

## **13.0 Self-Employment Policy**

Alaska DVR's primary goal is to assist the participant in attaining a suitable competitive employment outcome that results in financial self-sufficiency. Self-Employment is one of the occupational options that may be considered to assist the participant in selecting a vocational goal.

Self-Employment is an employment outcome and may not necessarily address the impediment created by the participant's disability. The impediment created by the participant's disability must be addressed in the overall IPE, either prior to the self-employment part of the plan or in conjunction with the self-employment.

Self-employment is defined as an enterprise in which the participant is the single owner of a sole proprietorship or a partner in a partnership. This includes sole proprietorships that operate as an independent contractor.

The successful self-employment enterprise is operated by a participant with an array of skills and abilities, including organization, business and financial management, marketing and other talents, as well as, knowledge and expertise in the goods or services being produced. It is essential that the participant is well informed of potential risks and efforts are made to minimize those risks, to the greatest extent possible.

A vocational evaluation/career exploration may be used as a method of assisting the participant and VR counselor in deciding if self-employment is a possible viable option. Vocational evaluators have a variety of instruments, work samples, inventories and other strategies to use in providing feedback and information related to self-employment.

There may be a need for VR services prior to a commitment from ADVR on a self-employment plan. It could be appropriate for ADVR to assist an individual in services, such as training needed for certain skills or business knowledge before the decision is made by the individual and counselor to pursue the development of a business plan.

Full utilization of the resources available through the WIA programs statewide is required for any self-employment plan. ADVR staff should coordinate these efforts with local WIA staff and take advantage of all WIA services any ADVR participant is eligible for.

### **Self-Employment – Procedure & Types of Services Provided**

ADVR has two methods of meeting self-employment goals for participants. **Tier 1** self-employment plans are for low cost, low over-head enterprises and

require minimal approval processes. **Tier 2** self-employment plans are for more costly plans that involve highly critical analysis and approval by the agency staff and an objective outside consultant, such as a business expert.

After conducting a vocational evaluation, career exploration or other appropriate counseling strategies and self-employment has been determined to be a potentially viable option, the VR counselor and participant carry out the following steps:

### **Tier 1 Self-Employment Plan**

Tier 1 is a low cost, home-based plan where the participant is not expecting to be totally self-sufficient through the self-employment venture alone. This type plan is for a person who is supplementing an existing lifestyle. Examples include a person living in a rural/remote area and needs a cash income to supplement their subsistence lifestyle or a person who can only work part-time and needs to supplement the family income. The overall cost of the Tier 1 plan is not to exceed \$3000. This type plan does not require the approval of the Chief of Rehabilitation Services, but should be reviewed by the Regional Manager. Approval of such a plan by the VR counselor requires a brief description and proposal of the self-employment venture that is clear and provides adequate information for the VR counselor to understand and approve the participant's venture and the expenditures. The Self-Employment checklist can be such a brief plan if it includes enough information for the VR counselor to support and approve the IPE. The VR counselor must take responsibility for providing the necessary documentation to ensure the plan is viable and appropriate.

### **Tier 2 Self-Employment Plan**

The purpose of a Tier 2 Self-Employment plan is to assist an individual in becoming self sufficient and totally self-supporting through the operation of a small business. Unlike a Tier 1 plan, a Tier 2 plan is for a person who is committed to being financially independent and desires to operate a business and assume all the risks that it entails as their method for becoming financially independent. Therefore, the Tier 2 plan should not be used for someone who is planning on supplementing a lifestyle or who is not planning on giving up such financial supports as may be provided by other governmental programs. Alaska DVR will not be the sole funding source for a Tier 2 Plan.

### **Process:**

- A. Feasibility Study: The participant completes a rough draft or outline of the proposed business plan or the ADVR Self Employment Checklist. Other appropriate instruments may be used to assist in determining

whether self-employment should continue to be considered as a viable option in order to achieve an employment outcome. The VR counselor can assist the participant in completing the business plan draft; checklist or whatever instrument is used. The VR counselor and participant then jointly review and critically analyze the completed draft or checklist. The participant may use a business consultant or resources such as the Small Business Development Center to assist in exploring or developing a business idea.

The VR counselor assists the participant in carefully analyzing the financial feasibility and viability of the proposed self-employment venture as well as the participant's skills, preparedness, aptitude, financial status and other abilities necessary for starting and operating the enterprise.

An important issue is the participant's access to capital. The feasibility study should show the participant has adequate access to capital through other resources than Alaska DVR funding. It is the policy of ADVR that Tier 2 business plans are not solely funded by ADVR. In order to move to the next step the feasibility study should show the participant has the ability to perform and/or to manage the core functions of the business to actually produce the product or service to a profitable level.

When the draft business plan or checklist is complete, the VR counselor and participant review it to determine whether self-employment still appears to be a viable option for the participant after looking at more detailed information.

- B. Business Plan Development: If the VR counselor and participant jointly conclude that it is appropriate to proceed with the self-employment option, a thorough business plan is then developed which presents the proposed self-employment enterprise in complete detail so that its true viability can be determined and a decision made whether ADVR will support the venture. The participant is expected to develop the business plan based on realistic market information collected from thorough research as well as other relevant information. The purpose of this plan is to assure that all relevant business facets of the proposed venture are considered in sufficient detail to enable the VR counselor and participant to logically assess and decide whether the venture's potential for success outweighs possible risks or liabilities.

In the event the participant needs additional assistance to complete his/her own business plan, the VR counselor can arrange for a qualified vendor or other qualified resource to assist. If this service is purchased from a vendor, the cost of developing the business plan is

not deducted from the start-up self-employment services. No-cost consultation from the Small Business Administration, Small Business Development Center, Chamber of Commerce, other community resources, or more experienced VR counselors should be sought as needed to assist in development of the business plan.

The plan shall consist of the following components:

1. **Professional Profile:** A description of personal experience and related factors that would make this participant successful in a self-employment setting. This should also incorporate barriers/impediments and the plan to overcome these through a self-employment approach. Address characteristics, skills and abilities required to run a business (e.g. organizational abilities, bookkeeping, marketing a product or services).
2. **Business Profile:** A description of the self-employment product or service to be marketed by the participant, the geographic area to be served by the enterprise, zoning considerations, etc. This is to include a summary of marketing strategy and the plan for developing a stable customer base, as well as an operations overview that itemizes the equipment, supplies, inventory and other items needed during the first six months to start-up the venture along with their associated costs. The self-employment place of business shall also be identified. [NOTE: In order to operate a viable self-employment enterprise there must be a stable, permanent place of business. This may be the participant's home or another location; in any event, the location must be stable and not subject to change during the first 12 months of operation.]
3. **Financial Profile:** A summary of the projected monthly income and expenses for the first 12 months, including start-up and subsequent operating costs. This section should also include as attachments: a current credit report; listing of collateral the participant intends to use in securing capital for the self-employment venture; copies of appropriate insurance, licenses, permits needed for the business with the State of Alaska listed as "additionally insured" on any insurance policy; copies of the participant's Federal Income Tax filings for the previous two years, and a completed personal financial statement showing assets, liabilities and monthly expenses.

4. **Summary Statement:** An overview of the first year projections related to hours to be worked, projected earnings, length of period required to run independently and show an income that meets their monthly financial needs. This should also include an outline of "critical issues", such as unexpected repair of equipment, which are potential barriers to success and a plan of action designed to overcome these issues.

C.

Business Plan Approval: Once the participant's self-employment business plan has been completed, it should be reviewed by the VR counselor. If the VR counselor determines the venture warrants Alaska DVR support, the business plan shall be presented and recommended by the VR counselor and participant to the Regional Manager and an objective third-party consultant. The Regional Manager and a consultant who was not involved in the development of the plan, such as a banker or SBDC staff, shall analyze the business plan to assess the viability and feasibility of the proposed self-employment venture. The Regional Manager and consultant must approve the participant's business plan before an intermediate objective of self-employment is agreed to and included on the participant's Rehabilitation Plan.

- D. If it is determined that self-employment is not a reasonably attainable option for the participant at any point throughout the process, the VR counselor should provide counseling and guidance to assist the participant in understanding the reasons for this determination. They will then work together to identify a new vocational goal.

- E. When self-employment is the vocational goal, the following elements shall be documented on the Rehabilitation Plan.

1. A clear statement defining the extent of Alaska DVR participation (time lines, dollar amounts, specific goods or services to be provided, etc.).
2. A plan to monitor and evaluate the success of the self-employment objective through monthly reviews and financial reports. Essential issues for review during the first six months include marketing/outreach activities and cash flow. This shall be documented on the Rehabilitation Plan as objective evaluation criteria.
3. Participation in training in operating a small business is highly recommended, if the participant has no previous training or experience. Optional classes, memberships,

meetings, mentoring relationships that the individual will be involved in to increase their opportunities for success shall also be listed.

4. A listing of comparable services and benefits that will contribute to support of the self-employment enterprise.
- F. Any item costing \$5000 or more requires procurement assistance and approval from the Chief of Rehabilitation Services.
- G. Once self-employment is agreed to by the VR counselor and participant as an intermediate objective of the Rehabilitation Plan and necessary approvals are obtained, self-employment start-up equipment or supplies may be provided by ADVR.

## Self-Employment, Monitoring, and Follow-up

The first six months of a new self-employment venture are critical to its long-term success. The VR counselor should closely monitor the participant for at least this length of time in order to determine whether the participant is successfully operating the business. During this period the VR counselor shall provide counseling and guidance to assure the participant effectively manages all facets of the start-up phase as well as other issues that may arise.

- A. The VR counselor and participant should meet at least monthly to review the participant's self-employment progress, address any problems that may occur, and assure that start-up operations proceed as planned.
- B. The participant should be requested to provide monthly financial reports, such as profit and loss statements, a computer printout from an accounting software package or an accountant's report to compare to the original financial profile of the self-employment venture during the first six months of operation. This report shall include total monthly revenues and expenses, including the dollar amount of goods or services sold, receivables, categorical listing of operating expenses, participant salary or draw, and net income or loss.
- C. Before a determination of success can be made, the record must indicate some measure of success based on the evaluation criteria listed on the IPE. Examples of measures of success include profit and loss statements indicating the business is at least breaking even, the participant's statement of satisfaction with the business, and the belief the business will continue to be successful.

### ADVR Self-Employment Checklist (Purpose)

The Alaska DVR Self-Employment Checklist can be used once the VR counselor and participant agree that self-employment is a possible viable occupational option. The Checklist is used in order to determine whether self-employment is feasible to consider as an intermediate objective of the Rehabilitation Plan once a vocational goal has been selected. The participant completes the Checklist, with assistance by the VR counselor if necessary. Once completed, the ADVR Self-Employment Checklist is jointly reviewed and analyzed by the VR counselor and participant.

Information from the ADVR Self-Employment Checklist is used to determine whether self-employment is the occupational option to which the participant

and the VR counselor are mutually agreeing to achieve as the participant's vocational goal.

This Checklist can also be used to justify a Tier 1 Self-Employment plan. A Tier 1 plan is for home-operated self-employment ventures not over \$3000. This type plan is appropriate for such plans as carvers and other artisans or crafters. These plans are primarily for people who live in rural/remote areas and may live a subsistence lifestyle or need additional income to supplement their seasonal income or lifestyle. This type plan could also be appropriate for a significantly disabled person who is only able to work part-time or seasonally.

## **ADVR SELF EMPLOYMENT CHECKLIST INSTRUCTIONS**

Participant Name: Enter the participant's name.

Date: Enter the date the form is being completed.

Proposed Business: Enter a one-sentence summary of the business being proposed .

Questions 1-15 (Page 1-2): Check the appropriate "yes," "no," or informational box corresponding to each question. This section can be used as the first level of screening to determine if self-employment is a reasonable choice for the individual. Items 4, 6, 9 and 13 are critical. The responses to these items should be yes and the individual should have good written responses to indicate this may be a reasonable employment option.

The Professional Profile and the Business Profile should only be used if the VR counselor believes the individual's responses to questions 1-15 are sufficient to indicate self-employment is appropriate for them.

The Professional and Business Profiles can also be used to develop and justify a Tier 1 Self-Employment Plan (\$3000 or less), if the VRC supports such a plan for the individual.

The VRC and individual need to critically review the following information and both agree this information supports the individual's appropriateness for self-employment. If the VRC and individual cannot agree on this issue, the process of developing the self-employment plan should cease and other employment options should be considered after the individual has been informed of his/her right to appeal the decision not to proceed with the self-employment plan.

### Part I - Professional Profile:

Questions 1-8 (Page 3-4): Enter the participant's response to each question. This section should indicate the individual has the proper attitude, abilities, strengths and experience to enter self-employment.

### Part II - Business Profile

Questions A1-13, B1-8 (Page 4-5): Enter the participant's response to each question. This section should indicate the individual has a viable business idea and that they have done the necessary research and planning for business start up.

### Part III - Financial Profile

Business Start Up Needs (Page 5): Enter the costs of items needed for start up of the participant's self-employment. This section must indicate the individual has done an appropriate financial analysis of their situation and the business start up costs. It must indicate they have or can obtain the necessary financial resources to make the business a reasonable option. It must also indicate that there is a substantial market for their goods or services and those they can contribute enough work hours per week to make the needed profit for increased self-sufficiency. If this is used as a Tier 1 Self-Employment Plan justification, it must indicate no more than \$3000 needed from Alaska DVR for the start-up.

Monthly Income and Expense Projections (Page 6): Enter projected monthly income and expenses for the participant's self-employment. This section must indicate the proposed business will lead to the individual meeting his/her financial needs. If used for Tier 1 justification, this section must show the individual has planned for re-investment into the business such that it can be self-sustaining.

## ALASKA DIVISION OF VOCATIONAL REHABILITATION (ADVR) SELF EMPLOYMENT CHECKLIST

PARTICIPANT'S NAME	DATE						
PROPOSED BUSINESS							
<p>The purpose of this section is to help determine if self employment should be considered for plan development.</p> <p>IMPORTANT: "No" answers do not mean that self employment should not be considered. No answers only point out areas of risk or concern that will need to be addressed through further research, training, or accommodation</p>							
<p>1. Do you have work experience, education, training, or a hobby interest in the proposed business field? Describe:</p> <p>_____</p> <p>_____</p>	<table style="width: 100%; border: none;"> <tr> <td style="width: 15%;"></td> <td style="text-align: center;">YES</td> <td style="text-align: center;">NO</td> </tr> <tr> <td></td> <td style="text-align: center;">?</td> <td style="text-align: center;">?</td> </tr> </table>		YES	NO		?	?
	YES	NO					
	?	?					
<p>2. Do you have a source of income, other than the new business, for at least the first six (6) months of operation? Check all sources of current personal income:</p> <p>? Social Security Disability Income      ? Supplemental Security Income      ? Worker's Compensation          ? Income received by spouse or partner      ? Income from family mbr. or friend      ? Disability Insurance          ? Investment Income      ? Public Assistance      ? Pension          ? Employment      ? Other (specify) _____</p>	<table style="width: 100%; border: none;"> <tr> <td style="width: 15%;"></td> <td style="text-align: center;">?</td> <td style="text-align: center;">?</td> </tr> </table>		?	?			
	?	?					
<p>3. Is self-employment or home-based employment your only option for work? Explain:</p> <p>_____</p> <p>_____</p>	<table style="width: 100%; border: none;"> <tr> <td style="width: 15%;"></td> <td style="text-align: center;">?</td> <td style="text-align: center;">?</td> </tr> </table>		?	?			
	?	?					
<p>4. Do you have money or personal assets that can be contributed to the business? Describe:</p> <p>_____</p> <p>_____</p>	<table style="width: 100%; border: none;"> <tr> <td style="width: 15%;"></td> <td style="text-align: center;">?</td> <td style="text-align: center;">?</td> </tr> </table>		?	?			
	?	?					
<p>5. What other funding sources are involved in this business proposal? (Banks, grants, personal loans)</p> <p>_____</p> <p>_____</p>							
<p>6. Describe the proposed business:</p> <p>_____</p> <p>_____</p>							
<p>7. If you have been involved in this activity in the past, do you have examples of work? Describe past activities:</p> <p>_____</p> <p>_____</p>	<table style="width: 100%; border: none;"> <tr> <td style="width: 15%;"></td> <td style="text-align: center;">?</td> <td style="text-align: center;">?</td> </tr> </table>		?	?			
	?	?					
<p>8. Do you have or can you obtain letters of recommendations?</p>	<table style="width: 100%; border: none;"> <tr> <td style="width: 15%;"></td> <td style="text-align: center;">?</td> <td style="text-align: center;">?</td> </tr> </table>		?	?			
	?	?					
<p>9. Have you identified equipment, supplies, or other needs for the business? Please list below:</p> <p>_____</p> <p>_____</p>	<table style="width: 100%; border: none;"> <tr> <td style="width: 15%;"></td> <td style="text-align: center;">?</td> <td style="text-align: center;">?</td> </tr> </table>		?	?			
	?	?					

ADVR SELF EMPLOYMENT CHECKLIST

	YES ?	NO ?
10. Have you identified ways to contact those who will use the business? How will you promote and market your goods/services? _____ _____ _____		
11. Do you have adequate transportation to work in the business? Describe: _____ _____	?	?
12. Have you considered how much money must be earned from the business to meet your financial needs? How much?   \$ _____ per month.   How was this determined? _____ _____	?	?
13. What kind of business expenses do you project? Please list: _____ _____ _____ _____ _____		
14. Can you document money management skills, by such indicators such as balancing a checkbook? Describe: _____ _____	?	?
15. How will you determine the rate to charge for services or how will you calculate mark up of products? Describe: _____ _____		
16. Have you interviewed people in similar businesses to learn about their experience? List: _____ _____ _____ _____ _____	?	?

**ADVR SELF EMPLOYMENT CHECKLIST  
BUSINESS PLAN WORKSHEET**

PARTICIPANT'S NAME:	DATE:
<b>PROPOSED BUSINESS</b>	
<p>This section is designed to help evaluate your readiness for self employment and the feasibility of your business idea. It will help you think through the many details involved in setting up a business. Also, it will help determine if a vocational rehabilitation plan can be structured to help start the business.</p> <p>INSTRUCTIONS: 1) Complete the questions as best you can. If a question does not apply to your particular business idea, write "Does not apply" in the space provided. 2) Make at least some attempt to complete every question and the financial projections. Your vocational rehabilitation counselor or a self-employment consultant will help you, if needed.</p>	
<b>PART 1 - PROFESSIONAL PROFILE</b>	
<p>1. Why would you like to be self-employed?</p> <hr/> <hr/> <hr/>	
<p>2. What specific knowledge, skills, abilities, and experiences will you use in your proposed business?</p> <hr/> <hr/> <hr/>	
<p>3. Describe how your personal attributes will help you start and operate your business:</p> <hr/> <hr/> <hr/>	
<p>4. Describe any past experience with self-employment, including any involvement with a business of a family or friend.</p> <hr/> <hr/> <hr/>	
<p>5. Are there any family members or friends who will help with the business? If so, please explain:</p> <hr/> <hr/> <hr/>	
<p>6. Do you need any additional skills and training?</p> <hr/> <hr/> <hr/>	
<p>7. How many hours per week can you work in your business? _____ Hours Per Week</p>	

**ADVR SELF-EMPLOYMENT CHECKLIST**

<p>8. How will you manage your time in the business?</p> <p>Producing product / service Marketing your business Servicing Customers Business Travel Purchasing Goods/Supplies Maintaining Business Records Other (Specify):</p> <p align="center"><b>TOTAL:</b></p>	<p align="center"><b>At Start of Business hours/week</b></p>	<p align="center"><b>When Established hours/week</b></p>
<b>PART II - BUSINESS PROFILE</b>		
1. What is the name you have chosen for your business?		
<p>2. What type of business will you start? (Check appropriate box)</p> <p>? Professional    ? Service    ? Retailing    ? Manufacturing    ? Wholesaling</p> <p>? Agricultural    ? Other (specify) _____</p>		
3. Describe the types of goods and/or services to be provided:		
4. Are there any trade associations or business groups that you need to join? If so, what is the cost?		
5. What geographical area will the business serve?		
6. If it is a home-based business, describe your work areas(s).		
7. If it is a business requiring a leased space, describe the site you have selected or need to find. And, what is the square footage and the amount of monthly rent you will have or can afford?		
8. Have you checked on zoning requirements for the business?                    ? Yes        ? No    If yes, describe requirements.		
9. Who will purchase your products or services?		
10. Are there other businesses offering what your business will provide?    ? Yes        ? No    If yes, describe:		
11. Why will people want to use your business instead of another?		
<p>12. Check all the ways you intend to market the business:</p> <p>? Business Cards    ? Brochures    ? Advertising in Newspapers    ? Join Chamber of Commerce or Business Group</p> <p>? Radio Commercials    ? Yellow Pages    ? Word-of-mouth    ? Personal visit to potential customers</p> <p>? TV Commercials    ? Flyers    ? Press Release    ? Other types of paid advertising (specify):</p> <p>? Other (specify): _____</p>		
13. Of the above, which will be the most effective way to let people know about your business?		

**ADVR SELF-EMPLOYMENT CHECKLIST**

B. OPERATIONS			
1. Will you have any employees? ? Yes ? No		If yes, what will be their duties?	
2. Do you need to charge sales tax? ? Yes ? No		What other taxes will you pay?	
3. Who will do the bookkeeping?		4. Who will do the tax returns?	
5. What are the licensing requirements for the business? Explain the costs.			
6. Do you need insurance or bonding for the business? Explain the costs.			
7. If you will be selling items, how will you determine the mark up rate?			
1. If selling items, list the identified suppliers. When will you need to pay for these items?			
PART III FINANCIAL PROFILE			
<b>INSTRUCTIONS:</b> List the cost of all items needed in Column A. List what you already have and what you can pay for in Column B. Subtract what you can provide from the cost of each item, and put that amount in Column C.			
Business Start Up Needs			
Item	A Cost of Items Needed	B Less Items You Already Have	C Difference/Amount Needed
Licenses	\$	-	=
Bonding/Insurance	\$	-	=
Business Cards/Brochures	\$	-	=
Business Stationery	\$	-	=
Advertising: \$           x 3 months	\$	-	=
Rent: \$                    x 6 months	\$	-	=
Deposits	\$	-	=
Utility Installations	\$	-	=
Office Supplies	\$	-	=
Legal/Accounting Fees	\$	-	=
Signs/Displays	\$	-	=
Professional Dues	\$	-	=
Improvements/Remodeling	\$	-	=
Tools	\$	-	=
Inventory	\$	-	=
Business Equipment	\$	-	=
Adaptive Equipment	\$	-	=
Insurance	\$	-	=
Other (Specify)	\$	-	=
<b>Total Costs</b>	\$	-	=

AKDVR SELF-EMPLOYMENT CHECKLIST

MONTHLY INCOME AND EXPENSE PROJECTIONS	
<p><b>INSTRUCTIONS:</b> To calculate "Goods", estimate how many items you will sell per month and multiply that by the average price of what you will sell. To calculate "Less Cost of Goods", estimate how many items you will sell per month, and multiply that by their average cost. To calculate "Services", estimate how many hours you can bill each month, and multiply that by the rate you will charge. Estimate all monthly expenses.</p>	
<b>A. Monthly Income</b>	
Goods - (estimate how many items you will sell per month and multiply that by the average price of what you will sell)	\$
Less Cost of Goods - (estimate how many items you will sell per month and multiply that by their average cost)	-
Services - (estimate how many hours you can bill each month, and multiply that by the rate you will charge)	\$
Other Income – (estimate any and all other income, such as spouse income, retirement, investments, rental, etc.)	\$
<b>TOTAL MONTHLY INCOME</b>	<b>\$</b>
<b>B. Monthly Expenses (total living expenses and business expenses)</b>	
Rent	
Utilities	
Telephone	
Monthly food costs (if tier 1)	
Transportation	
Bookkeeping	
Advertising and Marketing	
Business Taxes	
Business Insurance	
Repairs and Maintenance	
Employee Wages (if appropriate)	
Payroll Taxes (if appropriate)	
Supplies (specify)	
Supplies (specify)	
Other (specify)	
Other (specify)	
<b>TOTAL OPERATING EXPENSES</b>	<b>\$</b>
<b>OWNER DRAW</b>	<b>\$</b>
<b>DEPRECIATION</b>	<b>\$</b>
<b>TOTAL EXPENSES</b>	<b>\$</b>
<b>NET INCOME/LOSS</b>	<b>\$</b>