

GO IT ALONE —

Jo Mackenzie Lee and Joanne Cast love what they do, and are keen to help you feel the same way

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any businesses were probably hugely relieved when 2009 came to an end – tax and accountancy firms included. For some tax advisers the year had brought the rare phenomenon of redundancy, or being forced to work reduced hours. While 2010 appears to be starting slightly more optimistically, there are still many talented tax professionals featuring in the unemployment statistics. For some, the cloud of redundancy carries a silver lining – a chance to rethink career paths and possibly set up on their own.

We began our accountancy and tax services business at the end of the last recession. The journey has thrown up many challenges, but it has been worthwhile and we still love what we do. Despite the turbulent economy, our turnover increased by 54% between 2007 and 2008, and by 60% from 2008 to 2009. We've also managed to grow the size of our team and give employment to a number of people. Part of our work also involves helping clients set up their own enterprises. So, to help you set up on your own more effectively, let us share some of the trials and tribulations we've faced.

The very first question

There's a very important question to ask yourself if you are thinking of going it alone. It will influence the type of business you establish, the way you sell and deliver your services and ultimately the way you grow that enterprise over time. It's important to ask yourself this question right at the start, because it takes you down a road that's focused on a clear direction. This still gives you the ability to navigate in new directions at a later stage

if circumstances or opportunities cause you to change your mind.

The question is: 'Why are you setting up your own business?' Do you, for example, just want to work for yourself to replace a lost salary or give you a more flexible working model? Or do you want to create and grow a business over time? These two desires are actually very different, but often get blurred together.

If your goal is to be your own boss, build the income stream you want and have more control over your day, then you're probably looking at setting up as a sole trader/practitioner. We know one tax adviser who wants just that in life. He has personal interests and commitments and his business functions to finance and work around those. He does not employ anyone else and has come to realise the volume of clients he can comfortably look after. He invariably sticks to that number.

On the other hand, if you are a budding entrepreneur and love the thought of building up an enterprise and creating employment for others (and yes, that means managing them too), then you are probably looking at setting up as a limited company. If you are looking to join forces with other advisers then perhaps a limited liability partnership is a better route.

The trick to choosing the right route is to visualise yourself in a couple of years' time. What do you see yourself doing ideally? Your answers will guide you on what legal business entity to set up and what regulation and administration you'll then need to comply with.

Where to base your business

We are often asked whether a start-up business needs to invest in commercial

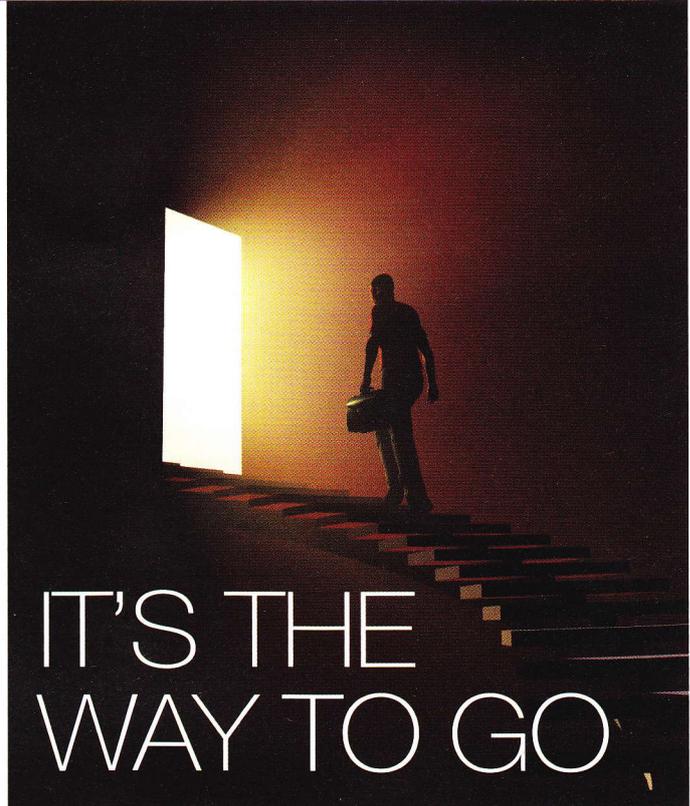
premises straight away. The answer is, it depends. It depends on whether your clients will be influenced by your premises when choosing you. It also depends on your financial resources. Initially our business was run out of Jo's house, and that suited both the clients and ourselves for a time.

It's easy to fork out a lot of money when you start a business, but in truth you don't have to buy everything straight away, and that includes renting commercial property. A much better solution is to invest on a 'need to use' basis, financing purchases as you grow. We always believed that when the business started taking over the house, it was time to move out to new premises. We did just that last year. If you are thinking of using your home as your office, see the box on the next page.

Marketing yourself and attracting clients

There weren't websites around when we first started, but we'd recommend getting a basic website set up. It gives clients a reference point to you and saves money on brochures, flyers and other costly literature. You can also update your website's content to keep it current. This helps you to position yourself as a dynamic and professional business. A word of warning here – before selecting your business name, do check if it's available as a web domain name to purchase.

The way you market yourself to attract new clients can feel very daunting and outside the comfort zone of many accountancy and tax professionals. The more focused you can be, the more savvy you can be with your budget. Our focus has been our local patch, with a specialism



IT'S THE WAY TO GO

for retailers and small businesses. Our target territory has expanded slightly over the years as referrals and recommendations have brought us new clients from further afield. Saying that, we know we best serve London and Surrey, and market ourselves there.

For us, networking has played a key role in promoting the business. We've done it through our social activities, at business networking groups, via the local chambers of commerce and so on. Our advice is to try out a number in your chosen territory or sector and stick with the ones you enjoy and which seem most lucrative for new business opportunities. We have invested in a small degree of local advertising, but it is through networking and existing client referrals that we've picked up most of our business.

Things for your 'to do' list

You'll need to set up a business bank account, and the good news is that different banks run different offers. It's always best to shop around and to find out what deals are currently being given. For tax and accountancy businesses, here are some of the other things you need to do (most of you should know about these):

- Register as an agent with HMRC.
- Check if you need professional indemnity insurance to practise (policies vary in protection, so read the small print: you get what you pay for).
- Check with your professional bodies what criteria you need to comply with in order to practise on your own.
- Tell HMRC within three months of going self-employed.
- Register for VAT if you're likely to go over the threshold in your first year.
- Register a payroll if you're going to pay yourself through PAYE through your limited company.

Keeping your sanity

While the prospect of being your own boss is attractive, the truth is that the role is often a lonely one. Invariably there are big decisions to make, and it's good to bounce thoughts off other human beings in the process. So think about who could help you here. Some of our clients have great spouses who fulfil the role, others have invested in mentors, coaches and sought the opinion of friends. At certain stages of our growth, we found it was useful to bring in a business coach. He helped us to take a step back and think about the business and its future. It's very difficult when things get busy to work

An office at home?

- Limit the 'office' to a specific room or clearly-defined space in your house – one that you can close the door on at the end of the day and take a break from.
- Consider investing in a separate business telephone number in that room. It can always be diverted to a professional call-handling service when you're not there.
- Invest only in equipment you really need, such as a desk, a comfortable chair (you'll be sitting down all day), a computer, a printer and good accountancy/tax software (don't forget to subscribe to updates).
- On the stationery front we found it was best to get letterhead, business cards and compliment slips to begin with. Ideally you'll want a logo and branding for all of these. While it would be great to invest a lot in this area, if you don't have the resources, go for something simple. You can always opt for a brand refresh when the business generates more income. If you are investing in a logo, it should work as clearly in a digital format as it does on paper.

on the business as well as in it. Empowering someone to challenge us and make us think objectively has been really valuable.

When the going gets good

If you are successful at what you do, then business will get busy and you'll be faced with another decision. Either you could try and pack even more hours into the day, or you could take on extra help. We're often asked at what point you decide to take on extra people. For us it was when we really couldn't work any more hours in the week and wanted some sort of a home life.

Since then we've expanded our team as we've taken on more clients. That way, we've been able to manage the employment costs more easily. But if you don't want to employ someone, then why not consider forming a network with others or creating a group of associates?

People who own their own business put in tremendous hours, and it's very hard to say no to clients and to yourself! It's therefore important to factor in breaks, holidays and time with your family, and to treat them as seriously as you would other appointments. If you don't build in breaks, your performance and your business will suffer.

Keeping up to date

Finally, when you're part of a big practice or large finance department you are often spoon-fed with the latest technical updates and legislative changes. If you're on your own, you need to track these down yourself. Training can be expensive, but we have found the professional bodies and institutes we are members of to be great sources of help and information.

Summary

Going it alone is exciting, challenging, exhilarating and exhausting. To help you on the journey, it's wise to be very clear



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why you are doing this. This fundamental reason can then guide you through all the decisions that will be thrown at you on the way. There are sources of help, and not all of them cost money. Your professional bodies, local Business Link and government agencies, business support and networking groups are some of the people who can help. While it's good to have a view of what your aim is, the other thing to do is to take each day at a time. Invest in purchases as and when you need them. And above all, enjoy it: good luck!

Jo Mackenzie Lee, a chartered management accountant, set up JML Business Services in 1993 to provide accounting, taxation and business management support to the SME community throughout London, Surrey and beyond (www.jmlaccountancy.co.uk). Joanne Cast qualified as a chartered accountant, and joined JML as a partner in April 2008