

from **MASSAGE** magazine

by Cherie Sobnen-Moe

SUCCESS CHECKLIST ✓

The items below are goals, activities and skills that we suggest you accomplish by the time you complete the second segment (2/6) of your education.



- Determine your start-up costs for a private practice
- Create an estimated budget for the first year in private practice
- Identify local agencies to start practice (license, permits, zoning, etc)
- Ascertain the permits you need (and cost)
- Develop a personal budget for life after graduation
- Formulate a break-even analysis
- Research salaries (labor and statistics)
- List sources of startup financing
- Chart the difference between running your own business and working for someone
- Assemble materials for a resume
- Formulate a checklist for being hired as an independent contractor
- Specify your ideal/minimal requirements for employment

Visit www.futureLMT.com for links to additional information on these topics.

HIGHLIGHTS FOR NEXT ISSUE

- ✓ Interview Savvy
- ✓ Remarkable Resumes
- ✓ Marketing Materials

MONEY AND THE THERAPIST

Many therapists struggle financially, whether they are in private practice or work as an employee. We may wish it were not the case, but money plays an important role in our lives. Few people are formally taught how to manage money. Those who take financial training are usually comfortable with the concept of money in the first place.

Transform your attitude toward money

The first step to improving your financial prospects is to transform your attitude toward money. Consider the often inaccurately cited biblical quote, “Money is the root of all evil.” The original quote is, “For the love of money is the root of all evil.” Money is simply a method of exchange for goods and services. Unfortunately, we imbue it with emotional significance and other qualities because most of us do not understand how to relate to the concept of money or how to manage money in a rational way—and that is where trouble brews.

Many people in the helping professions proudly wear the “poor but pure” badge. Besides contributing to financial insecurity, this attitude often leads to questionable business practices. Many practitioners have trouble charging appropriate fees for their services and many are uncomfortable charging anything at all.

On the flip side, employees often become resentful over the supposed disparity in their wages versus the charged fee because they haven’t factored in the business owner’s costs incurred in setting up and running the business. They only look at the \$80 the spa charges per massage and the \$30 they receive. They forget about the thousands or even millions of dollars the facilities cost.



Be sure to visit futureLMT.com for additional materials related to the articles in this newsletter and a selection of Web resources hand-picked by our editors.

Some therapists in private practice get defensive about their rates and make statements such as, “I’m worth that much!” The sooner you learn that your worth has very little to do with what you charge, the happier you will be. Your fees can only hold up to what the market will bear. And frankly, most of your work is priceless. Yet, the majority of people have budgets.

Know where you stand financially

The next step to fiscal freedom is to know where you stand financially. It’s so easy to be in denial about your finances. One of my key phrases is “Do the math!” Take the time to do a personal budget. (See Issue 2’s Online Resources at www.futureLMT.com for help constructing your personal budget.) Forecast your daily, monthly and annual expenses and plan accordingly. If you intend to be self-employed then you need to do similar estimating and forecasting for your business.

One of the biggest pitfalls I see people encounter is that whenever they get “extra” money they spend it. Before doing that, check your cash flow forecast as you might have a large one-time expense coming up soon. I also recommend that you put at least half of the money into a savings account.

The key to financial success, as well as life, is balance.

PROJECTING YOUR STARTUP COSTS

The costs of starting up and running a business can be daunting, which is why many people opt to work for others. According to The Small Business Administration (SBA), the median startup cost for a solo business owner to just open the door is \$6,000. The actual startup costs depend on the scope of the business, the location and build-out costs, and the requisite equipment. A massage practice is one of the easiest to set up, particularly since the initial costs tend to be minimal. In many instances, you can operate out of your home, rent space by the hour or provide on-site work. People often build their private practices slowly while working for another

company. This is an acceptable route to take as long as you develop an action plan for attracting clients and actively market your practice. Otherwise, you may find yourself with a permanent part-time practice.

In determining how much money is needed for startup, include operating and personal living expenses for at least six months. Research other massage businesses and seek advice from a realtor, accountant and lawyer. Also contact your local SBA, Small Business Development Center and SCORE (Service Corps Of Retired Executives). While identifying these costs, decide whether they are essential or optional. A realistic startup budget should only include items that are necessary to start the business.

Initial Expenses opening a business checking account; telephone installation; equipment; first and last month's rent and security deposit; business cards, stationery, brochures, logo design; opening promotion package (e.g., ads, direct mailers); decorations; office supplies; furniture; music system and CDs.

Annual Expenses property insurance; business license; permits; liability insurance; professional association membership; legal and accounting fees.

Common Monthly Expenses rent; utilities; telephone; bank fees; supplies; networking club dues; education; promotion; Internet access; postage; repair and maintenance; business travel; inventory; business loan payments. See "Estimated Business Expenses" in Issue 2 at www.futureLMT.com for a sample chart of actual expenses.

FINANCING A MASSAGE PRACTICE

Personal Savings

Be conservative in your spending so you can build a startup nest egg.

Personal Loans

If you own your home you could take out a second mortgage or an equity loan. Some people use their credit cards (not usually advisable due to the usurious interest rate). Another option is to cash in a retirement/investment account.

Student Loans

If allowable, maximize the amount of your student loans and put the extra into savings.

Loans from Family and Friends

Avoid potential discomfort and resentment by designing a loan contract that clearly delineates the terms and repayment schedule.

Private Investor Loans

Most private investors want to make a healthy return either in dollars or a percentage of the business. This route requires research, correspondence, pro-

posals and a refined business plan.

Bank Loans

The amount loaned is usually based upon your assets and banks require a complete business plan.

SBA Loans

The SBA offers several types of funding from guaranteeing up to 85

percent of a commercial bank loan, to directly loaning money.

Grants

Many organizations provide grants to people who fall within the parameters of special interest groups, as either the business owner or the market you plan to serve. At a minimum, this route requires research and proposals.

Partnerships

This affiliation can vary from a "silent" partner (more of an investor) to someone who works alongside you to build your business.

Community Development Corporation (CDC) Investors

Local organizations that partner with government, business owners and community leaders to provide economic assistance (e.g., loans, grants, consulting, subsidized office space). This is usually geared toward specific populations or the enhancement of a particular area of the city.



EMPLOYEE OR INDEPENDENT CONTRACTOR?

In our last issue we explored the advantages and disadvantages of being self-employed or working for a company. This article addresses the two major ways to work for a company. Many massage therapists are hired as independent contractors (IC) when in reality they are employees. Many companies prefer the IC designation because it is less costly: it substantially reduces the amount of paperwork; they aren't required to withhold taxes; they don't need to provide benefits; they don't have to pay matching FICA and Medicare (currently at 7.65 percent) or unemployment insurance; they don't have to provide Worker's Compensation coverage; and it's much easier to terminate a contract than to fire an employee.

The benefits to the therapist for being hired as an IC are: a greater sense of autonomy; usually you receive more money for your services; you aren't responsible for the running of the business; and you can deduct your business-related expenses on your income tax return.

In general, an employee is an individual who performs services subject to the employer's will and control and the employer has the authority to tell the employees what to do and how to do it.

EXAMPLE 1

Susan works for a day spa. She is told what hours she is to work and has little control over the types of clients she sees and the modalities she is to use. When



not working with clients she is expected to perform other duties such as cleaning and marketing. The spa has set prices for services and collects all monies. She receives paychecks and is issued a W-2 at the end of the year.

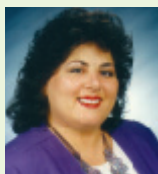
An IC is in charge of establishing his/her own

hours, setting the fees, and controlling the type of work done. The IRS states that a general rule is that the payer has the right to control or direct only the result of the work done by an IC, and not the means and methods of accomplishing the result.

EXAMPLE 2

Steve is a massage therapist who has a private practice providing onsite massage to several companies. He also works on an "as needed" basis for a salon when he is available. He sets his own schedule with the spa and often brings in his own clients. The spa pays him a per session fee less costs to cover room rental, linens and supplies. He receives a 1099-MISC form at the end of the year.

See "Independent Contractor Status" in Issue 2 at www.futureLMT.com for more information on this topic.



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that have been published in more than 15 national and international magazines. She is the author of the book *Business Mastery* and co-author of *The Ethics of Touch*.

LICENSES & PERMITS ✓

You need to know the local, state and federal requirements that influence business startup. One of the best sites I've found that has links to all the states is FindLaw for Small Business, <http://smallbusiness.findlaw.com/starting-business>. Some of these sites also provide links to massage board regulations.

Your local city hall can also provide you with information and resources. The following list is an overview of the basic required licenses and permits, and who to contact for specific information and forms. This list doesn't cover every possible situation as your business may have special site requirements or industry regulations.

- ✓ **Business License**
Allows you the privilege of doing business. Contact your business-licensing bureau.
- ✓ **Occupational License**
Allows you to work in a specific industry as long as you comply with that profession's regulations. Contact the state agency of consumer affairs or the local business-licensing bureau.
- ✓ **Transaction Privilege Tax License**
Allows you to collect (and remit) sales tax. Contact your state department of revenue.
- ✓ **Planning and Zoning Permits**
These permits are issued after your location has been assessed and shows that the business operation conforms to area plans, has proper zoning and has adequate parking. Contact your city/county planning department.
- ✓ **Building Safety Permit**
This permit is issued after your location is inspected and is found safe for you and your clients, and complies with fire and building codes. Contact the local fire department.

EMPLOYMENT CONTRACTS

When you take a job with an employer you make an agreement with him or her (or the company), whether it is written or implied. It is in both parties' best interest to have the terms of employment clearly specified. This is the purpose of an employment contract.

One major element of the employment contract is a detailed description of what each party promises to provide. You should compile a list of the equipment and supplies you require and determine who is responsible for providing and maintaining

them. Be sure to include linens, oils, lotions, table, chair, music and sound system. Also, delineate any marketing and management services (e.g., appointment booking, insurance billing, client files and fee collection).

Another major portion of the employment contract specifies the financial obligations of the contracted party. This is usually included when the contract involves subcontracting and is mainly to protect the hiring party in case you do not perform your services adequately.

Sometimes the terms of an employment agreement may be provided in separate documents, although it's best to have it in one contract that's signed by all parties.

Ideally, you would come to the negotiating process with a sample of your own contract and checklist,* review the hiring company's contract, and create a specific contract that is mutually agreeable to both of you. If the hiring company insists on using only their contract, make sure you have responses (preferably in writing) to all the items in your checklist.

* See "Employment Contracts Checklist" in Issue 2 at www.futureLMT.com.

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