



Self-Employment Technical Assistance, Resources and Training

Self-Employment Q & A: Frequently Asked Questions from Families



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INTRODUCTION

Transition age youth with disabilities are increasingly exploring self-employment as a vocational option. Owning a business presents a myriad of opportunities to attain personal wealth, a respected role in the community, and a sense of accomplishment. However, families often have questions that require serious

reflection and investigation prior to deciding that self-employment is the desired employment outcome. This Q and A will present some of the commonly asked questions from parents and students with disabilities who are considering business ownership.



My daughter with a disability is 16 years old, and we are working with the school to identify work experiences that will assist her in deciding on a career goal. Could running a small business be considered a reasonable work experience as part of her transition plan?



There is little doubt that starting even a simple enterprise can teach young adults important lessons about work. Consider the young child who sets up a lemonade stand on a hot day! He or she might learn money management skills as well as "people skills" built from interactions with suppliers and customers. The experience also may help the young person develop a work-ethic reinforced by doing something that he or she enjoys. So, yes, your daughter could benefit from running a small business even if she eventually determines that this is not an employment goal for her.

The vast majority of businesses in this country are very small, and many owners learned how to run a business by operating a business! Some businesses that have been operated by high school students include summer lawn care, car washing, newspaper delivery, babysitting, feeding and grooming animals, making gift baskets, and Internet sales. Having a small business is simply another means of gaining work experience and refining vocational goals, while making a few dollars. This situation may also present an opportunity for your daughter to work in partnership with a peer who does not have a disability at school who shares similar interests and complimentary skills. Building relationships early in life contributes to the social network that will augment her success as an adult.



My son's teacher suggests that he have a wage job before owning his own business. Is this necessary?



The choice may not be between wage employment and self-employment. It may be choosing what makes the most sense for your son at this point in his career and life. While there is no prerequisite for owning a business, many people who own their own companies learned the trade by working for someone else. They realized that they could run a business or run a similar business even better. Wage employment teaches a person work and interpersonal skills, while refining

vocational desires. Today, most working adults with disabilities are underemployed. Being able to work a wage job, supplemented by a small business, may be a reasonable approach to addressing personal work accommodations and goals.

The central decision point to consider when contemplating self-employment is whether owning a particular business matches the ideal conditions of employment for the individual. Some of the questions that you and your son may want to answer include the following.

- ◆ Does operating a business match your son's skills and interests?
- ◆ Will the operation of business teach him skills he needs and wants to know?
- ◆ Does the business enhance his standing in the community and present the respectable and valued image he desires?
- ◆ Can the business be adapted, if needed, to provide the supports he needs to be successful?

There are also questions related to the business that need to be answered. Is there a need for this product or service? Will the company be profitable? Is the business sustainable for a reasonable length of time compared to the investment?



My son makes birdhouses as a hobby. Can he start his own business selling them?



Certainly, some people make a living selling birdhouses and pursuing other profitable hobbies. An individual's hobby reflects personal interests and sometimes can lead to a business venture matching the person's ideal conditions of employment. However, sometimes a hobby is just a hobby.

Sometimes too, the actual tasks and skills represented by the hobby are not the motivation behind an individual's interests. A person may be engaged in hobbies because he or she likes interacting with other people. Sometimes, the individual may find one particular aspect of the hobby enjoyable such as painting the birdhouse. Knowing what the person finds enjoyable about the hobby can lead to an exploration of other jobs or businesses, which may broaden the choices beyond the most obvious. For many people with disabilities few options for interest development are offered and compliance during one activity can be interpreted as the "dream job." Generally, more life experiences and exposure are required to refine a vocational theme.

One activity to try with your son is to make a list of places where people who enjoy birdhouses, carpentry, and birds might work. Call and ask if some of these individuals will show your son around their companies or job sites. Ask them to provide advice on planning a career. This is not the time to ask for a job. This is an opportunity to ask for the counsel of others and to be refining your son's motivators. Perhaps, he really wants to be a bird watcher or ornithologist, but this is as close as he can get for now. Perhaps, he really likes the shop teacher who taught him how to make his first birdhouse. Perhaps, he likes being with you in your woodshop. All of this information will assist your son in defining his career goals.

Testing the business idea is another way of proceeding. Rent a table at a local flea market. Put a few of his birdhouses on consignment at the local hardware or garden store. This will allow him to see what price the birdhouses bring. Your son could even consider putting several of his birdhouses on eBay to see if they sell. If sales occur, your son should open a business checking account, maintain receipts and invoices, and plan to pay taxes. If your son is receiving Social Security Insurance (SSI), alert the Social Security Administration (SSA) that a new business has been started.



Right now, my daughter is working in a community job and has on-going support from a job coach. If she started her own business, I am concerned that there won't have support available to her. How would she get her work done?



There is no one answer to support concerns. These will be quite individualized and likely include a mix of many strategies. Perhaps, the first area of discussion focuses on funding. Depending on the particular disability and the system accessed for vocational services, there are several scenarios for support. Vocational Rehabilitation (VR) may pay for both initial business start-up and limited extended supports using an employment specialist, as an example. For the long term, a Mental Health or Developmental Disability agency may be able, through a Medicaid Waiver program, to provide long term supports. Supports can also be purchased through a Plan for Achieving Self-Support (PASS), and some expenses can be off-set by an Impairment Related Work Expenses (IRWE).

In a typical business, profits are used to purchase the owner's supports. Employees can perform tasks that are not suited to the owner's skills, time constraints, or interests. One way

to test the feasibility of a business is to anticipate the level and costs of the supports required. Then, project the costs and income offsets to determine if owning this particular business makes good economic sense.

Another approach that is quite conducive to leveraging natural supports is the business-within-a-business model. Using a business within a business model, an individual's proposed business is matched with a complimentary established business so that both benefit. The host business receives some benefit such as rent or other payment monthly to offset the costs of assistance with such things as billings, customer service, or specific job tasks.

In a recent example, a young man purchased custom dog walking treadmills and placed them inside a local kennel. The kennel owner, as with so many small business owners, could not afford the initial investment of \$5000 for the custom dog walking equipment. But, the kennel does have clientele with dogs who are aging or recovering from surgery and who need gentle, daily exercise. The host business advertises the availability of the treadmills to veterinarians and current customers and maintains the record of appointments. The kennel also does the invoicing. The treadmill owner with a disability concentrates on walking the dogs.

The treadmill owner pays a monthly fee of approximately 20%, in this case, back to the host to cover rent, utilities, bookkeeping, and so forth. The new business owner would be challenged in affording a job coach, or a building for his service, but by teaming up with the kennel, he receives the advantages of self-employment coupled with a strong mentor who shares his passion for dogs. The host business brings in more customers through this "value added" service. This example is a "win-win" situation for both the kennel and the treadmill owner.



My daughter has a significant disability. She would not be able to maintain financial records herself. Would owning a business be possible for her?



Many business owners do maintain their own financial records and bookkeeping. The advent of small business accounting software, such as QuickBooks and the availability of free or low-cost introductory and advanced classes through local resources such as the Small Business Development Centers has made this possible. However, many other owners do not have the aptitude, the time, or the interest to keep their books. Most small business owners are actually artisans who know how to produce specific goods or services, and they concentrate their efforts on those money-making activities, leaving the peripheral duties to others. They hire a bookkeeper for a per hour fee.

In considering the supports your daughter will need to operate her company successfully, decisions must be made regarding the cost of these supports versus profitability. If a person spends \$1,000 a month for bookkeeping, marketing, legal services, and transportation but only generates \$700 in net sales, the business will probably not be successful. A business decision needs to be made to find free or less costly supports. Another option may be for the individual's family to play an active role, or the individual needs to learn some of the required skills. Basically, you will need to weigh the costs of business supports and expenses with the profits to determine if it will be profitable for your daughter to own and operate a small business.



I know that someone receiving SSA benefits and Medicaid can only have \$2000 in the bank. I am not sure how a young person starting a business would have the resources based on this limit.



Generally, an individual can have up to \$2000 in countable resources if he or she is receiving SSA benefits. These resources can include cash in a checking account, stocks and bonds, certain life insurance, a home, and a vehicle. The property that SSA doesn't count towards the \$2,000 in countable resources can be things like tools, equipment, and liquid cash resources in a person's business account. SSA's Property Essential for Self Support (PESS) policy applies to business resources much in the same way that tools and equipment purchased by Vocational Rehabilitation is disregarded for someone starting a wage job. A person's business can accumulate cash and resources well beyond \$2000 with no adverse effect on his or her financial eligibility for SSI or Medicaid.

The other thing to consider is the impact of self-employment on an individual's benefits. Net income from self-employment is counted by SSI differently than wages. One reason for this is that self-employment earnings usually vary from month to month. So, first SSI will start with the estimated gross earnings for the entire year, and then subtract the year's business expenses from the company's gross earnings. The resulting net earnings for the year are divided by 12 to get an average amount of net income per month. SSI treats this average monthly net amount as it treats wages, subtracting the \$65 earned income exclusion, the \$20 general income ex-

clusion, and then dividing by two. If there is a PASS plan in effect, SSI subtracts the cash being set aside. What is left is the individual's countable monthly net income from self-employment.

SSI subtracts the countable net from the SSI monthly Federal Benefit Rate (FBR) for the next year, and then sends the resulting amount for each month during the upcoming year. By doing this, Social Security assures that an individual has a stable, predictable amount of SSI each month for the next year. At the end of the next year, SSI goes through the whole process again, and reconciles any differences from the previous year's calculations. Anyone considering starting a business who is receiving benefits should contact a Work Incentive Planning and Assistance (WIPA) specialist for benefits planning assistance.



A friend of mine has a daughter with a disability. The two of us were thinking about starting a business so my son and her daughter could work in the business. Down the road, we could hire other people with disabilities to work with them. What do you think?



Today, we have the tools, techniques, and funding to help individuals determine their own career paths, rather than start businesses where they can be employed. Starting a program that attempts to parallel what the business community already does (i.e. employ people) is a costly exercise that removes people from their communities and replicates the mistakes of the past. The bottom line is that starting a business implies "ownership" and neither your son nor your friend's daughter will "own" the business that you are describing.

Each individual should undergo a "Discovery" process that answers the basic questions: Who is this person? What motivates him or her? How does the person learn best? What are the individual's skills and interests? What support strategies work best? What works and doesn't work for the individual?

This process results in a profile detailing an individual's vocational interests without being compared to anyone else. It is a singular profile based on information that already exists. If Discovery shows complimentary skills and shared interests, and if your son and friend's daughter agree, then by all means investigate a joint business or job sharing of some kind. However, the business would belong to them and not to you and your friend. Rarely do two people with disabilities have the same exact interests, motivations, and aspirations.

For many transition age youth, very little vocational information actually exists. The Discovery process can also lead to community work experiences based on a student's current interests. This hopefully will spark new interests as the student gathers experience. A natural way of gathering information on choice and preferences is by starting with an area of interest and pursuing an after-school, weekend, or a summer job. And of course, there's no reason that your son couldn't start a small business. The key is to focus on one person at a time.

CONCLUSION

There are countless concerns voiced by families as their sons, daughters, brothers and sisters venture into the world of business. Knowing the options and understanding that people are so much more than their disability is critical to successful support. And researching how

rehabilitation and benefits systems work and interact is critical to helping people succeed. If someone's ideal conditions of employment point toward enterprise development, there exist in this country the talent and resources to assist a person in becoming successful.

ONLINE RESOURCES

- ◆ **2008 Social Security's Red Book on Work Incentives** -- A Summary Guide to Employment Supports for Individuals with Disabilities under the Social Security Disability Insurance and Supplemental Security Income Programs -- <http://www.ssa.gov/redbook/eng/main.htm>
- ◆ **Property Essential for Self-Support Fact Sheet by Marsha Katz** -- http://ruralinstitute.umt.edu/transition/PESS_Letter.pdf
- ◆ **Road to Self-Sufficiency: A Guide to Entrepreneurship for Youth with Disabilities** -- <http://www.http://tinyurl.com/6cj6uo>

- ◆ **SSA Overview of Property Essential for Self-Support (PESS)** -- <https://s044a90.ssa.gov/apps10/poms.nsf/lnx/0501130500!opendocument>
- ◆ **Work Incentive Planning and Assistance (WIPA) projects by state** -- <https://secure.ssa.gov/apps10/oesp/providers.nsf/bystate>
- ◆ **Young Entrepreneurs Program** -- http://www.pyd.org/mentoring_programs/young_entrepreneurs.htm

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