter how small, need the services of:

- an accountant,
- a lawyer, and
- an insurance broker.

If you don't have the services of any of these, make sure you get them immediately!

Other sources of assistance include

- Small Business Development Centers;
- business, trade, and civic organizations, which often have a pool of talent available to their members; and
- Small Business Administration technical assistance and SCORE programs.

Avail yourself of all of these. And don't forget: your banker can be among the most helpful partners you have. If you borrow money, the bank has a vested interest in the success of your business.

You won't necessarily have to use all of these secondary resources, but it is a good idea to know what help is available if you need it.

Personnel

Businesses stand or fall on the strength of their personnel. Good employees can make a marginal deal succeed; poor employees can destroy the best business. Studies have consistently shown that out of 100 customers who stop patronizing the average store, over 70 do so because they didn't get prompt, courteous attention.

Here are some questions to think about in determining your hiring needs:

- What are your personnel needs now? In the near future? In five years?

- What skills must your staff have?
- Are the people you need available?
- Do you need full- or part-time staff?
- Will you pay them salaries or hourly wages?
- Will you offer fringe benefits?
- Will you pay for overtime?
- Will you have to train people? If so, at what cost to the business?

Summary

This section should make you aware of the necessity of developing your management skills and, for the skills you do not possess, of accessing all outside resources (legal, financial, etc.) available to you. Keep in mind the necessity of managing your business rather than letting the business manage you. Constantly review and reevaluate the status of your business. In this way, you will drastically diminish the odds of failure. Keep this section short, direct, and honest.

Application and Expected Impact of Loan

This section is important whether you are seeking a loan or planning to finance your deal yourself. In determining how much money you will need and for what purposes, do not rely on guesses when exact prices are available. Specify how you arrived at your figures. It may be helpful to make a list.

Fill out your reasonable choice. It may be important to you to have a luxury item or two, but weigh the cost. A tabular worksheet is particularly useful for a start-up business and can be used whenever a purchase of additional equipment is contemplated.

Make sure that this section contains responses to the following:

- How is the loan or investment to be spent? (This can be fairly general; e.g., working capital and new equipment, inventory, supplies.)
- What is the item to be bought?
- Who is the supplier?
- What is the price?
- What is the specific model name and number of your purchase?
- How much did (or will) you pay in sales tax, installation charges, and freight fees? Your banker may be interested in using whatever it is that you are buying as collateral for the loan. By having a list, your loan can be processed faster.

Consider the possible advantages of leasing some of the capital equipment you need, and definitely look into the advantages of renting rather than owning your business building. If you have the money to buy, owning may (or may not—ask your accountant) be less expensive than leasing. If you are short of cash, a lease arrangement may enable you to ease cash problems by lowering your investment in fixed assets (perhaps a sale/lease-back deal). Leases also have greater flexibility. As your business grows, you can often make changes more readily. It is also possible to save money on taxes by deducting lease payments as business expenses.

Most important, ask yourself how the loan will make your business more profitable.

Interest is an expense that reduces profits. If you propose borrowing money or investing your own, you must know how the money is going to work for you.

Make sure it earns more than it costs! A well-thought-out business plan can be an asset to any small business. If you have followed the steps outlined in this guide, you should be able to develop a good, workable plan.

Financial Plan

To effectively manage your finances, plan a sound, realistic budget by determining the actual amount of money needed to open your business (start-up costs). The first step to building a sound financial plan is to devise a start-up budget. Your start-up budget will usually include such one-time only costs as major equipment, utility deposits, down payments, security deposits, etc.

A start-up budget should allow for these expenses:

- Personnel (costs prior to opening)
- Occupancy (lease, rent, or mortgage)
- Legal/professional fees
- Equipment
- Supplies
- Salary/wages
- Income
- Utilities
- Payroll expenses
- Internet
- Licenses/permits
- Insurance
- Advertising/promotions

The operating budget is prepared when you're actually ready to open for business. The operating budget will reflect your priorities in terms of how money will be spent, the expenses you will incur and how you will meet those expenses. Your operating budget should also include money to cover the first three to six months of operation. It should cover the following expenses:

- Personnel
- Lease/rent/mortgage
- Loan payments
- Legal fees
- Accounting
- Supplies
- Salaries/wages
- Dues/subscriptions/fees
- Repairs/maintenance
- Insurance

The financial plan should also describe the type of financing you're seeking, the amount of money you're looking for, how you plan to use these funds (itemized), and the preferred terms for repayment.

The financial plan will be the tool prospective investors, bankers, and even you will use in order to determine the feasibility of the business you are presenting. If the business already exists, it should illustrate the current financial status of your business and represent your best estimate of its future operation. If the business is new, a projection will suffice. The results presented should be both realistic and attainable. The financial forecasts should come in the form of three-year cash flow and balance sheet statements. (See Financial Planning forms on pages 29–32.)

- Travel
- Entertainment
- Miscellaneous
- Internet
- Payroll Taxes
- Advertising/Promotions
- Depreciation
- Payroll Expenses

Cash Flow Projection—Year One

Month	1	2	3	4	5	6	7	8	9	10	11	12	Total
Cash In-Flows													
Sales													
Other Income													
Total In-Flows													
Cash Out-Flows													
Cost of Goods Sold													
Rent/Mortgage													
Owner's Salary													
Other Salaries													
Payroll Taxes													
Advertising and Promotion													
Utilities													
Loan Payments (current)													
Loan Payments (previous)													
Telephone													
Office Expense													
Dues and Subscriptions													
Accounting													
Insurance													
Professional Fees													
Internet													
Repairs and Maintenance													
Licenses and Permits													
Travel and Entertainment													
Legal Fees													
Bank Charges													
Miscellaneous													
Total Out-Flows													
Net Cash Flow													
Beginning Cash Balance													
Ending Cash Balance													

Cash Flow Projection—Year Two

Quarter	1	2	3	4	Total
Cash In-Flows					
Sales					
Other Income					
Total In-Flows					
Cash Out-Flows					
Cost of Goods Sold					
Rent/Mortgage					
Owner's Salary					
Other Salaries					
Payroll Taxes					
Advertising and Promotion					
Utilities					
Loan Payments (current)					
Loan Payments (previous)					
Telephone					
Office Expense					
Dues and Subscriptions					
Accounting					
Insurance					
Professional Fees					
Internet					
Repairs and Maintenance					
Licenses and Permits					
Travel and Entertainment					
Legal Fees					
Bank Charges					
Miscellaneous					
Total Out-Flows					
Net Cash Flow					
Beginning Cash Balance					
Ending Cash Balance					

Pro Forma Balance Sheet Opening Day of Business

ASSETS

Cash	_____
Accounts Receivable	_____
Inventories	_____
Prepaid Expense	_____
Other Current Assets	_____

TOTAL CURRENT ASSETS _____

FIXED ASSETS

Land	_____
Leasehold Improvements	_____
Equipment	_____
Vehicles	_____
Other Fixed Assets	_____
Subtotal Fixed Assets	_____

TOTAL FIXED ASSETS _____

TOTAL ASSETS _____

CURRENT LIABILITIES

Accounts Payable	_____
Current Portion of Long-Term Debt	_____
Accrued Expenses	_____
Other Current Liabilities	_____

TOTAL CURRENT LIABILITIES _____

LONG-TERM DEBT (net of current portion) _____

OWNER'S EQUITY

Paid-In Capital	_____
Retained Earnings	_____

TOTAL OWNER'S EQUITY _____

TOTAL LIABILITIES AND OWNER'S EQUITY _____

Pro Forma Income Statement

Year	1	2	3
Sales			
Other Income			
Gross Profit			
Cash Out-Flows			
Cost of Goods Sold			
Rent/Mortgage			
Owner's Salary			
Other Salaries			
Payroll Taxes			
Advertising and Promotion			
Utilities			
Telephone			
Office Expense			
Dues and Subscriptions			
Accounting			
Insurance			
Professional Fees			
Internet			
Repairs and Maintenance			
Licenses and Permits			
Travel and Entertainment			
Legal Fees			
Bank Charges			
Miscellaneous			
Depreciation			
Interest			
Operating Expense			
Net Income			

General Business Concepts

Advertising as Part of Your Marketing Plan

Marketing and advertising are often mistaken for one another. Advertising is actually part of the marketing process. Advertising includes all activities in the paid promotion process, whereas marketing includes planning what, where, how, and to whom you will sell your product or service.

Putting together an advertising campaign for your business should include a clear idea of:

- how much to spend,
- what type of media to use,
- what market area to reach, and
- how often to run any ads.

If you make decisions haphazardly or use a “seat-of-the-pants” approach, the results will probably show it.

To help organize a cohesive plan, it is wise to commit your ideas and decisions in the form of a written advertising plan. This helps you identify areas that need to be looked at in developing an advertising campaign. And it gives you a written reference that you can and should periodically review during the course of the year.

Marketing Plan Format

Although there is no one marketing plan format for all businesses, a plan can be developed using the following topic list as a guide.

- **Advertising Objectives.** What are you trying to achieve? Establishing a particular identity for your project, such as “the most dependable” or “lowest price” (often called positioning), or simply trying to increase sales?
- **Advertising Strategy.** This should contain the overall methodology to meet advertising objectives. For example, if the primary objective is to convey the message that your product is “the most dependable,” the strategy should explain how this is to be carried out.
- **Creative Strategy.** This contains guidelines or specifics to assist in the creative aspects

of advertising. Creative aspects include slogans, themes, use of graphics and colors, logos, copy guidelines, and mechanical specifications (e.g., type styles and sizes, use of photography, and details of reproductions).

- **Media Plan.** This should identify the media mix (combination of print, broadcast, and other, as well as budget). A media schedule details the types of media that should be used for advertising throughout the year. This may be generic and contain only the types of media that will be used—such as the Internet, radio, and newspapers—or specific, containing types of media and corresponding identities, such as WXYZ Radio and the *Daily News*. The media budget includes costs associated with each ad placement (cost of airtime, newspaper space, and magazine placement). The media budget is then used as part of your advertising budget.
- **Advertising Budget.** This has two components: the media budget and the production budget.

The production budget contains all costs associated with production of advertisements. Typical items include: time and materials from in-house staff (normally not included if your company does not cross-charge departments), photography, purchased services such as typesetting or the use of consultants, or the entire creative and production charge if you use an advertising agency. Transfer the total to your master budget, where you can represent it as either a total advertising line item or break it down into media and production components.

Overall Promotional Strategy

The primary goal of advertising is to position your company and product in the mind of the potential customer. Advertising is one of three major promotion methods. The others are personal selling and public relations.

Personal Selling

Personal selling is the dominant form of promotion, done through sales clerks, telemarketing, and/or field salespeople. Personal selling is flexible and enables greater control over the sale since questions can be answered, the sales pitch can be customized, and the sale can be closed. Many customers build strong bonds with salespeople, counting on them for in-depth information on a product, on industry trends, and on special treatment in pricing and order lead times. For these reasons, it is necessary to maintain adequately trained salespeople and keep them well-informed about your current products and your competitors' products as well.

Salespeople must know how much flexibility they are allowed for adjusting prices, modifying standard product offerings, extending credit, and promising delivery dates. The ability to respond to customer inquiries helps build confidence. Many companies assign titles such as marketing representative, marketing specialist, or sales engineer to indicate this type of authority.

Salespeople are often responsible for customer support in addition to getting orders. This allows valuable input to the company that could affect other sales. Good sales techniques can forge strong customer-company relationships and can result in repeat business and secondary promotion through word of mouth. Friendly, knowledgeable salespeople can be some of your best promotion assets.

Sales promotion includes materials and events supporting personal selling. These include brochures, fliers and catalogs, novelties, displays, and trade shows.

Public Relations

Public relations includes any type of publicity that is generally not paid for and that seeks to create interest or favorable recognition for the company and its products or services. Public relations provides an economical way to enhance your company's image. The disadvantage: you have little or no control over how much of your message gets through.

Many activities present excellent public relations opportunities. These include new product announcements; giving or receiving awards or significant contracts or grants; hiring new key personnel; and stunts, shows, exhibits, grand

openings, guest appearances by celebrities or dignitaries, sponsorships, and fundraisers.

For most public relations activities, the company must take the initiative to generate media interest. In most cases, this involves preparing and distributing a press release describing the activities and including photographs, when available.

The Four Ps of the Marketing Mix

Promotion is only one component of marketing—more specifically the marketing mix—which consists of four Ps: Promotion, Product, Place and Price. Marketing involves managing decisions about the mix—that is, the type and amount of promotion, product, place, and price.

Promotion

Promotion consists of your overall strategy for putting your product or service in front of the appropriate buying public and creating an environment in which sales result. In considering all the elements of promotion (marketing, advertising, public relations, etc.), do not overlook the Internet, potentially and actually the most powerful business promotion tool to arrive in decades. Increasingly, almost every business, if it is to be taken seriously, will have an Internet presence in the form of a Web site. Your SBDC business advisor can explore with you the opportunities and options the Internet offers your business.

Product

Product refers to the goods and services your company provides. You need to define your product in terms of the target market.

Typical key product decisions include

- product features,
- accessories,
- packaging,
- warranty,
- service,
- installation, and
- instructions and/or training.

Pay close attention to trends, and minimize the possibility of making product decisions based on fads. Product decisions are not only initially important but also must be updated to reflect changing consumer wants and needs.

Place

Place refers to where your product or service is distributed or where your customer comes in contact with you.

For retail establishments, location is the primary factor. Obviously, a retail store should be accessible to the target market and have adequate parking, if necessary. Other location pluses include frontage exposure and proximity to other major, noncompeting retail stores.

Other types of businesses must decide whether to sell through dealerships, distributors, mail order, jobbers, the Internet, or a combination of methods.

Price

Prices should conform to the overall company pricing strategy. Ask yourself: does your company have a low-price strategy, an at-market strategy, or upscale-market strategy?

How does your pricing compare to that of your competitors? If your pricing is consistently higher, does your product offer recognizable differences that justify the additional price? If so, maybe this is something you should bring out in your advertising.

External Factors Affecting the Market Mix

We have just described the four internal factors you can control as a business manager. This marketing mix is central to your marketing strategy. But there are also external factors—technological, economic, societal, political, legal, and natural—that you cannot control.

Technological Factors

Introduction of new technologies and the obsolescence of old technologies has a direct impact on the marketing mix by making a continuous stream of new products available, which are priced for, promoted in, and sold to new markets.

An example of a major new resource created through advancements in technology is the Internet, made possible through developments in integrated circuit technology, the spread of personal computers, and the conversion of an advanced defense-oriented system to civilian purposes.

Technological advances in areas such as biotechnology, medicine, chemistry, automation, metals, and advanced materials provide the know-how for similar development for countless new products.

The Internet is another example of a technology producing profound change in the ways in which we do business and conduct our lives.

Economic Factors

The state of the economy influences demand for particular products and determines how they are sold and promoted and at what price they are offered.

A sluggish economy decreases consumer demand for most products. Increased advertising may be required to stimulate sales.

Carefully monitor economic indicators, such as the Consumer Price Index, interest rates, and unemployment rates. Make adjustments to the marketing mix as needed.

Societal Factors

Cultural and social customs, values, and lifestyles require special attention. You may need to take into account issues of multiculturalism, religion, economic status, health, diet and nutrition, crime, and public opinion.

Responding to societal wants and needs with the right product at the right time gives your company a competitive edge.

Political and Legal Factors

Government policies, regulations, and legal actions at federal, state, and local levels can have a dramatic effect on all aspects of the marketing mix.

Two examples of government regulations that impact the marketing mix are those related to product labeling and to the environment. Alcohol and tobacco products must bear special warnings on their labels; where and to what age group they can be sold are heavily regulated. Environmental regulations have placed mandates on industry to develop products that are not harmful to the environment.

Natural Factors

Factors such as geographic location, weather and climate, and availability of natural resources all can influence your marketing mix.

The agriculture industry, for example, requires not only a good geographic location for the type of product being produced but also good weather during growing seasons. These conditions will influence the type of products and growing season yield and price. The occurrence of natural disasters such as floods and hurricanes not only can create hardship

for the agricultural producer, but also can result in unexpected delays or depletion of expected agricultural products for companies selling or processing them.

Infrastructure Factors

Finally, the cost and availability of transportation, communication, and energy dictate how markets will be accessed and how much it will cost to produce and transport products. High-quality, reliable roads; railways; air transportation; and utilities must exist to enable large-scale economic activity. Improvements must constantly be made to accommodate increasing demand.

Developing a Marketing Plan

To develop a marketing plan, your company should formulate a marketing strategy that identifies target market, marketing objectives, and marketing mix. A marketing strategy defines the game plan for your business. It provides information about your markets and how you intend to penetrate them. It defines the character of your business—for example, as an innovator, challenger, or follower.

While the marketing strategy outlines constraints under which your business will operate, the marketing plan details how the strategy will be carried out. For example, a clothing retailer with an innovative style strategy in men's sportswear must insure that procurement and promotion information for the latest styles and trends in men's sportswear is detailed in the marketing plan.

Format

As with the advertising plan, no one marketing plan format is ideal for every business. The following topic list, however, provides a useful guide for constructing a marketing plan.

- **Mission Statement.** Describe your business purpose, its goals and objectives, and specific strategies to reach them.
- **Product/Service.** Identify each of your products and/or services, their cost to you, specific characteristics (including competitive advantages and disadvantages), and expected annual sales volume.
- **Market.** Provide a complete demographic analysis of the customers in each market including market size. Identify current or projected market or industry trends as well

as information from supporting market studies or test markets.

- **Distribution.** Identify how products will reach the customer, including labeling, packaging, and shelving information. If you will use distributors, include a list of distributors and satisfaction level from previous experience (if applicable). If you plan to offer cooperative advertising programs with them, include guidelines. Identify details on incentives and sales quotas and on the handling and returning of goods.
- **Competition.** Identify competitors by divisions, product lines, and markets. Include competitive strengths and weaknesses. Identify and compare marketing techniques.
- **Pricing.** Develop price schedules including discounts, where applicable. Include comparative price lists of competing products and explanations of price variations.
- **Marketing.** Provide guidelines for developing your advertising plan. For example, will you do advertising in-house or hire an agency? Do you have preferences in advertising media? Be sure to identify any planned marketing events such as seasonal sales, new product announcements, and promotions. Provide guidelines for advertising expenditures.
- **Sales Forecast.** Include a detailed sales forecast for the year. Identify sales commission plans and expected sales quotas.
- **Action Plan.** Identify major marketing activities, their priorities, completion schedules, and the people or organizations responsible for carrying them out.
- **Production.** Include product production information, if applicable, to ascertain availability of products in the face of projected demand. Identify contingency plans to increase product availability, if required.

The marketing plan should be a pivotal document for developing your advertising plan. Reevaluate and update your marketing plan regularly so it is always up to the moment and can be used reliably.

Putting It All Together

Managing an effective advertising program for a business requires a great amount of research and planning. While larger companies devote entire staffs to advertising responsibilities, smaller companies should delegate advertising responsibilities

to at least one individual. This advertising specialist should be (or become) knowledgeable in advertising media—in particular, rates and coverage areas.

Advertising should not be a one-time event when an ad is placed but, rather, a continuous process. Databases of media information should be maintained and updated frequently so that when this information is needed, it is complete and up-to-date. You can use media directories such as Standard Rate and Data Service, available in the reference section of many libraries, or you can call, write, or visit the Web site of the sales department of any newspaper, magazine, radio station, television station, cable company, or other medium. SRDS may also be available online.

Past advertising effectiveness should be evaluated to determine which strategies have worked in the past and to allow you to adjust the marketing mix. Don't forget to adjust your advertising messages to conform to changes in the external environment as well as competitive advertisements.

Develop an advertising budget from the bottom up by determining true costs of planned advertising activities, rather than by simply allocating an arbitrary dollar amount for your total advertising effort. This gives the most accurate cost projection and enables you to better identify true costs for future advertising budgets.

Above all, use good business sense. Although advertising requires a substantial share of a company's financial resources, it also projects a lasting image of your company, its products, and its services for years to come.

Accounting and Record Keeping

“If you don't understand the need for good records, you don't have enough experience to be starting a business.” — Anonymous

This quotation emphasizes the importance of accounting and record keeping. Many businesses have failed because the owners did not maintain the records necessary to allow for sound management of the business.

Why Keep Good Bookkeeping Records?

The Internal Revenue Service requires that everyone in business keep records. “The law does not require any special kind of records. You may choose any system that is suited to your business and that will clearly show your income,” says the IRS.

Good recordkeeping also helps you monitor the business for planning, controlling, and budgeting purposes. As an owner, you must plan for the future of the business based on financial knowledge rather than guesswork. Good business decisions are made from timely and accurate information about the company.

Up-to-date bookkeeping records should provide useful data for you to make intelligent decisions to operate your business successfully.

Your records should yield information such as

- sales information and operating results,
- fixed and variable costs,
- profit and loss,
- inventory levels,
- data comparisons (current and prior),
- financial statements, and
- tax returns and reports to regulatory agencies.

What System Should You Use?

Small business owners should use a simple and practical bookkeeping system. Because owners are usually busy with daily operations, it is imperative that bookkeeping not be cumbersome.

A good system should be

- simple to use,
- easy to understand,
- reliable,
- accurate,
- consistent, and
- timely.

Cash-and-Accrual Methods of Accounting

Before we consider the fundamental elements of bookkeeping systems, let's talk about cash-and-accrual methods of accounting.

Using the cash method of accounting means you record your sales at the time you actually receive the cash. You also record your expenses when you pay out the cash. This method follows the cash flow in and out of your business and is used by most small businesses because of its simplicity.

Under the accrual method of accounting, you would record all sales and all expenses when the service is performed or the goods are delivered, regardless of when payment is received or made. Using this method requires the use of an account for “receivables” and another for “payables” in your records to allow you to keep track of what is owed to you and how much cash you owe.

You may use what is known as the hybrid method, which incorporates both methods: Using the cash method during the year and the accrual method at year-end allows you to accurately state your income because you can record unbilled sales and expenses in the year they have actually occurred. An “account receivable” and “account payable” would again be necessary. This method is preferred by businesses with 30-day credit accounts because it allows a more accurate accounting of profit and loss without the bother of keeping these two extra accounts throughout the year.

Any of these methods is acceptable. It is up to you to decide which one best suits your situation.

Fundamental Elements of a Bookkeeping System

There are many bookkeeping systems from which to choose—all fulfill the six requirements of a good system. Choose a system with rules and methods for collecting, processing, and summarizing financial and economic data that is useful in your decision making.

Any bookkeeping system should include at least the following:

- Business checkbook
- Chart of accounts
- Daily summary of cash receipts
- Disbursements journal
- Monthly summary of cash receipts and disbursements

Storage Medium

Although there is no requirement to keep your records in bound books, you should use either prepackaged forms or columnar paper designed for bookkeeping purposes. Your records are your tool for the present and future management of the business.

Business Checking Account

The first step in setting up your system is to open a separate checking account. Shop around to learn which financial institution charges the price you want to pay and offers the services you need for your operation. Banks are competitive, and prices for services can vary.

Take into consideration the location, reputation, hours of operation, and friendliness of the bank you select. You may be interested in “one-stop

shopping.” If your business grows and at some later date you are looking for funding, cultivating a good banking relationship will be a priority.

Visa/MasterCard Privileges

If you plan to offer credit to your customers through Visa/MasterCard, you will want to ask the bank if they provide this service and what the bankcard discount would be. Offering Visa/MasterCard allows your customers to buy without having to pay cash. There is no risk to you of customer nonpayment. This security does not come without a cost. The bank charges a percentage of the ticket price, called the bankcard discount, which is usually determined by the annual dollar amount of credit sales generated through your firm. For the initial year, a percentage is assigned and is adjusted each year thereafter accordingly.

Business Checkbook

Once you have opened the checking account, you will want to use it for all “cash in and cash out.” All money you receive, whether from sales, loans, personal equity advances, or other sources, should be deposited into the checking account. All payments, including deductible expenses and personal withdrawals, should be made by check. This gives you internal control over your most precious asset—cash. Each deposit made and check written must also be recorded in your business checkbook. Be sure to keep deposit slips and sales invoices or statements on file. These will provide documentation of your business transactions and supply an “audit trail” should the Internal Revenue Service ever decide to audit your company.

Reconciling Your Bank Statement

A basic principle of good recordkeeping is reconciling your bank statement with your checkbook each month. Normally, because of timing differences, your checkbook balance and the bank statement will not agree if your business has been active. You may have made deposits after the date of the bank statement or written checks that have not yet been cashed. It is also possible that the bank made special debits and credits to your account and included them on the bank statement but that these have not yet been entered into your records.

Reconciling your bank statement to your checkbook is the only way to prove your cash account. The balance in your checkbook and the balance on

the statement must be adjusted to the true cash balance, with the items causing the difference indicated. Below is an illustration of how to reconcile your bank statement.

Sample Bank Reconciliation as of January 31, 2009

Balance on bank statement	\$1,593.55
Add deposits not credited:	
1/27	701.33
1/30	380.65
Subtotal.....	1,081.98
TOTAL	2,675.53
Subtract outstanding checks:	
Check # 88	66.70
Check # 89	9.80
Check # 92	212.47
Check # 93	150.00
Subtotal.....	438.97
Adjusted balance per bank statement	2,236.56
Add deposit of 600.40 for 1/8	
entered as 594.40 (difference).....	6.00
Subtotal.....	2,246.56
Subtract bank service charge	(10.00)
Add accrued interest.....	16.28
Adjusted checkbook balance.....	\$2,248.84

Chart of Accounts

To achieve an efficient bookkeeping system, you must set up a separate account for each item that you plan to record. Every account is titled and numbered and classified as asset, liability, owner’s equity, revenue, or expenses. This procedure is known as selecting a chart of accounts for your business. Following is a model:

XYZ COMPANY
Chart of Accounts
ASSETS (100-199)
100 Cash
110 Inventory
120 Equipment

LIABILITIES (200-299)
200 Loan Payable
210 Sales Tax Payable
OWNER’S EQUITY (300-399)
300 Jane Doe, Capital
310 Jane Doe, Drawing
REVENUE (400-499)
400 Merchandise Sales
410 Service Sales
EXPENSES (500-599)
500 Purchases
510 Rent Expense
520 Utilities Expense
530 Salaries Expense
540 Interest Expense
550 Supplies Expense
560 Advertising Expense
570 Miscellaneous Expense

When a business transaction occurs, it must be entered into your records; the amount is entered as an increase or decrease in these accounts. For example, \$150 of merchandise sold is entered into the Merchandise Sales account, increasing the Revenue. Recording the deposit of \$150 into the checking account increases the Assets—Cash account. The accounts keep a tally of the monetary activities of your business.

There are no standardized account titles. You will want to select titles that clearly and precisely indicate the nature of the account. The accounts are numbered using at least a three-digit system to allow space for 100 account titles within each classification. However, you should have only as many accounts as necessary to keep tabs on your business operation.

Daily Summary of Cash Receipts

Not all cash received is income. Cash can come into a business from many sources including sales income, bank loans, personal advances, interest earned, sale of equipment, and others. Every transaction involving the receipt of cash must be recorded in your bookkeeping system.

To accomplish this, use a cash receipts journal. The form can vary according to the needs of your company. Typically, column headings are used to provide flexibility in identifying affected accounts.

Remember that any sales on credit are not entered into a cash receipts journal. This journal is used only to record cash actually received. Following is a model:

Cash Receipts Journal

Date	Explanation		
6/1	Merchandise		
Sales	Sales Tax	Other	Total Received
152.55	10.68	0.00	163.23

Date	Explanation		
6/5	Service		
Sales	Sales Tax	Other	Total Received
80.84	5.66	0.00	86.50

Date	Explanation		
6/12	Merchandise		
Sales	Sales Tax	Other	Total Received
179.84	12.59	0.00	192.43

Date	Explanation		
6/21	Merchandise		
Sales	Sales Tax	Other	Total Received
133.77	9.36	0.00	143.13

Date	Explanation		
6/26	Service		
Sales	Sales Tax	Other	Total Received
115.00	8.05	0.00	123.05

Date	Explanation		
6/30	Bank Loan		
Sales	Sales Tax	Other	Total Received
		1,000.00	1,000.00

Date	Explanation		
6/30	Total Cash		
Sales	Sales Tax	Other	Total Received
662.00	46.34	1,000.00	1,708.34

Disbursements Journal

You must enter daily all expenditures made in cash or checks. These payments from company funds may be made for deductible and nondeductible disbursements. For a particular expense to be deductible when computing your taxable net profit, it must be an “ordinary and necessary” expense incurred in your trade or business for an item that is not a capital asset. A capital asset has a life of more than one year and is subject to special IRS rules in

expensing and/or depreciating when you compute profit and loss on your tax return.

Since this journal accounts for all cash out of the business money, it is critical that each disbursement be carefully recorded and supported with objective evidence, usually in the form of a business document such as a supplier’s invoice. Following is a model:

Disbursements Journal

Date	Paid To		
6/1	ABC Advertising		
Check	Acct. #	Account Title	Amount
224	560	Adv. Exp.	85.00

Date	Paid To		
6/7	Mark Baker		
Check	Acct. #	Account Title	Amount
225	510	Rent Exp.	400.00

Date	Paid To		
6/9	National Grid		
Check	Acct. #	Account Title	Amount
226	520	Util. Exp.	125.80

Date	Paid To		
6/17	General Supply		
Check	Acct. #	Account Title	Amount
227	500	Purchases	437.95

Date	Paid To		
6/20	Jane Doe		
Check	Acct. #	Account Title	Amount
228	310	Drawing	250.00

Date	Paid To		
6/24	Tennessee Sales Tax		
Check	Acct. #	Account Title	Amount
254	210	S.T.Payable	230.07

Date	Paid To		
6/29	Paper Cutter		
Check	Acct. #	Account Title	Amount
Cash	550	Supplies Exp.	5.79

6/30 Total Payments: \$1,534.61

Note: Two non-deductible disbursements were made—one to the State of Tennessee to turn over the sales tax collected, and one to Jane Doe for a personal withdrawal.

Monthly Summary of Cash Receipts and Disbursements

It is important to have information available in summary form with year-to-date balances for each account. These balances provide the data to create financial statements, prepare government reports, and make decisions for operating and controlling the business. Following is a model:

510 Rent Expense Ledger

Date	Increase	Cumulative Decrease Balance
20XX		
Jan	400.00	400.00
Feb	400.00	800.00
Mar	400.00	1,200.00
Apr	400.00	1,600.00
May	400.00	2,000.00
Jun	400.00	2,400.00

Keeping Records

The IRS says you must keep your records for as long as they may be needed to administer any IRS provision. Keep records that support an item of income or deduction on a return until the statute of limitations runs out—usually three years after the return is due or filed or two years from the date the tax was paid, whichever occurs later.

You may wish to keep your records for a longer period. For instance, journals and ledgers should be kept indefinitely. Supporting documents can be discarded whenever you stop using them, provided the three-year statute of limitations has passed.

Business vs. Personal Records

Your business records must be kept separate from personal records. Do not commingle funds or information. If you have more than one business, you must keep a set of records for each business. For example, if you own a consulting firm and a car wash, you need to keep three sets of records: one for each of the businesses and one for your personal records.

Getting Started

Ideally, getting your bookkeeping system up and running would occur at the time the first sales or expense has been incurred. The sooner you have your system in place and ready to accept the information from your business operations, the smoother the job of planning, controlling, and budgeting will be. Be accurate when recording dollar amounts of cash in and cash out, and keep supporting documents in your files. As you get more experienced, this process will become easier to handle. Above all, stay on top of your bookkeeping.

The IRS Web site contains a special section for small business and the self-employed. It offers a broad range of resources across federal and state agencies as well as industry/profession-specific information for self-employed entrepreneurs, employers, and businesses. Here are IRS site addresses that might be of specific interest:

Home page for small businesses and self-employed individuals:

www.irs.gov/businesses/small/index.html

Small business forms and applications:

www.irs.gov/businesses/small/article/0,,id=99200,00.html

IRS forms in Spanish:

www.irs.gov/espanol/article/0,,id=132230,00.html

Frequently Asked Questions:

www.irs.gov/faqs/index.html

Veterans Affairs Programs

Veterans Benefits: An Overview

Today there are myriad benefits available for veterans including medical care, service-connected disability compensation, nonservice-connected pension, education, home loan guarantee, and others. For information on other benefits and programs, we encourage you to contact the Department of Veterans Affairs (VA) directly.

In general, all veterans who have been honorably discharged from any branch of the service are eligible for most programs offered by the VA. Some benefits require service during certain periods or in specific areas or may be based upon having been a prisoner of war or having a service-connected disability.

The VA has established the following dates as wartime service:

World War I*:	Apr. 6, 1917–Nov. 11, 1918
(in Russia)	Apr. 6, 1917–Apr. 1, 1920
World War II:	Dec. 7, 1941–Dec. 31, 1946
Korean Conflict:	June 27, 1950–Jan. 31, 1955
Vietnam Era:	Aug. 5, 1964–May 7, 1975
Persian Gulf Wars:	August 2, 1990–**

**As of June 2009, there was only one known American WWI veteran still alive.*

***To be set by presidential proclamation at a future date.*

Disability Compensation

Monetary benefits, called disability compensation, are paid to veterans who have become disabled by injury or disease incurred or aggravated by service. To qualify for these benefits, a veteran must have been separated or discharged from service under conditions other than dishonorable. The veteran must then establish that he or she has a disability incurred in service, as a result of service, or aggravated by service. Other conditions can be considered for service-connected disability if they are diagnosed within a specified period following service (one year, in most cases, although there are exceptions). Veterans are encouraged to inquire with the VA or a veterans service organization such as the Disabled American Veterans (DAV) about what qualifies for service-connected disability compensation.

Many categories of service-connected disability may qualify. For example, former prisoners of war who were incarcerated for 30 days or more will be presumed eligible for service-connected disability if they became disabled by at least 10 percent at any time after service for specific POW-associated diseases. These diseases are avitaminosis, beriberi heart disease and ischemic heart disease, chronic dysentery, helminthiasis, malnutrition including optic atrophy, pellagra and other nutritional deficiencies, psychosis, anxiety states and dysthymic disorder or depressive neurosis, post-traumatic osteoarthritis, irritable bowel syndrome, peptic ulcer disease, peripheral neuropathy, and residuals of cold injury to include arthritis, neuropathy, or skin cancer.

Agent Orange

The VA has recognized nine diseases related to exposure to Agent Orange and other herbicides. These diseases are chloracne, porphyria cutanea tarda, soft tissue sarcoma, Hodgkin's Disease, multiple myeloma, respiratory (lung, larynx, trachea) non-Hodgkin's lymphoma, prostate cancer, and subacute peripheral neuropathy. The VA presumes exposure to Agent Orange for all personnel who served in Vietnam. Studies continue to determine other possible related conditions.

The VA has also recognized a relationship between service in Vietnam and spina bifida in the children of Vietnam veterans. These children are eligible for vocational training, health care, and a monetary allowance based upon the severity of their condition. The VA has defined three levels of compensation based on neurological manifestations that define the severity of the disability: impairment of the functioning of the extremities, impairment of bowel or bladder control, and impairment of intellectual functioning.

Radiation

Veterans exposed to ionizing radiation while on active duty may be eligible for compensation if they have a disability due to that exposure. The VA considers factors such as the amount of radiation exposure, duration of exposure, and elapsed time

between exposure and onset of disease. Conditions recognized as radiogenic include all forms of leukemia (except chronic lymphocytic leukemia); cancer of the thyroid, breast, bone, lung, skin, esophagus, stomach, colon, pancreas, kidney, urinary bladder, ovaries, salivary gland, or rectum; posterior sub-scapsular cataracts; nonmalignant thyroid nodular disease; parathyroid adenoma; tumors of the brain and central nervous system; multiple myeloma; and lymphomas other than Hodgkin's Disease. Other conditions may be attributable to exposure to ionizing radiation if a veteran can obtain medical evidence establishing a link between the claimed condition and such exposure. Veterans should contact the VA or a service organization such as the DAV to obtain further information or to file a claim.

Gulf War Veterans

Many Gulf War veterans have developed chronic disabilities resulting from undiagnosed illnesses during their duty in the Persian Gulf. The VA may award disability compensation to veterans if these illnesses developed during active duty or at any time through December 31, 2001.

Symptoms that may be manifestations of an undiagnosed illness include fatigue, skin disorders, headache, muscle pain, symptoms involving the respiratory system, sleep disturbances, gastrointestinal symptoms, cardiovascular symptoms, abnormal weight loss, and menstrual disorders. Other symptoms, if chronic, could also qualify a veteran for compensation. Again, veterans are encouraged to inquire with the VA or the DAV if they have any questions.

Nonservice-Connected Pension

Nonservice-Connected Pension is a monetary benefit payable to veterans for conditions not due to service. To qualify, a veteran must have served 90 days or more during any of the listed wartime service dates or have been discharged for a service-connected disability if serving fewer than 90 days during a period of war; serving 90 days or more, part of which must have been during a period of war; or serving an aggregate of 90 or more days in two or more separate times during more than one period of war. In addition, the veteran must be considered permanently and totally disabled and must not exceed statutory income limitations as set forth by Congress. These income rates and further information are available through the VA.

Education and Training

The VA offers several education and training programs for veterans, depending upon dates of active military service. The Montgomery GI Bill provides a program of education benefits to individuals who entered active duty for the first time after June 30, 1985, and received an honorable discharge. A new post-9/11 GI bill is being developed. More information on this new bill can be found on the VA Web site. To receive the maximum benefit, the participant must have completed three years of active duty. Also eligible are individuals who had remaining entitlement under the Vietnam-Era GI Bill on December 31, 1989, served on active duty between October 19, 1984, and July 1, 1985, and continued to serve on active duty up to July 1, 1988. The Veterans Educational Assistance Program (VEAP) allows active personnel to have their savings administered and added to by the federal government. These veterans must have entered active duty for the first time after December 31, 1976, or before July 1, 1985.

The VA also offers a program of education through its Vocational Rehabilitation program. To be eligible, a veteran must have a service-connected disability rated at 20 percent or more or a service-connected disability of 10 percent that causes a significant employment handicap. The veteran has 12 years from the date of the grant of service-connected disability to complete this program. Seriously disabled veterans may be granted extensions. Veterans are entitled to up to 48 months of education under this program.

Health Care Benefits

To receive health care benefits, veterans after October 1998 must be enrolled with the VA, except for

- veterans having a service-connected disability of 50 percent or more,
- veterans discharged less than one year for a compensable disability, or
- veterans seeking care for a service-connected disability.

To permit better planning of health resources, these veterans are also urged to apply for enrollment.

Veterans will be enrolled to the extent that congressional appropriations allow. If appropriations are limited, enrollment is affected by the following priorities:

- Veterans with service-connected conditions who are rated as at least 50 percent disabled.
 - Veterans with service-connected conditions who are rated as 30 or 40 percent disabled.
 - Veterans who are former POWs, who are discharged from active duty for compensable conditions and awarded special eligibility classification, or who have disabilities rated at 10 to 20 percent.
 - Veterans who are receiving aid and attendance or housebound benefits, and those who have been determined by the VA to be catastrophically disabled.
 - Nonservice-connected veterans and service-connected veterans rated 0 percent disabled, if their income and net worth are below established thresholds.
 - All other eligible veterans who are not required to make copayments for their treatment (this includes World War I and Mexican Border War veterans, veterans receiving care for exposure to toxic substances or environmental hazards while in service, and compensable 0 percent service-connected disabled veterans).
 - Nonservice-connected and noncompensable 0 percent service-connected disabled veterans who have net income and net worth above the statutory threshold and who agree to pay copayments. Veterans remain enrolled for one year, after which enrollment is reviewed, depending on available resources. Veterans who are not renewed will be so notified in writing.
- in a medical emergency, care and services not previously authorized and rendered in a medical emergency such that delay would have been hazardous to life or health; and
 - in the case of a VA or federal facility not being feasibly available.

72-Hour Notice

The admission of a veteran to a non-VA hospital at VA expense must be authorized in advance. If an emergency existed at the time of admission, an authorization may be deemed as prior authorization if the veteran or others on his or her behalf formally or informally apply to the VA within 72 hours after admission. Otherwise, the VA may consider defraying the cost only from the date notification of admission was received. Three other points to keep in mind follow.

- **Prior Approval.** It is in the veteran's best interest to secure authorization from the VA before he or she enters the private hospital. Keep a record of your request for approval of hospitalization.
- **Weekend Notification.** Notifying the VA hospital of a weekend emergency admission to a private hospital is best accomplished by telegram, especially over long holiday weekends.
- **Transfer of Patient.** The VA will make arrangements to transfer the veteran to a VA hospital as soon as his or her condition permits and a bed is available.

Financial Assessment

Former POWs and World War I/Mexican Border-period veterans are not subject to a financial assessment. Other veterans who are not service-connected and not receiving monetary benefits from the VA must complete a financial assessment.

The income of the patient and the incomes of the patient's spouse and dependents are considered in making a "means test" assessment.

Debts are subtracted from income and assets to determine net worth. The value of the patient's primary residence and personal property are excluded from this determination. The patient must fill out VA Form 10-10f, Financial Worksheet, at the time care is requested. The VA has the authority to compare income information provided by the veteran with information obtained from the Social Security Administration and the Internal Revenue Service.

Unauthorized Medical Services

Timely claims for reimbursement or payment for not previously authorized hospital care or medical services, including transportation, may be paid

- for an adjudicated service-connected disability;
- for non-service-connected disabilities held to be aggravating an adjudicated service-connected disability;
- for any disability of a veteran who has a total permanent disability resulting from a service-connected disability;
- for any illness, injury, or dental condition of a veteran participating in a rehabilitation program under Chapter 31, Title 38 USC;

Billing Insurance Companies

When applying for medical care, all veterans will be asked to provide information about health insurance coverage, including policies held by spouses. The VA is authorized to submit claims to insurance carriers to recover costs for medical care provided to nonservice-connected veterans and service-connected veterans for nonservice-connected conditions. Veterans are not held responsible for the deductible and copayments established by their insurance carriers. They are also not responsible for portions of an insurance claim not covered by the policy. Veterans above certain income levels, however, are responsible for copayments required by federal law.

Outpatient Pharmacy Services

Pharmacy services are provided free to

- veterans receiving medication for treatment of service-connected conditions,
- veterans rated with 50 percent or more service-connected disability, and
- veterans whose annual incomes do not exceed the maximum VA pension.

Nonservice-disabled veterans and veterans with a service-connected disability of less than 50 percent may be charged \$8 for each 30-day supply of medications.

Beneficiary Travel

Veterans may be eligible for payment or reimbursement for travel costs to receive VA medical care. Travel payments are subject to a deductible for each one-way trip, and a per month maximum payment. Two exceptions to the deductible are travel for a compensation or pension examination, and travel by special modes of transportation, such as an ambulance or specially equipped van. Beneficiary travel payments may be made to the following:

- Veterans whose service-connected disabilities are rated at 30 percent or more.
- Veterans traveling for treatment of a service-connected condition.
- Veterans who receive a VA pension.
- Veterans whose income is less than or equal to the maximum VA pension rate.
- Veterans whose medical condition requires use of a special mode of transportation if they are unable to defray the costs and if travel is preauthorized. (In a medical emergency, travel need not be preauthorized if a delay would be hazardous.)

Additional Benefits and Programs

The VA offers widows and widowers benefits in the form of Death Indemnity Compensation (DIC) if a veteran has died on active duty or if a service-connected disability contributed to or materially hastened death. Widows and widowers may qualify for a nonservice-connected widows or widowers pension if the veteran's death was not related to service but occurred during wartime and if the veteran met income standards set forth by law.

The VA offers other programs and services too numerous to list. These include help in adapting specially equipped automobile or home devices designed to assist people with service-connected disabilities. The VA also continues to offer home loan guarantees to qualified veterans.

Each state also offers various benefit programs and services to veterans and their dependents. Veterans should contact local state veterans service agencies for information about these benefits.

If you have additional questions, please call the VA toll-free at 1 (800) 827-1000.

The Veterans Affairs Web site also contains much useful information.

The main site for the VA is: www.va.gov/.

Veterans Affairs Forms can be found at: www.va.gov/vaforms/.

Veterans Affairs benefit fact sheets in English: www.vba.va.gov/VBA/benefits/factsheets/index.asp#BM1.

In Spanish: www.vba.va.gov/VBA/espanol/factsheets/.

Online claims applications: www.va.gov/onlineapps.htm.

Frequently asked questions: https://iris.va.gov/scripts/iris.cfg/php.exe/enduser/std_alp.php.

The VA now accepts online applications for disability compensation, pension, education, and vocational rehabilitation and employment benefits from veterans, survivors, and other claimants without the additional requirement to submit a signed paper copy of the application.

Appendix A

Self-Employment Planning

www.socialsecurity.gov/redbook/eng/redbook.pdf

A Plan for Achieving Self-Support (PASS) can help you return to work by letting you set aside money and/or things you own to help you reach your work goal. Under regular Supplemental Security Income (SSI) rules, we reduce your SSI payment by other income you have. But the income you set aside for a PASS doesn't reduce your SSI payment. Also, under SSI rules, you cannot own things worth more than \$2,000 for an individual or \$3,000 for a couple except for your house and vehicle. But with PASS, we don't count the things you need for your PASS, such as property or equipment.

How PASS Works

PASS lets you choose the kind of work you want to do. Of course, you must be able to do this job, with enough training and the right items and services. You must find out what training, items, or services you will need to reach your work goal. These can include supplies to start a business, school expenses, equipment and tools, transportation, and uniforms. Next, you find out how much these items and services will cost. A PASS can help you save to pay these costs. Also, PASS now lets you set aside money for installment payments as well as a down payment for things like a vehicle, wheelchair, or computer if they are needed to reach your work goal.

Setting Up a PASS

You may get help in setting up your plan from a Vocational Rehabilitation (VR) counselor, an organization that helps people with disabilities, your Social

Security office, or anyone else willing to help you. If a VR counselor helps you with your plan, we will probably agree that it is a good plan unless we have reason to question it. Once you decide what your work goal is and know what you will need to reach this goal, contact your local Social Security office. We will give you a PASS form, Plan for Achieving Self-Support (SSA-545-BK), to complete. This form collects most of the information that SSA needs to review your plan. When you have completed the form, take or mail it to your Social Security office.

What Happens To Your PASS

We will send the PASS to SSA employees who are trained to work with PASS. The PASS expert handling your case will work directly with you. He or she will look over the plan to see if there is a good chance that you can meet your work goal. The PASS expert will also make sure that the things you want to pay for are needed to achieve your work goal and are reasonably priced. If changes are needed, the PASS expert will discuss them with you. If we do not approve your PASS, you can appeal the decision.

For more detailed information you can call one of the 15 district offices throughout Tennessee at 1 (800) 272-5448 toll-free or visit the Web site at www.state.tn.us/humanserv/vrservices.htm/.

Appendix B

Tennessee Programs

Tennessee SBDC Network

Tennessee Division of Veterans Affairs

The Tennessee Department of Labor and Workforce Development

Tennessee Department of Economic and Community Development

Tennessee Department of Human Services

Tennessee Development Districts

Tennessee Small Business Development Centers

TSBDC Network Lead Center

Mailing Address

TSBDC Lead Center
MTSU Box 98
1301 East Main Street
Murfreesboro, TN 37132

Physical Address

TSBDC Lead Center
First Bank – Third Floor
615 Memorial Blvd.
Murfreesboro, TN 37129

Phone Numbers

Office (615) 849-9999
Fax (615) 217-8548
Toll Free (877) 898-3900

TSBDC Service Centers

APSU

Tennessee Small Business Development Center
Austin Peay State University
McReynolds Building, Drain Street
Suite 111
Clarksville, TN 37040

Office: (931) 221-1370
Fax: (931) 221-7748

ETSU

Tennessee Small Business Development Center
ETSU Innovation Laboratory
2109 West Market Street
Johnson City, TN 37604

Office: (423) 439-8505
Fax: (423) 439-8506

Kingsport/ETSU/Affiliate Office

Holston Business Development Center
2005 Venture Park
Kingsport, TN 37660

Office: (423) 578-6235
Fax: (423) 578-6500

MTSU

Tennessee Small Business Development Center
Rutherford County Chamber of Commerce Building
501 Memorial Blvd.
Murfreesboro, TN 37129

Office: (615) 898-2745 or
Fax: (615) 893-7089

Columbia/MTSU/Affiliate Office

Maury County Alliance
106 West Sixth Street
Columbia, TN 38401

Office: (931) 388-2155
Fax: (931) 380-0335

TSU

Tennessee Small Business Development Center
Tennessee State University
College of Business
330 10th Avenue North, Suite G-400
Nashville, TN 37203-3401

Office: (615) 963-7158
Fax: (615) 963-7160

TTU

Tennessee Small Business Development Center
Tennessee Technological University
College of Business Administration
Johnson Hall, Room 213
P.O. Box 5023, 1105 N. Peachtree
Cookeville, TN 38505-0001

Office: (931) 372-3670
Fax: (931) 372-6534

CLSCC

Tennessee Small Business Development Center
Cleveland State Community College
P.O. Box 3570
3535 Adkisson Drive
Cleveland, TN 37320-3570

Office: (423) 614-8707
Fax: (423) 478-6251

CSCC

Tennessee Small Business Development Center
Chattanooga State Community College
100 Cherokee Blvd., Suite 202
Chattanooga, TN 37405-0880

Office: (423) 756-8668
Fax: (423) 756-6195

DSCC

Tennessee Small Business Development Center
Dyersburg State Community College
1510 Lake Road
Dyersburg, TN 38024-2411

Office: (731) 286-3201
Fax: (731) 286-3271

JSCC

Tennessee Small Business Development Center
Jackson State Community College
197 Auditorium Street
Jackson, TN 38301

Office: (731) 424-5389
Fax: (731) 427-3942

PSCC

Tennessee Small Business Development Center
Pellissippi State Community College
17 Market Square, #201
Knoxville, TN 37902-1405

Office: (865) 246-2663
Fax: (865) 971-4439

RSCC

Oak Ridge Affiliate Office of PSTCC
1400 Oak Ridge Turnpike
Oak Ridge, TN 37830

Office: (865) 483-2668
Fax: (865) 483-1678

Blount Count Chamber/Satellite Office of PSTCC

201 S. Washington Street
Maryville, TN 37804

Office: (865) 983-2241

STCC

Tennessee Small Business Development Center
Southwest Tennessee Community College
Parrish Building, Room 134
737 Union Avenue
Memphis, TN 38103

Office: (901) 333-5085
Fax: (901) 333-5698

UTM

Tennessee Small Business Development Center
Reed Center-UT Martin
P.O. Box 112
406 Lindell Street
Martin, TN 38237

Office: (731) 587-7333
Fax: (731) 587-7334

VSCC

Tennessee Small Business Development Center
Volunteer State Community College
1480 Nashville Pike, Gibson Hall #114
Gallatin, TN 37066

Office: (615) 230-4780
Fax: (615) 230-3362

Wilson County/VSCC/Affiliate Office

Wilson County Chamber of Commerce
149 Public Square
Lebanon, TN 37087

Office: (615) 444-5503
Fax: (615) 443-0596

Tennessee Division of Veterans Affairs

The Ex-Servicemen's Bureau was established in 1921, but the small agency was unable to provide adequate service for the influx of veterans after World War II. As a result, the General Assembly created the Department of Veterans Affairs to provide statewide services in 1945. In 1959, the department was placed under the governor's office as a staff division headed by a director, but the General Assembly once again established it as a department in 1975. In 1987, the General Assembly authorized the department to establish state veterans cemeteries, and in 1988, legislation was passed that established state veterans homes under the direction of a board of directors appointed by the governor. In 1991, the department was authorized to train and accredit county-employed veterans service officers.

For more than half a century, the division has been a strong advocate for veterans and veterans issues at the local, state, and national level. Tennessee veterans counselors are nationally recognized as some of the best in the business. Each one is a veteran and brings a wealth of knowledge and a desire to help all fellow veterans in need of assistance.

Field Operations

The division is organized into three geographical regions with counseling centers in every major city in the state. The veteran counselors are dedicated, experienced, and motivated to assist in providing services to the veteran community.

State Benefits for Eligible Veterans, Dependents, and/or Survivors

TCA 5-8-102 (a) and (d) – COUNTY MOTOR VEHICLE PRIVILEGE TAX, VETERANS. Any disabled veteran who has a 100 percent permanent, total disability from a service-connected cause, or any former prisoner of war, as determined by the U.S. Department of Veterans Affairs, shall be exempt from the motor vehicle privilege tax upon submission of evidence of such disability to the officer in the county charged with the responsibility for collecting such tax.

TCA 8-30-306 – VETERANS PREFERENCE IN STATE EMPLOYMENT. For any person who has been honorably discharged from the Army, Navy, Air Force, or Marine Corps, who served in the Armed Forces of the United States during the period of a war; the Korean Conflict, the Vietnam Conflict,

or the Lebanon, Grenada, Panama Expedition, or Desert Storm, five (5) points shall be added to the earned ratings in Examinations to veterans who received the Armed Forces Expeditionary Medal.

If such veteran is disabled as a result of such military service, such veteran shall have ten (10) points added to such veteran's rating.

The spouse or surviving spouse of any 100 percent, service-connected, disabled veteran whose disability resulted from such military service, or the surviving spouse of any veteran who died in the line of duty shall have ten (10) points added to such person's rating, if the surviving spouse has not remarried since the death of the veteran.

TCA 8-33-102 – REEMPLOYMENT RIGHTS OF PUBLIC EMPLOYEES. Establishes terms and conditions under which Armed Forces service may be credited toward the Tennessee Consolidated Retirement System.

TCA 8-34-605 – RETIREMENT CREDITABLE MILITARY SERVICE, VETERANS.

- Any member who leaves service with the State of Tennessee after completing any required probationary period, in order to perform military duty in the Armed Forces of the United States, and who is relieved or discharged from such duty and is reemployed by the State of Tennessee within six (6) months after he/she is relieved of military duty, has the option to establish retirement credit for four (4) years for military service in the Armed Forces of the United States (see paragraph 2, b, c, and d below).
- Any member, or retired member, who served in the Armed Forces of the United States during any period of armed conflict, is entitled to receive retirement credit for such service, not to exceed an aggregate of four (4) years under the following conditions:

Period of armed conflict including:

World War I*	04/07/1917–11/11/1918
World War II	12/07/1941–12/31/1946
Korean Conflict	06/27/1950–01/31/1955
Vietnam Era	02/28/1961–05/07/1975
Gulf War	08/21/1990 – to a date set by law

The credit cannot be established in any other retirement system.

The veteran was discharged under conditions other than dishonorable.

The credit may be granted conditionally upon the veteran becoming vested; prior to vesting, the credit may not be used to establish any rights under the State Retirement System.

**There are no surviving Tennessee veterans of World War I, to the best of the federal government's knowledge.*

TCA 46-6-101 to 104 – STATE VETERANS CEMETERIES. Establishes eligibility for interment of honorably discharged veterans and dependents.

TCA 49-2-119 – DIPLOMAS FOR WORLD WAR OR KOREAN WAR VETERANS. High school diplomas may be issued to veterans whose education was interrupted by service in World War I, World War II, or the Korean War. The veteran is not required to be a current resident of the State of Tennessee at the time of the request for a diploma. A surviving spouse or other immediate family member of a deceased veteran may also request the diploma.

TCA 49-4-9 – HELPING HEROES GRANT FOR VETERANS. The grant will be available each year to as many as 375 eligible veterans on a first-come, first-served basis and will award \$1,000 to students completing at least twelve (12) semester hours each term. Applicants need to have been awarded the Iraq Campaign Medal, the Afghanistan Campaign Medal, or the Global War on Terrorism Expeditionary Medal. For further eligibility requirements and information, visit the Web site, www.CollegePaysTn.com.

TCA 49-7-102 – DEPENDENTS OF CERTAIN VETERANS, TUITION FEES. A dependent child in the state is entitled to receive free tuition, maintenance fees, student activity fees, and registration fees and to be admitted without cost to any of the colleges or universities owned, operated, and maintained by the state, whose parent (mother or father) was killed or died as a direct result of injuries received or officially reported as being either a prisoner of war or missing in action while serving as a member of the Armed Forces during a qualifying period of armed conflict.

To be eligible for these benefits, the dependent child must present a certificate from the United State Department of Veterans Affairs, and he/she can not be receiving benefits under Public Law 634 or such other Federal Laws offering like or similar benefits and must meet the above requirements.

TCA 55-4-235 – SPECIAL LICENSE PLATE for FORMER PRISONERS OF WAR. Provides for any prisoners of war, who are Tennessee residents to apply for and receive two (2) special free vehicle license plates.

TCA 55-4-236 – REGISTRATION PLATES, MEDAL RECIPIENTS. Provides for recipients of the Medal of Honor, Distinguished Services Cross, Navy Cross, or Air Force Cross to apply for and receive two (2) special free identifying vehicle license plates.

TCA 55-4-237 – FREE LICENSE PLATES for 100 PERCENT SERVICE-CONNECTED VETERANS. Sets forth conditions under which disabled veterans may apply for and receive special license plates.

TCA 55-4-238 – PEARL HARBOR SURVIVORS. Provides procedures for application and issue of special and distinctive Tennessee license plates for bona fide survivors who were present at Pearl Harbor, Hawaii, on December 7, 1941.

TCA 55-4-239 – SPECIAL LICENSE PLATES FOR PURPLE HEART RECIPIENTS. Provides for holders of the Purple Heart Medal who are Tennessee residents to apply for and receive two (2) special free vehicle license plates.

TCA 55-8-160 – PARKING PRIVILEGES FOR FREE LICENSE PLATES HOLDERS. Provides procedures for handicapped persons, including veterans, to apply for and receive a special handicapped parking permit.

TCA 58-7-102 (B) & 58-7-112 – STATE VETERANS HOMES. Provides procedures for eligibility requirements for admission into Tennessee State Veterans Homes for veterans who are entitled to medical treatment and/or other benefits from the USDVA and who meet at least one of the following additional requirements:

- Residents of Tennessee at time of admission.
- Born in Tennessee.
- Entered the U.S. Armed Forces in Tennessee.
- Tennessee is the official home of record on veteran's military records.

- Has an immediate family member or legal guardian who would serve as primary caregiver who is a resident of Tennessee.

TCA 66-24-101 (20) – REGISTRATION OF DISCHARGES BY COUNTY REGISTRAR.

County registrars are required to register separation document DD-214 (discharges) without charge to the person named in the discharge or to the holder of such discharge.

TCA 67-5-704 – PROPERTY TAX RELIEF FOR SEVERELY DISABLED VETERANS AND/OR SURVIVING SPOUSES. Disability must meet one of the following categories:

- A service-connected disability that resulted in:
 - Paraplegia OR
 - Permanent paralysis of both legs and lower part of the body resulting from traumatic injury or disease to the spinal cord or brain; OR
 - Loss, or loss of use of, two (2) or more limbs; OR
 - Legal blindness

- A total and permanent disability rating from a service-connected disability.
- A 100 percent total and permanent disability rating from being a prisoner of war.

The veteran or surviving spouse must own and use property as a primary residence. The maximum market value on which tax relief is calculated is \$175,000.

Property tax relief shall also be extended to the surviving spouse of a disabled veteran who at the time of the disabled veteran’s death was eligible for disabled veteran’s property tax relief.

TCA 70-2-104 – HUNTING AND FISHING LICENSE FOR WAR-TIME DISABLED VETERANS.

Authorizes issuance of a sport fishing and hunting license with a one-time \$10 fee to residents of Tennessee who are 100 percent permanently and totally disabled from a service-connected cause or who are, by reason of service in any war, 30 percent or more disabled.

Where to Get Help—Veteran Benefit Offices

Chattanooga

540 McCallie Ave., Rm. 109
(423) 634-6488

Cookeville

90 Spring Street
(931) 526-6929

Dickson

200 North Main Street
(615) 441-6224

Dyersburg

309 Church Street, North, G-2
(731) 286-8344

Jackson

225 Dr. Martin Luther King Drive, Rm. 110
(731) 423-5614

Knoxville

617 Cumberland Avenue, Rm. 213
(865) 594-6158

Memphis

170 North Main, 2nd Floor
(901) 543-7395

VA Medical Center

1030 Jefferson Avenue, Rm. CEG19
(901) 523-8990, Ext. 5284

TDVA Hospital Claims Office

1030 Jefferson Avenue, Rm. CEG19
(901) 523-8990, Ext. 5284

Morristown

1609 College Park Drive
(423) 587-7032

Mountain Home

VA Medical Center
Building 69, Rm. H115
(423) 926-1171, Ext. 7203

Murfreesboro

Alvin C. York VA Medical Center
Building 7, Rm. G-39
(615) 225-6930

Nashville

VA Medical Center
1310 24th Avenue South, Rm. A-107
(615) 327-5303

Ft. Campbell, Kentucky

5661 Screaming Eagle Blvd.,
(931) 431-3784

Tennessee Department of Labor and Workforce Development

The Tennessee Department of Labor and Workforce Development offers this list of more than 140 occupations to help you explore the best possible job opportunities as you reenter civilian life. These occupations were selected because they are expected to be in demand by Tennessee employers and because military occupations provide some or all of the skills required. Here, you can compare experience requirements and wages of the most promising occupations. You can also seek the best match for your skills and experience, whether civilian or military or both. Additionally, you can use the resources listed here, both Web sites and department staff, to expand on this information and to provide further help.

An effective first step in your job search would be meeting with one of the department's veterans employment representatives located in career centers and local offices across the state. All veterans are eligible for job referral and referral to training, and veterans representatives ensure veterans' preference in referral to jobs and other services. Employment-related testing, training information, skills assessment, and job referral are among the services provided. Veterans representatives can also provide contact information for other veterans services and social service organizations in your area.

You can get started by calling one of the regional career centers listed on the back page. Go to the career center Internet site at www.state.tn.us/labor-wfd/cc/cccounty.htm to find additional locations including maps.

Our hope is that, using these resources, you will find exactly the right path for you, whether that path leads to a satisfying immediate job or to a meaningful long-range career or both.

What occupations were selected for this publication?

Each occupation was selected because it requires some of the same skills as one or more military occupations. All are expected to be in demand by Tennessee employers through the year 2014. Titles in this list are civilian job titles.

How can I find the occupation or occupations in this list that use my military skills?

If you don't find a listed occupation that relates to your military occupation, you can get help on the Internet at www.acinet.org/acinet/moc/. Type in your MOC or part of your military job title, and you will get the matching civilian job titles.

What if I use the Internet to find the civilian title that matches my military occupation but that title is not in this list?

If you don't find that civilian title in this list, seek help from a veterans employment representative using the career center phone numbers or the Web site listed in the Resources. Even if an occupation is not on this select occupations list, jobs may be available. Our staff will help match you up with one of the many employers eager to hire veterans.

How can I find out more about these and other promising occupations?

Much helpful information, both statewide and local, is available for the listed occupations. Also, there are a number of promising occupations that have no matching military codes and therefore are not listed in this publication. You can access all occupations and all additional information on "The Source" at www.tennessee.gov/labor-wfd/source.

Select:

- Services for Individuals
- Career Services
- Career Informer
- State Map or a Workforce Investment Area
- Any Occupation [view summary]
- Display More Information about This Occupation [below the summary]
- Supply and Demand OR Skills Required OR Training Programs, etc.

Tennessee Department of Economic and Community Development

Business Enterprise Resource Office (BERO)

BERO provides technical, financial, and management information assistance to small and minority- and women-owned businesses. It has four objectives:

- to be a resource for purchasing and business opportunities in private industry and government sectors.
- to pair up private industry and government sectors with small and minority- and women-owned businesses.
- to provide bid information on opportunities available with private industry and government.
- to link private industry and government entities looking to purchase goods and/or services. BERO works with the Governor's Office of Diversity Business Enterprise to expand procurement opportunities for small and minority- and women-owned businesses that wish to do business with the state.

Offices:

Enterprise Specialist
BERO (Business Enterprise Resource Office)
170 N. Main St., Suite 12
Memphis, TN 38103
Telephone (901) 543-7426
Fax (901) 543-7905
Web site www.tn.ecd.gov

BERO Director
312 Rosa L. Parks Avenue, 11th Floor
Nashville, TN 37243
Phone: (615) 741-8914

Enterprise Specialist
BERO
5401 Kingston Pike
Knoxville, TN 37932
Telephone: (865) 777-4043
Fax: (854) 777-4658

Enterprise Specialist
312 Rosa L. Parks Avenue, 11th Floor
Nashville, TN 37243
Telephone: (615) 532-1926
Fax: (615) 741-5829

Tennessee Department of Human Services

Division of Rehabilitation Services
Vocational and Educational Services for Individuals with Disabilities
Vocational Rehabilitation Services
400 Deadrick Street, 15th Floor
Nashville, TN 37243-1403
Telephone: (615) 313-4700 or
(615) 741-4165 (fax)
www.state.tn.us/humanserv/VRServices.html

District Office Locations

Shelby County

Vocational Rehabilitation Regional Office
170 N. Main St., 3rd Floor
Memphis, TN 38103-1820
Telephone/TTY: (901) 528-5294
Fax: (901) 543-6036

Davidson County

Vocational Rehabilitation Regional Office
88 Hermitage Avenue
Nashville, TN 37210-9823
Telephone/TTY: (615) 741-1606
Fax: (615) 741-8180

Knox County

Vocational Rehabilitation Regional Office
531 Henley Street, Suite 520
Knoxville, TN 37902
Telephone: (865) 594-6060
TTY: (865) 594-6006
Fax: (865) 594-6535 or (865) 523-7852

Hamilton County

Vocational Rehabilitation Regional Office
311 East Martin Luther King Blvd.
Chattanooga, TN 37403-4108
Telephone: (423) 634-6700
TTY: (423) 634-6717
Fax: (423) 634-6712

Vocational Rehabilitation Regional Office

P.O. Box 2120 (37605-2120)
905 Buffalo St. (37604-6719)
Johnson City, TN
Telephone: (423) 434-6934
TTY: (423) 434-6899
Fax: (423) 434-6963

Development Districts in Tennessee

East Tennessee Development District

P.O. Box 249
Alcoa, TN 37701
Phone: (865) 273-6003
Fax: (865) 273-6010
www.discoveret.org/etdd

First Tennessee Development District

207 N. Boone Street, Suite 800
Johnson City, TN 37604
Phone: (423) 928-0224
Fax: (423) 928-5209
www.ftdd.org

Greater Nashville Regional Council

501 Union Street, 6th Floor
Nashville, TN 37219-1705
Phone: (615) 862-8828
Fax: (615) 862-8840
www.gnrc.org

Memphis Area Association of Governments

1420 Union Avenue, Suite 410
Memphis, TN 38104-3695
Phone: (901) 729-2871
Fax: (901) 729-4107

Northwest Tennessee Development District

P.O. Box 963
124 Weldon Drive
Martin, TN 38257
Phone: (731) 587-4213
Fax: (731) 587-4587
www.nwtdhira.org/index.htm

South Central Tennessee Development District

P.O. Box 1346
Columbia, TN 38402-1346
Phone: (931) 381-2040
Fax: (931) 381-2053
www.sctdd.org

Southeast Tennessee Development District

P.O. Box 4757
Chattanooga, TN 374025-0757
Phone: (423) 266-5781
Fax: (423) 267-7705
www.sedev.org

Southwest Tennessee Development District

27 Conrad Drive, Suite 150
Jackson, TN 38305-2850
Phone: (731) 668-7112
Fax: (731) 668-6421
www.swtddd.org

Upper Cumberland Development District

1225 South Willow Avenue
Cookeville, TN 38506-4194
Phone: (931) 432-4111
Fax: (931) 432-6010
www.ucdd.org

In addition to these regional development districts, there are a number of local development organizations that can be of assistance. Check with the local Chamber of Commerce for a list of the local organizations.

Appendix C

Veteran Loan Programs

- **MREIDL**
- **State of Tennessee Treasury Department, Small and Minority-Owned Business Assistance Program**
- **SBA Patriot Express Loan**

U.S. Small Business Administration Military Reservist Economic Injury Disaster Loan Program

The filing period for small businesses to apply for economic injury loan assistance begins on the date the essential employee is ordered to active duty and ends on the date 90 days after the essential employee is discharged or released from active duty. (NOTE: This program applies to military conflicts occurring or ending on or after 03/24/99.)

The purpose of the Military Reservist Economic Injury Disaster Loan Program (MREIDL) is to provide funds to eligible small businesses to meet ordinary and necessary operating expenses that they could have met, but are unable to meet because an essential employee was called-up to active duty as a military reservist. These loans are intended only to provide the amount of working capital needed by a small business to pay its necessary obligations as it matures until operations return to normal after the essential employee is released from active military duty. The purpose of these loans is not to cover lost income or lost profits. MREIDL funds cannot be used to take the place of regular commercial debt, to refinance long-term debt, or to expand the business.

Federal law requires SBA to determine whether credit in an amount needed to accomplish full recovery is available from non-government sources without creating an undue financial hardship to the applicant. The law calls this credit available elsewhere. Generally, SBA determines that over 90% of disaster loan applicants do not have sufficient financial resources to recover without the assistance of the Federal government. Because the Military Reservist economic injury loans are taxpayer subsidized, Congress intended that applicants with the financial

capacity to fund their own recovery should do so and therefore are not eligible for MREIDL assistance.

SBA Loan Programs. At least five Small Business Administration programs may be especially applicable to the veteran: 7A, 8A, 504, Patriot Express Loan, and SBA Express. Contact the SBDC for more information.

Credit Requirements. SBA's assistance is in the form of loans. Thus, SBA must have a reasonable assurance that such loans can and will be repaid.

Collateral Requirements. Loans of \$5,000 or less do not require collateral. Loans in excess of \$5,000 require the pledging of collateral to the extent that it is available. Normally, the collateral would consist of a first or second mortgage on the business property. In addition, personal guarantees by the principals of the business are required. SBA will not decline a loan for lack of collateral, but available collateral must be pledged.

Interest Rate. Interest rates are determined by formulas set by law and recalculated quarterly. The maximum interest rate for this program is 4 percent.

Loan Term. The law authorizes loan terms up to a maximum of 30 years. SBA determines the term of each loan in accordance with the borrower's ability to repay. Based on the financial circumstances of each borrower, SBA determines an appropriate installment payment amount, which in turn determines the actual term.

Loan Amount Limit \$1,500,000. The actual amount of each loan, up to this maximum, is limited to the actual economic injury as calculated by SBA, not compensated by business interruption insurance or otherwise, and beyond the ability of the business and/or its owners to provide. If a business is a major source of employment, SBA has authority to waive the \$1,500,000 statutory limit.

Insurance Requirements. To protect each borrower and SBA, SBA requires borrowers to obtain and maintain appropriate insurance. Borrowers of all secured loans (economic injury loans over \$5,000) must purchase and maintain full hazard insurance for the life of the loan. Borrowers whose property

is located in a special flood hazard area must also purchase and maintain flood insurance for the full insurable value of the property for the life of the loan.

Frequently Asked Questions

Q: I've heard that SBA loan applications are complicated and hard to complete. Is this true?

No. The application form asks you for the same information about the business and its substantial owners and managers that generally is required for a bank loan. If you need help, SBA personnel will explain the forms and give you assistance at no charge.

Q: Must I use my own money or try to borrow from a bank before I come to SBA?

No. The resources of the business and its principals will be considered in determining the ability of the business to recover without the assistance of the federal government.

Q: When should I apply for the loan?

The program applies to military conflicts occurring or ending on or after March 24, 1999. The filing period begins on the date the essential employee is ordered to active duty and ends 90 days after the date the essential employee is discharged or released from active duty.

Q: What documentation do I need to give SBA to apply for his type of loan?

The filing requirements are listed at the beginning of the application. In addition to the financial information required you would normally submit for any loan, your application package must also include the following:

- A copy of the essential employee's orders for active duty or copy of discharge or release papers from active duty status.
- A statement from the business owner that the reservist is essential to the day-to-day operations of the business along with a written concurrence by the essential employee.
- A written explanation and estimate of how the employee's activation to military service has or will result in the small business experiencing substantial economic injury.
- A description of the steps the business is taking to alleviate the economic injury.
- A certification from the business owner that the employee will be offered the same job or similar job upon the employee's return from active duty.

Q: What is an essential employee?

An essential employee is an individual (whether or not an owner of the small business) whose managerial or technical expertise is critical to the successful day-to-day operations of the small business.

Q: What is meant by a "period of military conflict"?

Period of military conflict means (1) a period of war declared by Congress, (2) a period of national emergency declared by Congress or the president, or (3) a period of contingency operation. A contingency operation is designated by the secretary of defense as an operation in which our military may become involved in military action, operations, or hostilities.

Q: What does "substantial economic injury" mean?

Substantial economic injury means that your business either has been or will be adversely impacted by the deployment of the military reservist and that the business is (1) unable to meet its financial obligations as they mature, and/or (2) unable to pay its ordinary and necessary operating expenses, and/or (3) unable to market, produce, or provide a service ordinarily marketed, produced, or provided.

Q: When will I know if I get the loan?

That depends on when you file a complete SBA loan application. To make a loan, we must be satisfied that the business can repay the loan from its operations and take reasonable safeguards to help ensure the loan is repaid. We try to make decisions on each application within 7 to 21 days. Be sure the information in your application is complete; missing information is the biggest cause of delay.

Q. How soon can I expect my money?

After we approve the loan, we will tell you what documents are needed to close the loan. Once we receive these documents, we can disburse the funds.

For an application, please contact the Disaster Assistance Customer Service Center at (800) 659-2955, or e-mail us at disastercustomerservice@sba.gov.

Completed SBA Disaster Loan Applications may be submitted to
Small Business Administration
Processing and Disbursement Center
14925 Kingsport Rd.
Ft. Worth, TX 76155-2243

If you have any questions, please call 1 (800) 659-2955 or (TTY) (800) 877-8339.

For more information, go to: www.sba.gov/services/disasterassistance/militaryreservistsloans/SERV_MILITARY_HTML1.html.

State of Tennessee Treasury Department, Small and Minority-Owned Business Assistance Program

Public Chapter 380 of Acts of 2004 created within the Treasury Department the Small and Minority-Owned Business Assistance Program (SMOB). The department has developed an assistance program for small and minority-owned businesses, which includes loans and loan guarantees, technical assistance, and program services. Check the Web site www.tnsmob.org for more information.

Geographical Area Served: State of Tennessee

Fees: No charge assessed at this time.

For further information:

Sherri McClellan
Program Director
100 Riverfront Pkwy
Chattanooga, TN 37402

Telephone: (423) 424-4298

Web site: www.tnsmob.org

E-mail: smcclellan@sedev.org

SBA Patriot Express Loan

The U.S. Small Business Administration's (SBA) Patriot Express Pilot Loan program is a streamlined loan product based on the successful SBA Express program, with enhanced guarantee and interest rate characteristics.

Patriot Express is available to military community members including veterans, service-disabled veterans, active-duty service members participating in the military's Transition Assistance program, reservists, National Guard members, current spouses of any of the above, and widowed spouses of service members or veterans who died during service or of a service-connected disability.

The Patriot Express Loan is offered by SBA's network of participating lenders nationwide and features SBA's fastest turnaround time for loan approvals. Loans, available up to \$500,000, qualify for SBA's maximum of up to 90 percent until September 2010 for loans of \$150,000 or less, and up to 75

percent for loans from \$150,000 to \$500,000. (For loans above \$350,000, lenders are required to take all available collateral.) These loans can be used to establish or expand a small business.

The Patriot Express Loan can be used for most business purposes including start-up, expansion, equipment purchases, working capital, inventory, or business-occupied real-estate purchases.

Patriot Express Loans feature SBA's lowest interest rates for business loans—generally 2.25 to 4.75 percent over prime, depending upon the size and maturity of the loan. Local SBA district offices have listings of Patriot Express lenders in their areas.

The Small Business Development Center's network of veterans business advisors can provide veterans and active military personnel with information about the Patriot Express Loan Initiative. In addition, the SBA has veterans business development officers in district offices in every state and territory who can provide military community members with the full SBA range of programs and services.

For those who are already small business owners and who expect call-up, the SBA and its resource partners can

- help prepare their businesses before deployment;
- help manage their businesses and advise on how to sell goods and services to the government;
- obtain other SBA financing and financial assistance; and
- obtain loans for economic injury—Military Reserve Economic Injury Disaster Loans (MREIDL)—of up to \$1.5 million, available for small businesses sustaining economic injury because an owner or essential employee has been called to active duty as a military reservist.

For more details on the initiative, visit www.sba.gov/patriotexpress/.

Appendix D

Federal Programs

- **Small Business and Self Employment Services (SBSES)**
- **IRS Information for Self-Employment**

Small Business and Self-Employment Service (SBSES)

A service of the Office of Disability Employment Policy of the U.S. Department of Labor which provides comprehensive information, counseling and referrals about self-employment and small business ownership opportunities for people with disabilities. Entrepreneurship is an exciting opportunity for people with disabilities to realize their full potential while becoming financially self-supporting. Some of the benefits of self-employment or small business ownership include working at home, controlling your work schedule, and enjoying the independence that comes from making your own decisions.

Who should use the SBSES. The SBSES can answer questions about starting a business or self-employment practice for:

- People with disabilities
- Service providers
- Friends and family of people with disabilities
- Anyone with an interest in self-employment and small business as career choices for people with disabilities

What information is available. The knowledgeable staff of the SBSES can provide information and referrals about the following:

- Starting a Business:
 - Developing a business concept
 - Market research
 - Writing a business plan
 - Obtaining capital
 - Loan guarantees
- Managing a business:
 - Technical assistance resources
 - Growing a business
 - Personnel management
 - Financial management
 - Developing a marketing plan

- Disability issues:
 - Social Security
 - PASS plans
 - Health care
 - Working at home

How much does it cost? As with all services provided by the Office of Disability Employment Policy, SBSES information is free. There is no cost for the telephone call or for any materials that are sent. All communications are confidential.

Contact information:

Small Business and Self-Employment Service – Job Accommodation Network

P.O. Box 6080, Morgantown, WV 26506-6080

Telephone 1 (800) 526-7234 (V)

TTY (877) 781-9403

Fax (304) 293-5407

www.jan.wvu.edu/SBSES

kccording@wvu.edu

IRS Information for Self-Employed Individuals

Below you will find information helpful in answering many questions related to being self-employed or an independent contractor.

Who Is Self-Employed?

If you are in business for yourself or carry on a trade or business as a sole proprietor or an independent contractor, you generally would consider yourself a self-employed individual. You are an independent contractor if the person for whom you perform services has only the right to control or direct the result of your work, not what will be done or how it will be done.

Independent Contractor (Self-Employed) or Employee?

It is critical that you, the employer, correctly determine whether the individuals providing services are employees or independent contractors. Generally, you must withhold income taxes, withhold

and pay Social Security and Medicare taxes, and pay unemployment tax on wages paid to an employee. You do not generally have to withhold or pay any taxes on payments to independent contractors.

Do I Need an Identification Number?

You must have a Taxpayer Identification Number to operate your business. This is generally your Social Security number, or an individual taxpayer number. However if you have employees, and in some other circumstances, you will need an Employer Identification Number.

Filing Requirements for the Self-Employed

As a self-employed individual, you may be responsible for completing multiple tax forms, depending on your type of business.

IRS e-file for Business and the Self-Employed

Electronic filing and payment are available options for businesses and self-employed individuals including employment taxes, information returns, partnerships returns, and returns for estates and trusts. You can also electronically file corporate tax returns (Forms 1120/1120S) and returns for exempt organizations (Forms 990/990EZ & 1120 POL).

Publications and Forms for the Self-Employed

Below is a list of relevant forms and publications related to understanding and fulfilling your filing requirements.

- Publications
 - Publication 15, Circular E, Employer's Tax Guide
 - Publication 15-A, Employer's Supplemental Tax Guide (PDF)
 - Publication 225, Farmer's Tax Guide
 - Publication 334, Tax Guide for Small Business
 - Publication 463, Travel, Entertainment, Gift, and Car Expenses
 - Publication 535, Business Expenses
 - Publication 541, Partnerships
 - Publication 587, Business Use of Your Home (Including Use by Day Care Providers)

- Publication 4591, Small Business Federal Tax Responsibilities (PDF)
- Forms
 - Form 1040, U.S. Individual Income Tax Return (PDF)
 - Schedule C (Form 1040), Profit or Loss from Business (PDF)
 - Schedule C-EZ (Form 1040), Net Profit from Business (PDF)
 - Schedule F (Form 1040), Profit or Loss from Farming (PDF)
 - Schedule K-1 (Form 1065), Partner's Share of Income, Credits, Deductions, etc. (PDF)
 - Schedule K-1 (Form 1065-B), Partner's Share of Income (Loss) from an Electing Large Partnership (PDF)
 - Schedule SE (Form 1040), Self-Employment Tax (PDF)

For more information, visit the IRS Small Business and Self-Employed Web site: www.irs.gov/businesses/small/index.html.

Appendix E

Veterans Administration

VA Benefits for Active Duty Personnel

There are various VA benefits available to active duty personnel.

What Types of Insurance Benefits Are Available? Service members and reservists are eligible for up to a maximum of \$400,000 in life insurance under Service Members' Group Life Insurance (SGLI). Spousal coverage is available up to a maximum of \$100,000, and children are automatically covered for \$10,000 at no cost. Any member of the uniformed services covered by SGLI is eligible for a traumatic injury protection rider (TSGLI), which provides payments between \$25,000 and \$100,000 to members who have a traumatic injury and suffer losses such as, but not limited to, amputations, blindness, and paraplegia.

What Types of Education Benefits Are Available? Education benefits are available to active duty personnel who have served for at least two years and have contributed \$1,200 under the Montgomery GI Bill (Chapter 30) and to selected reservists and National Guard who are certified as eligible under the Montgomery GI Bill, Select Reserves (Chapter 1606). The Chapter 30 program is limited to payment for tuition and fees; the Chapter 1606 program provides a monthly stipend.

What Types of Home-Related Benefits Are Available? Persons on active duty are eligible for a VA home loan guaranty after serving on continuous active duty for 90 days. Service members going through the Benefits Delivery at Discharge (BDD) program who are found to have service-connected conditions are exempt from the loan guaranty funding fee.

What Types of Health Care Benefits Are Available? VA health care facilities are available to active duty service members in emergency situations and upon referral by military treatment facilities or TRICARE. VA provides a comprehensive medical benefits package to veterans enrolled in its health care program and is fully capable of meeting

the treatment needs of those who are referred for care or who require emergency health care services. Service members may receive one-time dental treatment up to 90 days from separation if they were not provided treatment within 90 days before separation from active duty.

Is the Medal of Honor Pension Payable to Active Duty Personnel? Active duty personnel who have been awarded the Medal of Honor and are determined to be eligible by one of the service departments are entitled to receive a special Medal of Honor pension from the VA.

Can a Claim for Benefits be Filed Prior to Separation? Through the BDD program, service members can file claims for disability compensation, pension, vocational rehabilitation, automobile allowance, and special adapted housing prior to separation. VA employees will assist in the filing and preparation of the claim as well as adjudicate the claim within days following separation. Additionally, VA offers counseling and claims assistance to separating service members throughout the United States and around the world through the Transition Assistance Program (TAP) and Disabled Transition Assistance Program (DTAP).

For more information, go to www.va.gov or call:
Disability Benefits/General Information:

1 (800) 827-1000

Insurance: 1 (800) 669-8477

Education: 1 (888) 442-4551

Health Benefits: 1 (877) 222-8387

Veterans Online Applications

The Veterans Online Applications (VONAPP) Web site is an official U.S. Department of Veterans Affairs (VA) site, that enables veterans to apply for benefits using the Internet. U.S. military veterans and some service members within six months of separation or retirement can apply for compensation, pension, and vocational rehabilitation benefits. U.S. military veterans, service members with two years of service, and members of the Selected Reserve can

apply for education benefits. VONAPP also has a link to VA Form 10-10EZ, Application for Health Benefits.

How Is Using This Site Different from Visiting a VA Office? When you use this site to complete and send an application to the VA, your application will be sent directly to the VA office with jurisdiction over your application. Processing will begin, and you will receive an automated e-mail response from the VA office letting you know that your application has been received. *It can be important for you to submit your claim as soon as you can if it is near the end of a month*, whether by regular mail or using VONAPP, to ensure we receive it before the first of the next month. In some cases, your entitlement is based on the date we receive your claim in the VA. You might lose a month of benefits if we find you eligible but you wait until the following month to submit your claim. When you successfully submit your electronic application using VONAPP, the time and date are stamped on your application. The time and date are Eastern Standard Time (EST) in Philadelphia, Pennsylvania, where the application is electronically received by the VA regardless of your location around the world.

VA Forms in VONAPP

VA forms currently available in VONAPP include the following:

- VA Form 21-526, Veteran's Application for Compensation and/or Pension
- VA Form 22-1990, Application for VA Education Benefits
- VA Form 22-1995, Request for Change of Program or Place of Training
- VA Form 22-5490, Application for Survivors' and Dependents' Educational Assistance
- VA Form 22-5495, Change of Program or Place of Training Survivors' and Dependents' Educational Assistance
- VA Form 28-1900, Disabled Veterans Application for Vocational Rehabilitation

Veterans Online Application Web site: http://vabenefits.vba.va.gov/vonapp/about_vonapp.asp.

Appendix F

Related Web Sites

See the following Web sites for more information or reference materials:

- Abilities Fund – www.abilitiesfund.org/
- Americans with Disabilities Act – www.ada.gov/
 - Document Center – www.jan.wvu.edu/links/adalinks.htm
 - Equal Opportunity Employment Commission – www.eeoc.gov/types/ada.html
 - Guide for Small Businesses – www.ada.gov/smbusgd.pdf
 - SBA Guide to ADA – www.sba.gov/ada/
- Center for Women Veterans – www1.va.gov/WOMENVET/
- Disability Information – www.disabilityinfo.gov
- Disabled American Veterans – www.dav.org/
- Employer Support of the Guard and Reserve – www.esgr.org/
- Guide for Women Veterans (American Legion) – www.legion.org/documents/legion/pdf/womensguide.pdf
- Health Benefits Service Center – www.appc1.va.gov/health_benefits/
- Helmets to Hard Hats – www.helmetstohardhats.com
- Hire Vets First – www.hirevetsfirst.gov
- Homeless Veterans' Reintegration Program – www.dol.gov/vets/programs/fact/Homeless_veterans_fs04.htm
- Keys to Career Success – www.careeronestop.org/militarytransition/
- Military to Civilian Occupation Translator – www.acinet.org/acinet/moc/
- My Own Business – www.myownbusiness.org/index.html
- National Association of State Women Veteran Coordinators – www.naswvc.com/
- National Coalition of Homeless Veterans – www.nchv.org/advocacy.cfm
- National Guard/Reservists Services – www.sba.gov/aboutsba/sbaprograms/reservists/index.html
- Office of Veterans Business Development – www.sba.gov/aboutsba/sbaprograms/ovbd/index.html
- Patriot Express and Military Reservists Loans – www.sba.gov/aboutsba/sbaprograms/ovbd/loans/index.html
- Plan to Achieve Self-Support (PASS) – www.socialsecurity.gov/disabilityresearch/wi/pass.htm
- President's National Hire Vets Committee – www.hirevetsfirst.gov
- SCORE (formerly Service Corps of Retired Executives) – www.score.org/
- Self-Assessment for Entrepreneurship – www.sba.gov/training/selfassessment.html
- Self-Employment for People with Disabilities – www.dol.gov/odep/pubs/publicat.htm
- Tennessee Small Business Development Center – www.tsbdc.org
- Troops to Teachers – www.dantes.doded.mil/dantes_Web/troopstoteachers/index.asp
- Troops to Truckers – www.troops2truckers.com/truckers/program/
- Uniformed Services Employment/Reemployment Rights Act – www.dol.gov/compliance/guide/userra.htm
- Women Veterans – www.nchv.org/women.cfm

United States:

- Department of Labor – www.dol.gov
- Department of Veterans Affairs – www.va.gov
 - Publications – www1.va.gov/vapubs/
 - House Committee on Veterans Affairs – www.veterans.house.gov/
 - Office of Disability Employment Policy – www.jan.wvu.edu/sbses/index.htm
 - Senate Committee on Veterans Affairs – www.senate.gov/~veterans/public/
 - Small Business Administration – www.sba.gov
 - Social Security Administration – www.ssa.gov (VESID – www.vesid.gov)
 - Veterans Benefits Administration – www.vba.va.gov/VBA/

Veterans Business Outreach Centers – www.sba.gov/aboutsba/sbaprograms/ovbd/ovbd_VBOP.html
Veterans Health Administration – www1.va.gov/health/index.asp
Veterans' Preference Advisor in Federal Jobs – www.dol.gov/elaws/vetspref.htm
Women's Veteran Issues – www.vba.va.gov/bln/21/Topics/Women/index.htm
Women Veterans of America – www.womenveteransofamerica.com/
Wounded Warrior Project – www.woundedwarriorproject.org/

Appendix G

Abbreviations and Acronyms Used in the Guide

ADA	Americans with Disabilities Act	PASS	Plan for Achieving Self-Support (U.S. Social Security Administration)
CQCAPD	Commission on Quality of Care and Advocacy for Persons with Disabilities	POW	Prisoner of War
CS	Civil Service	RLF	Revolving Loan Fund
CVE	Center for Veterans Enterprise (VA)	SBA	Small Business Administration
DAV	Disabled American Veterans	SCD	Service-Connected Disability
DIC	Death Indemnity Compensation	SCORE	Service Corps of Retired Executives
DOHS	Department of Human Services (TN)	SEP	Self-Employment Planning
DOL	Department of Labor (USDOL)	SSA	Social Security Administration
DVA	Department of Veteran Affairs (TN)	SSI	Supplemental Security Disability Income
DVOP	Disabled Veterans Outreach Program	TEP	Transitional Employment Placement
EEOC	Equal Employment Opportunity Commission	USERRA	Uniformed Services Employment and Reemployment Rights Act
ESGR	Employer Support of the Guard and Reserve	VA	U.S. Department of Veterans Affairs
FAQ	Frequently Asked Questions	VAO	Veteran Affairs Officer
HAL	Handicapped Assistance Loan program	VBA	Veterans Benefits Administration
IDA	Industrial Development Agency	VBOC	Veterans Business Outreach Centers (small business assistance)
ILC	Independent Living Center	VEAP	Veterans Educational Assistance Program
IRS	Internal Revenue Service (U.S.)	VETS	Veterans Employment and Training Service (USDOL)
MDA	Metropolitan Development Agency	VHA	Veterans Health Administration
MREIDL	Military Reservists Economic Injury Disaster Loan (U.S. SBA)	VR	Vocational Rehabilitation
NCHV	National Coalition of Homeless Veterans	WWP	Wounded Warrior Project
ODEP	Office of Disability Employment Policy (U.S. Department of Labor)		
OVBD	Office of Veterans Business Development (SBA)		



Veterans Business and Resource Planning Guide

