Chapter 24:

Self-Employment

Vermont Division for the Blind and Visually Impaired
Policy and Procedures Manual

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Table of Contents

**Section I Definitions1**

**Section II Self-Employment…………………………………………………………………………..2**

**Section III Social Security Benefits and PASS Plans……………………..……………….5**

**Attachments…………………………………………………………………………..……..……………..8**

# Section I. Definitions

* 1. “Business consultant” means an individual who can provide expertise in writing a business plan, planning, financing, and starting a business.
	2. **“Business Plan”** means a formal written document that fully describes the proposed business and covers such topics as a market analysis and marketing plan, start-up and continuing costs, and how the business will operate.
	3. “Initial stock” means the initial inventory of merchandise or goods necessary for direct resale or for further preparation for direct resale by an individual entering self-employment.
	4. “Start-up costs” means expenses for equipment for the business, initial stock and supplies, payment of rent and utilities for a maximum of four months, insurance, site renovations, and licenses and fees needed to open a business.
	5. “Supplies” mean those expendable items necessary for an individual in the day-to-day operations of a self-employment venture or other occupation. Examples are stationery, copy paper, office supplies, bags for retail, or wrapping paper for a gift shop.

# Section II. Self-Employment

1. **Purpose:** Self-employment is a vocational option that may be considered in the wide array of employment options available to an individual. Such an option recognizes that people with a disability are more likely to be self-employed than their non-disabled peers.

The decision to use DBVI funds to support start-up costs of a business will be based on a variety of factors including, but not limited to:

* viability of the business plan,
* potential for other financial sources, and
* counselor judgement.

If the business plan calls for additional funds beyond DBVI spending guidelines, the individual may use the potential of DBVI funds to leverage other funding and/or as collateral for establishing bank credit.

Section III. Process

1. **Development of a Business Idea and Assessment:** An individual who wants to begin a business should take the responsibility for determining if he/she has the attributes necessary to operate a successful business. Individuals may participate in a variety of self-assessment activities which may include standardized business assessments, interviewing business owners, and other creative means of assessing their own business potential.

The counselor will encourage consumers to use the *Evaluation of Readiness/Feasibility Plan* **Attachment A** and *Personal Financial Information* **Attachment B** to assess their financial resources, readiness and the potential feasibility of their plan to be self-employed. Individuals may also have the option to begin work with a business consultant to complete this process. The DBVI counselor and individual will review the completed assessments to examine the individual’s expertise and skill level for the particular business, ability to work independently, commitment and persistence, and other factors relevant to self-employment. Counselor judgement and data gathered should play an important role in this process since no single factor can determine whether an individual would succeed at a business.

1. **Business Research and additional Services/Education**: An individual who wants to start a business needs to look at all the factors that can affect success. Research about the business helps the individual to learn about the market demand and the financial potentials for the business. To assist with this process, the individual should, in all but the simplest endeavors, choose a business consultant. Business advice is available to individuals from community resources such as BROC (Bennington Rutland Opportunity Center), CVOEO (Champlain Valley Office of Economic Opportunity), SEVCA (Southeastern Vermont Community Action), and VtSBDC (Vermont Small Business Development Center).

During this process the consumer DBVI counselor, and, if appropriate, business consultant will determine the need for additional services, education, and/or resources that will help assess the individual’s potential to operate a business. The DBVI counselor and/or business consultant can recommend additional resources or business services available through the Vermont Department of Labor, the SBA (U.S. Small Business Administration), SCORE (small business mentors), NFIB (National Federation of Independent Businesses), local banks, accounting firms, lawyers and other business support organizations. The analysis may provide the individual with information that either helps to affirm the business idea or to begin exploration of other vocational options.

1. **Writing the Business Plan:** Once it is agreed between DBVI counselor and the consumer that the business idea appears feasible, the development of the business plan will commence. The individual, with support from the business consultant, will research areas including the type of product or service offered; the market potential; the competition; how the business will be organized and managed; expected personnel; and detailed financials including cash flow projections, balance sheet, and profit and loss statements.

Capital financing needs and sources will also be outlined as well. **Attachment D** *Start Up Capital Requirements, One Time Start-Up Expenses* and *Ongoing Monthly Expenses for First Three Months* can be used for this purpose or similar forms provided by the business consultant. When research is complete and financing needs identified, the individual with the assistance of the business consultant will write the business plan.

DBVI does not require a specific format. However, a business plan must be comprehensive and include the following sections:

1. Executive Summary;
2. Business Description;
3. Management Team;
4. Market Analysis;
5. Marketing Plan;
6. Operational Plan;
7. Financial Data;
8. Supporting Documents.
9. **Approvals:** The completed business plan will be submitted to the DBVI counselor for review and funding consideration. The decision to proceed with the business will be made by the counselor, the individual, and the business consultant if appropriate. Approval of DBVI’s financial contribution will be based on the business plan and the counselor’s judgement that the individual is making an informed choice. If approval is not given, the counselor will provide the individual a written notice of the DBVI appeal process and the availability of the Client Assistance Program.
10. **Registration of the Business Name:** The name of the business must, if applicable, be registered with Vermont’s Secretary of State’s Office for the following reasons: the individual does not have ownership of the business if the business name is not registered; has no right to claim bad debts; is not able to establish a “track” record for future lending needs; and is not able to purchase business insurance.
11. **Establishing DBVI Funding Levels:** DBVI may provide up to $5,000 toward start-up costs for a business venture that leads to self-sufficiency. DBVI may provide up to $2,500 for business ventures intended to supplement other income but not lead to self-sufficiency. In some cases, a business may be developed for less. Payment for business rent and utilities will be paid at a maximum of four months. Costs should be outlined before dollar amounts to be provided by DBVI are committed. DBVI’s contribution should not be viewed as an “automatic” grant. In limited situations, these funding levels may be waived with the approval of the DBVI Director.

**Guidance: - Self-sufficient vs. supplemental business ventures.**

As used in this Section, “self-sufficiency” means “livable income” defined as the income needed to meet a family’s basic needs plus all Federal and State taxes. Business ventures intended to supplement other income…” are generally those done on a part-time basis or those not expected to provide a “livable income”. Self-employment ventures for those on SSI or SSDI who want to limit their income to maintain benefits would be considered “supplemental”, rather than “self-sufficient” ventures.

**End guidance**.

These guidelines can be adjusted to fit the needs of the individual entrepreneur. Standards for exception to the guidelines are: 1. The individual’s resources and loans have been used to the maximum, and 2. There is consensus among the business consultant, the consumer, and the counselor that additional funds are needed to ensure success.

Evaluation costs, consultant costs, and disability related accommodations shall not be included in determining start-up costs related to the spending guidelines for self-employment.

The level of DBVI’s financial support will be determined using information provided in the business plan and the availability of support from other resources. See *Financing Options* **Attachment C** for suggested sources. The IPE shall be written to reflect this level of support. DBVI counselor may complete a *Letter of Agreement* **Attachment E** with the consumer summarizing agreed upon funding and expectations.

If the level of funding needed is greater than the available individual and DBVI resources for the business start-up, the plan may be submitted to other funding sources. Release of additional DBVI funds is contingent upon the receipt of these other funds. The potential of DBVI participation may be used to gain other support such as a business loan.

As the plan is implemented and the business develops, unanticipated expenses may arise beyond what is outlined in the IPE and the business plan. Some of these expenses may be best addressed through an amendment to the IPE or as Post-Employment services.

Consumer/peer loan groups will be encouraged as a way for the consumer to establish credit with local lending institutions and to receive on-going business support and training.

1. **Follow up and Closure:** Since small businesses rarely yield large profits for many months, an individual entering self-employment will continue to receive follow up from DBVI for a minimum of 6 months after the new business has begun.

There should be a clear understanding at the time the IPE is written of the criterion to be used for determining success. DBVI counselors are encouraged to use **Attachment E** *Letter of Agreement* that summarizes self-employment expectations with consumers.

An essential indicator of Self-Employment success is that the business has been sustained for 90 days without additional support from DBVI and is able to maintain ongoing business expenses.

Additional indicators of Self-Employment success are:

* The business made a net profit or demonstrated significant gross income.
* The equity in the business increased. Although unable to show a profit as mentioned above, an individual may have increased the business equity, indicating growth and stability.
* The individual has experienced a decrease in public benefits.
* The individual does not require SSDI.

**Guidance – Evaluating success of self-employment business.**

*When determining “success”, we need to look at more than just profits. It is likely that the business owner will have to reinvest any “income over expenses” for some period. This reinvestment must be considered when evaluating the success of the business. For example, the consumer may say that they are not making any money from the business. Yet, a review of financials shows that $1,000 a month is being put back into the business. We would count the $1,000 as income when evaluating success.*

**End Guidance**.

Once a case file is closed and self-employment operational, clients may request services through Post-Employment services. The DBVI counselor and client will complete **Attachment F***, Self-Employment Re-Evaluation Form to Request Additional DBVI Financial Support Post-Start up* to assess needs. Self-employment financial support over initial start-up funding ($2,500 supplemental income or $5,000 self-sufficiency) will require DBVI Director approval.

**Section III: Social Security Benefits and PASS Plans**

1. Consumers receiving Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI) must be informed that self-employment may impact their Social Security benefits. This is particularly true for individuals receiving both SSI and SSDI as SSI and SSDI treat self-employment differently.
2. The SSI program is needs-based so it is sensitive to income and resources. The SSI recipient’s net self-employment income is considered earned income. Social Security treats the average monthly self-employment as it would any earnings: applying earned income disregards to arrive at a countable earned income. The countable income reduces the SSI check. Most resources associated with the self-employment (business equipment for example) are exempt resources if they are essential for the business.
3. The SSDI program evaluates self-employment to determine if the self-employed individual is engaging in SGA (Substantial Gainful Activity). For the SSDI beneficiary there are several critical factors to consider. It is first necessary to find out if the individual has used any or all of their Trial Work Period (TWP). SSDI beneficiaries generally have a 9-month Trial Work Period in which they can work at any level without affecting their SSDI benefits.
4. If the SSDI beneficiary has Trial Work Months available, Social Security still must evaluate the self-employment work activity. The individual will use up a Trial Work Month for any month that their net self-employment income is at the current threshold amount or they are working at least 80 hours in the month.
5. If the individual has their full TWP available, they can earn any amount of money for nine months without affecting the SSDI check, but they will use a Trial Work Month for any month they earn at least above the current threshold amount or work 80 hours.
6. Once the SSDI beneficiary has exhausted their TWP and they continue to be engaged in self-employment, Social Security must determine if the self-employment activity is SGA. It is important to know that this determination is not only based on the net earnings of the individual but also on the value of the individual’s work activity. To make the determination, Social Security uses three tests. **Meeting any one of the tests will result in a determination of SGA and a cessation of SSDI benefits**. The tests are:

1) Significant services AND substantial income

2) Comparability

3) Worth of work

1. For Test One, an individual is contributing significant services if they are the sole proprietor of the business. If there are multiple proprietors, the individual is contributing significant services if the individual contributes more than half the time required for managing the business or participates more than 45 hours per month in the business. The individual gains substantial income from the business if the countable amount is more than SGA.
2. Test Two is a comparability test. For this test, regardless of the net income generated by the self-employment, Social Security looks at the individual’s work activity. Is the number of hours, skills, duties, and responsibilities contributed by the individual comparable to a non-disabled individual in the community engaged in the same or similar business activity? If so, Social Security considers that the individual is achieving SGA.
3. Test Three is a determination of worth of work. This is an evaluation of the activity the individual is contributing to the business and determining if the value is more than the SGA amount. In other words, how much would the business owner have to pay an employee to perform the same amount of work? If the amount is greater than the current SGA amount, then the individual’s worth of work is determined to be SGA.
4. As indicated above, self-employment of an SSDI individual requires some complex determinations by the Social Security Claims Representative. Before finalizing a self-employment plan for a DBVI consumer receiving SSDI or SSI benefits, it is critical to determine their current status through a benefits inquiry to SSA. It may also be necessary to have a discussion with the individual’s Claims Representative. The local Benefits Counselor is also available to assist with this process.

**Plan to Achieve Self-Support (PASS)**

1. For SSI recipients with income in addition to their SSI and for some SSDI beneficiaries, the PASS may be an option for establishing a self-employment enterprise. A PASS must be considered carefully as it creates another set of requirements and reporting responsibilities for the consumer. DBVI counselor can utilize the local Benefits Counselor in evaluating the feasibility of a PASS for a consumer’s self-employment.

**Attachment A**

**Evaluation of Readiness/Feasibility Plan**

**Business**

1. What is the Business?

2. What name will you go by?

3. General overview of the proposed business. Briefly describe the following. (Please check those that apply)

\_\_\_\_\_ Is this a store?

\_\_\_\_\_ Is this retail?

\_\_\_\_\_ Manufacturer?

\_\_\_\_\_ Distributor?

\_\_\_\_\_ Service or Product?

4. Describe your product or service.

5. What equipment or supplies will you need?

6. What is the Legal organizational structure of the business and the rational for your choice? (Example: Will this be a sole proprietor or a corporation?)

**Qualifications**

1. List the skills necessary to operate this business.

2. List your education, training, work experience and background in relation to this business.

3. Do you have information from an expert that can verify these skills? (Explain)

4. Please attach your resume.

5. What are your strengths? Weaknesses?

6. Have you considered working for someone else as a training experience in this particular field before establishing your own business?

**Feasibility**

1. Why have you selected this particular business?

2. Is there a need for your product or service in the community? If so explain.

3. Who is your customer?

4. Where will you locate?

5. Identify your competition.

6. Has the service or product been test marketed? What are the results?

7. Have you completed an investigation of industry standards and trends?

• Gathered information from trade journals?

• Contacted trade associations with a list of questions?

• Gathered information from regional experts in the field?

• Networked and make contacts with experts in the field?

• If so, explain.

8. How will your life change as a result of being in business? Are you prepared, and physically able to put in the extra effort and long hours, which are required when establishing your own business?

9. How are you able to do this business with your disability?

10. How does this business accommodate your disability?

11. Will you need additional support services (i.e. driver, accountant, bookkeeper, adaptive tools or techniques, or other contracted services)?

12. How much available time do you have to devote to this plan, daily?

13. Will this be a part-time or full-time business?

**Management**

1. Will you need licenses or permits to operate your business?

2. What are the insurance requirements?

3. How will your business records be maintained?

• Accounting

• Inventory

• Customer accounts

• Vender Information

**Marketing**

1. What is unique about your product or service?

2. How will you create a demand for your business?

3. Describe your pricing structure.

4. How will you reach your customers?

**Financial**

1. Have you secured any cost amounts for start-up and, if so, how much do you think it will cost?

2. What will your monthly overhead be (i.e. rent, utilities, phone, accounting services)?

3. What financial resources will be available? How much capital do you have?

4. Do you have in kind resources?

5. Will you consider borrowing money? What collateral do you have?

6. What financing will you need?

7. What will be your ongoing expenses (cash flow) and how will you set aside funds for business expenses?

8. How will you pay for ongoing financial needs for adaptive equipment and aids?

9. How much does income fluctuate based on the time of year?

10. What do you expect will be your annual business net profit? One year, two years, five years?

11. What will be your annual income?

**Personal considerations**

1. Does the business meet your personal goals?

2. Does the business meet your income goals?

3. Is the risk factor acceptable?

4. Does your family support this business goal?

5. After having completed these questions, are there areas that require resources or skills beyond what you currently have?

6. Is your idea still feasible?

7. How much time do you anticipate it will take to develop your plan and establish the business?

**Attachment B**

**Personal Financial Information**

Gross Monthly Income

Client’s Income $

Spouse’s Income $

Dividends/Interest $

Rental Income $

Social Security $

Welfare $

Unemployment Ins. $

Workers’ Comp. $

VA Income $

Misc. Income $

 **Total Income $**

Gross Monthly Expenses

Home mortgage or rent $

Home improvements $

Owner/renter insurance $

Property Taxes $

Electric $

Heating $

Water/Sewer $

Telephone/Internet $

Motor Vehicle Loan $

Motor Vehicle Insurance $

Food $

Clothing $

Medical/Dental Insurance $

Child Care $

Credit Cards $

Miscellaneous $

 **Total Expenses $**

Personal Assets

All checking account balances. $

All savings account balances. $

Total real estate value. $

(Year Purchased)

Total auto value. $

(Model/year)

Total household property $

Miscellaneous assets $

 **Total Assets** **$**

Personal Liabilities

Balance on car(s) $

Balance on Home $

Balance on Loans $

 **Total Liabilities $**

**Attachment C**

**Financing Options**

**Equity Financing**

Personal Savings

Partnership

Investment from relatives or friends

Grant programs

Sale of stock

Venture capital fund

**Debt Financing**

Bank loan based on business plan

SBA loan guarantee

Second mortgage

Personal loan

Borrow on cash value of life insurance policy

Finance company

Personal credit cards

Vermont Economic Development Authority (VEDA)

Local development revolving loans

Job start loan fund

Working capital peer-lending loan program

**Special Situations**

Plan for Achieving Self-Support (PASS)

DBVI grant

Trade credit

Delayed billing arrangements

Consignment of inventory

Lease with option to buy

**Attachment D**

**Start-Up Capital Requirements Worksheets #1 and #2**

Start-Up Capital Requirements Worksheets #1 *One Time Start-up Expenses* and #2 *Ongoing*

*Monthly Expenses for the First Three Months* will help you to compare your initial

and ongoing cash requirements for your business. Combining your start-up costs and your

ongoing costs for the first 90 days will tell you the amount of cash that will be required to

begin business.

**One Time Start-up Expenses Worksheet #1**

Advertising - Promotion for opening the business $

Starting inventory - Amount of inventory required to open $

Building construction - Amount per contractor bid $

Cash - Amount needed for the cash register $

Decorating - Estimate based on and if appropriate $

Deposits - Check with utility companies $

Fixtures and Equipment - Use actual bids $

Insurance - Bid from insurance agent $

Lease payments - Fee to be paid before opening $

Licenses and permits - Check with city or state offices $

Miscellaneous - All other costs $

Professional fees – i.e. CPA, attorney, etc. $

Remodeling - Use contractor bids $

Rent - Fee to be paid before opening $

Services - Cleaning, accounting, etc. $

Signs - Use contractor bids $

Supplies - Office, cleaning, etc. $

Unanticipated expenses - $

Other - $

**Total One Time Start-up Expenses: $**

**Ongoing Monthly Expenses For First Three Months Worksheet #2**

Advertising $

Bank service fees $

Credit card charges $

Delivery fees $

Dues and subscriptions $

Health insurance $

Insurance $

Interest $

Inventory $

Lease payments $

Loan payments $

Miscellaneous $

Office expenses $

Payroll other than owner $

Payroll taxes $

Professional fees $

Rent $

Repairs and maintenance $

Sales tax $

Supplies $

Telephone/Internet $

Utilities $

Your salary $

Other $

**Total Repeating Monthly Expenses $**

Repeating Monthly Expenses + Initial Start-Up Costs = **$ Total Start up cash Required**

**Attachment E**

**LETTER OF AGREEMENT**

(Date)

(Consumer Name and address)

You have established a self-employment goal of: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

DBVI has agreed to provide you with start-up costs in the amount of ($\_\_\_\_\_\_).

DBVI will also provide assistance with accommodations and ongoing counseling and

guidance during the start-up phase.

It is important to maintain communication with DBVI so that potential problems can be

addressed. Please report changes or concerns that may affect the success of your business

to your DBVI counselor.

DBVI will provide follow up for six months after your business has started. You will be required

to provide monthly financial statements to your DBVI counselor during this time.

Your case file will be closed once your business is has demonstrated an ability to meet

expenses and/or other indicators of success as defined in DBVI’s Self-Employment policy

for a period of 90-days.

Your signature below attests that your business proposal is accurate to the best of your

knowledge and that you will use the funding provided by DBVI specifically for the purpose of

starting your business as detailed in your business plan. I further understand that, by

accepting DBVI funding for the operation of the business, I am required to provide

documentation of monthly earnings from the business for the first full year after the services

and funding for the business have been provided.

(Consumer signature and date)

**Attachment F**

**SELF-EMPLOYMENT RE-EVALUATION FORM**

 **TO REQUEST ADDITIONAL DBVI FINANCIAL SUPPORT POST-START UP**

1. What is your current business?

2. How long has this business been in operation?

3. What is your current annual income? Please provide financials from the last year.

4. What has changed in your business that requires assistance?

5. What specific equipment, materials, tools, supplies, services or other items do you need at this time?

6. How will this help meet your need?

7. What is the anticipated cost? Please include specific information when available.

8. What has changed in your personal circumstance that that affects your business?

9. What specific tools, accommodations or services do you need at this time?

10. How will this help your need?

11. What is the anticipated cost? Please include specific information when available.

12. How do you anticipate covering replacement costs (for tools, equipment, or low vision accommodations, etc) in the future?

13. Is there any other information that you feel would be helpful in our understanding of your current request?