

Chapter III

Why business?

First, let me stress that only a very select percentage of us are capable of operating and maintaining our own business. The idea, as appealing as it is, of “being one’s own boss” is not the case in reality. In point of fact, when we are serving the public, the public is our boss. They dictate the hours we work, The service levels we provide and the products we handle. The proprietor who does not adhere to this will not be in business for very long.

Probably the first casualty to fall at the altar of self-employment is the concept of the forty hour work week... Especially during the formative years when our business is in the process of maturing. In fact, the eighty hour week is more common and hundred hour weeks are not unheard of. When a problem arises in our business, we must solve it, and we must do so now! There is no “later” when our profitability is at stake.



In all things, we are in competition with others who do what we do, and if we cannot, or will not, service our customer, someone else will... And they will not give them back! Therefore, the time, effort and money expended in our effort to grow our business has just been squandered. As in all else you know, how much of this waste can any business survive?

Another common, often overlooked or under regarded entity who has more control over us, our time and our business than is probably healthy, is government. The Internal Revenue Service (IRS), Occupational Safety and Health Administration (OSHA), Department of Revenue, Employment Security Department, State Industrial Safety Administration (WISHA in WA), State Industrial Insurance and state income tax department will require reporting from virtually every business operating, and there are a myriad others if our business falls in their area. Some of these might be like electrical inspectors or sewer inspectors, building inspectors, Department of Ecology, air quality board etc. and so on...

These people have the control of life or death for our business. Of them all, probably the state Department of Revenue in those states that have a value added or sales tax to be collected has the most power of any. At least this is true in my state. Failure to file your sales tax timely will result in a padlock being placed on your business and an immediate "cease and desist" order being issued. And, all of this without benefit of any court order. Of course, we have the right to appeal this decision... But we will be appealing it with our doors locked and our business closed until the matter is adjudicated.

For this reason alone, retaining the services of an accountant is essential. In most cases, a Certified Public Accountant, CPA, is not necessary, especially as we start up. A good professional accountant who is fully qualified to file our needed forms in a timely matter and to make sure our withholding and taxes are submitted to the appropriate agencies as required is sufficient.

In the view of all governmental agencies, to not file the forms is a criminal offense... They must be filed... Even if we are unable to pay immediately. These agencies also hold different degrees of disdain depending on whether the source of the money due is our own fees, or money we have withheld from our employees payroll.

Generally speaking, these agencies collect two basic kinds of funds. The first are monies we owe because we are doing business. They are monies we must pay, like our share of the employees Social Security, our State Industrial insurance premium and fees charged us. The second are



funds we have accumulated from others. Things like employees income tax withheld... His share of his Social Security and especially sales tax collected.

This second form is not our money and we have no right to keep it. We deduct it from payroll or collect it from customers and it must be submitted on our next scheduled and filing date. To fail in that requirement will bring the bureaucratic house down around our ears very quickly, with sales tax being the quickest.

When planning our business, we must consider these points and plan accordingly. Are we going to need to have an employee, or will our family be our staff? How dangerous is our work? Will our people be sitting at a desk, climbing a ladder or working on the roof? Are there machines involved?

When I was operating my logging company, state industrial accident assurance alone added more than 40% to my payroll costs above what I paid for an average wage. When I added in the employer share of Social Security and Medicare, unemployment compensation as well as the state's Business and Occupations tax, I almost doubled what I paid my employee in wages. At that time, top wages for a worker in my field was about five dollars per hour, but by the time I was done paying all of the other fees, my payroll was over nine dollars per hour per man! None of this money was paid by the employee, this was my share alone.



Now, to see the full picture, add in that portion that, as the employer, I was responsible for deducting from the workers paycheck, which included such things as income tax withholding, the employees half of Social Security, his Medicare and the small portion of state industrial insurance he is responsible for paying.

As should be obvious by now, the most expensive thing I could I have on my job was a man. In 1975, if I could buy a machine that would replace a man for less than \$300,000 it would be cheaper to buy the machine!

This is why it is so important to contract a quality professional accountant to keep all of those records, reports and payments current and timely. The fines for late filing, missed falling or missing payment was far more expensive

than the cost of the accountant. Plus, this frees us up to run our business... That portion we know best!

The Good Part

So far, we have looked at the negatives involved with a business, and, while they appear to be pretty daunting in a presentation of this type, if we follow the rules and the guidelines, they are really not that huge of a problem. It is not until the government agencies are neglected that the problems begin to arise. If we contract a competent professional accountant and allow them to do what they know to do and we are very careful with the money we withhold from our employees we will not incur official wrath with the problems that do arise. In fact, I was so careful, I even maintained a separate account for those funds. The day payroll was done, all withholding was transferred to the special account to preclude the chance of spending that money on something else. Consequently, I never had those types of problems... Period... but, I cannot say this of the businesses we represented in our professional accounting firm. Many of those did indeed run into these very problems.

There is one thing that must be understood about business, no matter the business... That is... In one business there is only room for one dream, and I can guarantee, if it is not our business, it is not our dream! On every paycheck. There are two places to sign it... the front and the back... If your place the sign is on the back, that check is as much of the business as you will ever get.

Want more? Simple... Get your own business.

Please realize I am not talking about something like Microsoft that was formed by several people all pooling their money and their talent to form a mega corporation... What we are talking about is a small business we can qualify to operate, providing goods or services in a highly limited basis.

Because our business begins this way, that does not mean it must remain that way. The accounts of our level of small business taking hold, establishing firm roots, gaining a large market and growing large to be bought by a major corporation are common in our country... It happens... Mom and Pop see a need in their area to produce a better widget and begin by making them in their basement... Then, outgrowing the basement, moving into a small shop designed just for that purpose until that's no longer sufficient and then build the plant and are marketing widgets across the state... Until, finally, International Widget and Gear, Inc. sees the advantage of marketing State Wide Widget's product across the world...

Something far too ambitious and expensive for Mom and Pop, so International buys State-Wide out, usually paying some of the cash upfront and backing that up with stock options, etc.



Mom and Pop are now quite wealthy with a guaranteed income into perpetuity for their children and grandchildren and beyond... And they can buy the home of their dreams and relax with those grandkids.

Is this our goal? Can we see ourselves on the deck of a thirty-six foot sport fisher in the fighting chair, battling a blue marlin off the Kona Coast of Hawaii just to spend the afternoon? In order for this to happen, you have to want it very badly... And you must be willing to do that which is necessary to make it happen... No matter how distasteful that task may be.



There was a man in days of old who heard of a great and wise guru who lived on a high mountain next to a glacial tarn. This man had a business that was not prospering him well. Yes, the business provided him with a living... But barely...

And it required all of his hours to even do this.

He did decided to visit the great Oracle on the mountain to ask him how to prosper his business. Four days climbed... Asking often of those he met if there was, truly, such a guru ahead and was assured each time that, yes, he was there, so on and on he toiled. Late in the fourth day, the man arrived at the tarn and there sat a grizzled, old, oriental man who looked old enough to have worn out two such bodies, with hair that fell beyond his shoulders and a beard... Now gray with the that age, that fell to his waist. He sat with his eyes closed as the man approached him slowly... Finally, the man stood silently... Afraid to speak, when the aged one asked, "Why do you come to this height and disturb my meditation?"

Gathering his courage, the man began, haltingly at first, but gaining and strength as he progressed... "I run a small business in the village at the base of these mountains and it is not as successful as I wish to be. I came do you because I am told you are wise in those ways and would put me on a path to the rewards I wish to earn..."

The ancient one opened his eyes and let his gaze fall on the man as he stood there before him... Now quaking a bit, it would seem. Without a sound but with obvious great effort he arose and spoke softly, saying, simply, "Follow me..." and he walked to the edge of the tarn, removed his sandals and waded into the chill water until it reached the level of his waist, at which point he turned to see the men standing on the very edge of the water... "Attend me here if you would know the secrets, otherwise, descend to your village and tend to your shop as it is..."



The man, still hesitant but with resolution, waded out to his host whereupon, the old man grabbed the man around the throat, unbalanced him and submerging him in the cold lake, held his head under, allowing him neither breath nor respite while one might've counted to one hundred slowly. No matter the man flailed and splashed, the ancient one did not cease until, finally, at last, he simply released the thoroughly distraught man and walked back to his seat by his hut, having stopped only to retrieve his sandals before being seated calmly...

It was but moments before a coughing, choking and dripping man stood directly before him, raging at him with all words available to him while the ancient one sat quietly and said nothing. When the man's tirade had waned enough for his speech to be understood, he screamed too loudly... "Why did you do such a thing? You nearly killed me... I had no air and I could get none... What does any of this have to do with my shop? How does it relate to my success?"

Quietly, the old man looked at him and said, simply... "The answer is this... When you want your business as much as you wanted of that breath of air... When you will do with as much as you were willing to do to get that next breath of air, your business will be successful beyond your ability to imagine it..."

It is the same with us. Are we committed to our plan? Do we want our business as much as that man must've wanted that breath of air or are we merely being involved?

I have two examples to share the demonstrate the difference between being committed to a course and merely being involved. The

first is the Japanese kamikaze pilot from World War II who flew twelve missions... He was surely involved, but he was certainly not committed!



The second example is the ham and egg breakfast... The chicken is involved, but the pig is committed!

Which are we, the chicken or the pig?

If we are the chicken, stop here, Close the book and devote your time to something more lucrative for yourself... But, if you are as committed to yourself and your future as that pig was to that breakfast then I invite you to turn the page and read on...