

A Checklist for Starting a Small Medical Illustration Practice:

I. Taking the Big Step:

Know the differences between working:

FOR YOURSELF:	VS.	FOR SOMEONE ELSE:
1. Working on your own		1. Working with colleagues
2. Less financial security		2. Regular paycheck
3. Takes more time		3. Potentially regular hours
4. Self-sufficient		4. Health Benefits, Sick leave
5. Scheduled vacations		5. Paid vacations

II. Things to Think About as you are Setting up Shop

- A. How to cover your worth and overhead
- B. What about you and your business is special?
- C. Who are your clients/prospects?
- D. Who will you be competing with?

III. Starting the Business

- A. Structure and goals: Should you incorporate?
 - i. Sole Proprietorship
 - ii. Partnership
 - iii. LLC/LLP
 - iv. Corporation (S and C)
- B. Stay organized and keep expenses separate
 - i. Business items
 - ii. Personal items
- C. Things to think about Financially
 - i. Covering Start-up costs
 - a. Gathering your current assets
 - b. Getting what you need through loans or donations
 - ii. Income while you are getting established
 - iii. Having funds to cover unexpected costs
- D. Plan your year (quarterly and monthly)
 - i. Build a yearly budget
 - ii. Build a marketing plan
- E. Where should you set up shop?

HOME STUDIO:	VS.	RENTED SPACE:
1. Convenience		1. Commute
2. Low Overhead		2. Cost
3. Small tax benefits		3 Expenses = tax write-off
4. Can be lonely		4. Socio/psychologically stimulating
5. Can be distracting (children/pets)		5. Intellectually stimulating
6. Difficult for client meetings		6. Convenient for clients

- F. Find the right people
 - i. Accountants
 - ii. Bank / Business Credit Cards
 - iii. Insurance agents
 - iv. Lawyers
 - v. Organizations / Certifications

IV. Day-to-Day Operations

- A. Marketing – Analyzing and understanding the needs of prospects
- B. Advertising and building client relationships
 - i. Networking and Referrals
 - ii. Organizations / Associations
 - iii. Directories and Source Books
 - iv. Artist Reps
 - v. Personal Websites / Shared Websites
 - vi. Direct marketing / Mailing Lists
 - vii. Cold calling / Warm calling
 - viii. Trade Shows
- C. Sales – Dealing with Clients
 - i. Find your price, VALUE your time:
 - ii. Understand how to create estimates and proposals
 - iii. Work with contracts and copyrights
 - iv. Meet your deadlines
 - v. Turn clients into referrals
 - vi. Busy yourself during slow periods
- D. Finance – For You and the Government
 - i. Collect funds due efficiently
 - ii. Plan for quarterly payments
 - iii. Expenses
 - iv. Plan for Retirement:
 - a. IRA
 - b. SEP
 - c. Keogh
 - d. 401k
 - v. Health Insurance
 - vi. Workman's Comp
- E. Stay organized and keep good records
 - i. FileMaker Pro – Databases, Inventory etc.
 - a. Client Databases
 - b. Archiving Your Assets
 - ii. QuickBooks Pro – Accounting
 - iii. Use proper office management (filing and archiving systems)
- F. Manage your Time
 - i. Sales vs. Production vs. Customer Focus vs. Marketing
 - ii. Know when to out-source

V. Growing the Business

- A. Find the right structure
- B. Subcontract or out-source
- C. Hire an intern
- D. Partner
- E. Hire part-time or full-time employees
- F. Delegating and managing

RECOMMENDED RESOURCES:

WEBSITES:

SCORE (Service Corps Of Retired Executives)
<http://www.scoreboston.org/>
(for specific business inquiries, make an appointment)

Entrepreneurial Connection
<http://www.entrepreneurialconnection.com/>
(good articles)

Entrepreneur Magazine
<http://www.entrepreneur.com/>
(great articles!)

Microsoft bCentral
<http://www.bcentral.com/articles/anthony/>
(Great advice from Joseph Anthony)

MSN Money
<http://moneycentral.msn.com/home.asp>

ABC's of Small Business
<http://www.abcsmallbiz.com/>
(great reference website)

INC Magazine
<http://www.inc.com/magazine/>
(where to start and grow your business)

Guild Forums
<http://www.gag.org/>
(get advice from peers - lowest button on left)

Copyright Office
<http://www.loc.gov/copyright/>
(protect your work)

US Copyright Law Information
<http://www4.law.cornell.edu/uscode/17/ch5.html>
(protect your work)

The Company Corporation
<http://www.corporate.com>
(incorporate!)

Compliance Watch
<http://www.compliancewatch.com>
(keep your business in check)

IRS Website (forms)
<http://www.irs.gov/formspubs/index.html>
(download forms for taxes, incorporating and more!)

The Motly Fool
<http://www.fool.com>
(business and investment advice)

Business Owner's Idea Cafe
<http://www.businessownersideacafe.com/>
(business and investment advice)

Business Filings, Inc.
<http://earthlink.bizfilings.com/learning/index.html>
(learn about incorporating)

Tax.org
<http://www.tax.org>

DISCUSSION BOARDS:

- AMI listserv: amilist@listserver.isc.rit.edu
- GNSI listserv: SCIART-L@LISTSERV.UNL.EDU
- GAG Forums: <http://www.gag.org/forum.php>
- Theispot: <http://www.theispot.com/arttalk/>

BOOKS:

Pricing & Ethical Guidelines (PEGs)
<http://www.gag.org/pegs>
(an industry standard - FREE with a GAG membership)

The Business Side of Creativity: The Complete Guide for Running a Graphic Design or Communications Business
by Cameron S. Foote, Mark Bellerose (Illustrator)

Business and Legal Forms for Illustrators
by Tad Crawford

422 Tax Deductions for Businesses and Self-Employed Individuals
by Bernard Kamoroff

When Smart People Fail :
Rebuilding Yourself for Success
by Carole Hyatt, et al

The Education of an Illustrator
by Steven Heller (Editor), Marshall Arisman (Editor)

MAGAZINES:

HOW (Business, Creativity and Technology Magazine for Graphic Designers)
FYI: GAG members can subscribe for \$33, this gives members 33% off the regular subscription rate of \$49. Write to Lynn Kruetzkamp, F&W Publications, 1507 Dana Ave., Cincinnati, OH 45207, or fax her at 513.531.1025.

Print (Graphic Design Magazine)
FYI: GAG members can subscribe for \$45, a 21% discount off the regular subscription rate of \$57. Call Print at 800.222.2654, or fax to 301.984.3203.

SOFTWARE:

QuickBooks Pro (Intuit)
<http://quickbooks.intuit.com/qbcom/jhtml/products.jhtml>
(Small Business accounting software)

Quicken/TurboTax (Intuit)
http://www.intuit.com/products_services/personal_finance

Microsoft Money (Microsoft - for Windows users)
<http://www.microsoft.com/money/default.asp>
(Personal accounting software)

FileMaker Pro (FileMaker, Inc.)
<http://www.filemaker.com/>
(Databases and archives for clients and your work)

eFax (j2 Global Communications)
<http://go.efax.com/s/r/eFaxHomepage>
(electronic/email powered faxing)

OTHER INSPIRATIONAL SOURCES:

To rent: "The Hudsucker Proxy" (1994)
With Paul Newman, Tim Robbins & Jennifer Jason Leigh

"This is an artistic, thought-provoking, comedy. I watched this 2 nights before I started Fairman Studios and it really lifted my spirits as I was about to take the big plunge." - JF

SUMMARY: When Waring Hudsucker, head of hugely successful Hudsucker Industries, commits suicide, his board of directors, led by Sidney Mussberger, comes up with a brilliant plan to make a lot of money: appoint a moron to run the company. When the stock falls low enough, Sidney and friends can buy it up for pennies on the dollar, take over the company, and restore its fortunes. They choose idealistic Norville Barnes, who just started in the mail room. Norville is whacky enough to drive any company to ruin, but soon, tough reporter Amy Archer smells a rat and begins an undercover investigation of Hudsucker Industries.

BREAKING DOWN BUSINESS STRUCTURES:

	INFORMAL STRUCTURE:		FORMAL STRUCTURE:		
	Sole Prop	Partnerships	LLCs / LLPs	S Corp	C Corp
Liability protection	no	no	yes	yes	yes
# of Owners/ shareholders	1	2+	1+	<75	no limit
How income is taxed	personal partners' (SSN)	personal or personal (SSN)	partners' personal (SSN = EIN)	partners' personal	corporation (distributed property on personal)
Deduct losses on personal refunds?	yes	yes	yes	yes	no
Can you avoid payroll paperwork?	yes	yes	yes	no	no
Written agreement needed?	no	yes	yes	yes	yes
Special allocation of income/expenses among owners?	NA	yes	yes	no	no

BREAKING DOWN BUSINESS STRUCTURES: (CONTINUED)

Source: *The Business Side of Creativity: The Complete Guide for Running a Graphic Design or Communications Business*

by Cameron S. Foote

	INFORMAL STRUCTURES:		FORMAL STRUCTURES:	
	ADVANTAGES	DISADVANTAGES	ADVANTAGES	DISADVANTAGES
LIABILITY	Less expensive	No limitation for business liability	Personally protected from business liability (i.e. owing something)	Cost of incorporating can be expensive
IRS	Filing is easy: file once: on personal tax return	<ul style="list-style-type: none"> Not as many tax breaks According to the IRS, sole props account for most unreported income, which is why they are more likely to be audited 	<ul style="list-style-type: none"> Additional tax breaks. Less likely to have records scrutinized by IRS LLCs: file once on personal tax return 	<ul style="list-style-type: none"> Corporations (S and C) must prepare and file separate federal and state tax returns. Regular C corps. Must pay federal/state income on profits. C corporations (not S) run risk of double taxation – once on corp. profits, once on profits from stock dividends
ORGANIZATION	Easy to set up	Treated as an individual	LLCs are relatively easy to set up.	S and C corps may be more involved Can involve a bit of paperwork – must file a report and pay licensing fee to the state (franchise tax)
EXPENSES	Separating personal and business expenses not required	High likelihood of problems arising from not keeping personal and business expenses separate.	<ul style="list-style-type: none"> Separation of personal and business records = less likelihood of problems arising from mixing personal and business expenses. Can be easier to write off more expenses. 	Personal and business financial records are required to be separated, this entails being organized, possibly buying some accounting software, and hiring an accountant
HEALTH INSURANCE & BENEFITS			Employee medical, dental, and disability insurance premiums are tax-deductible business expenses for C-corps (and are partially deductible for S corps and LLCs)	To qualify for tax deduction, ALL employees must be offered benefits, not just the corporate officers.
SOCIAL SECURITY TAX	Sole proprietorships do not have to withhold for SS tax for any children under age 18 whom they employ.		The employer portion (50%) of the federal SS tax is a tax-deductible business expense	C and S must withhold SS tax for all employees
OTHER DEDUCTIONS		Not eligible for corporate discounts through vendors	<ul style="list-style-type: none"> Can qualify for corporate discounts from vendors Corporate directors are entitled to tax-deductible business trips. Reasonable expenses incurred (meals and travel) are tax-deductible. 	At least 4 hours a day must be devoted to professional development and business contemplation and discussion during expended trips

QUESTIONS:

What motivated you to go out on your own and start your own MI practice? What were your goals? Did you start out after a job, or out of school?

What do you consider the biggest differences between a full-time job and freelancing?

How did your initial goals influence your business structure? I.E. What made you decide to become a sole-proprietorship, partnership, LLC or corporation?

In starting the business, what were some of the particular obstacles you ran into and how did you resolve those issues?

Would you recommend someone just starting out to freelance part-time? Did you do this at first?

What are the 3 most essential things a person needs to effectively run their business?

What are some of the methods you have used to get your company's name out there? What has worked/has not worked? How has that changed over the years? Is part of your strategy to focus on a particular part of the market/customer type/geography?

What tips do you have regarding communicating with clients/getting your foot in the door? What tips do you have as far as negotiating with them?

How do you establish fair pricing/ how do you come up with your worth?

How do you stay organized ?

What recommendations do you have for preparing for the unexpected?

What recommendations do you have for growing the business?

In a few words, what advice would you give someone who is about to take that first step?

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