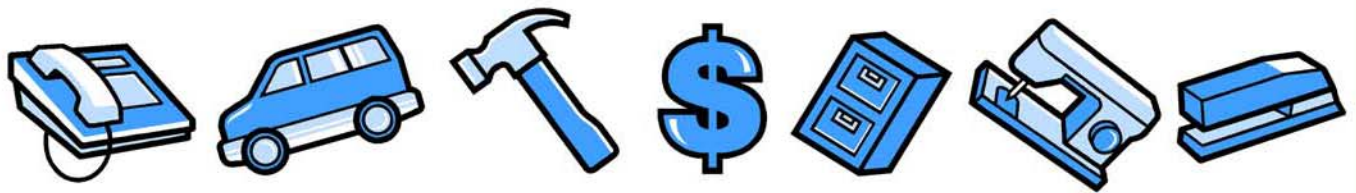


Choosing Self-Employment



*By Ellen Condon
& Kim Brown
Design by Jillian Jurica*

About the Rural Institute

The Rural Institute: Center for Excellence in Disability Education, Research, and Service, is one of sixty-four Centers for Excellence in Disability Education across the nation.

It is an inter-disciplinary organization that promotes full participation in rural life for individuals with disabilities. The Rural Institute accomplishes this goal by developing and disseminating innovations in teaching, research, community supports, and policy advocacy.

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Opinions expressed here do not necessarily reflect the positions or policies of the funding organizations. These are a few of the many projects at The Rural Institute. This publication does not encompass all of the projects and activities currently underway at The Rural Institute as a whole.

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A Monograph by the Rural Institute
Linkages to Employment Project

Choosing Self-Employment



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& Kim Brown
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When Does Discovery and Individualized Career Planning for Students Lead to Self-Employment?



*Ellen Condon,
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The Individualized Career Planning Model was developed in response to growing concern about poor transition-to-employment outcomes for students with significant disabilities. Nationally, less than 8% of students with a disability exit school with a job, are enrolled in a post-secondary education institution, are involved in community recreation and leisure activities, or are living in an independent situation (Hughes, Swang, Jin-Ho, Killian, Harmer, and Alcantara, 1997). Only 35% of people with disabilities are employed compared to 75% of people without disabilities (Harris Poll Data, 2004). Those students most likely to leave school without skills and supports necessary to work in the community are those with the most significant disabilities. Poor post-school outcomes have been linked to the lack of vocational preparation, transition planning, and linkages to existing adult services and supports prior to graduation. The Individualized Career Planning Model was specifically designed to overcome these programmatic and funding challenges and barriers at the same time that it promoted a customized approach to employment.

The Model has been developing since 2001 in Montana with the support of two U.S. Department of Education grants. These funds supported two distinct but integral implementation projects: WISER (Work Incentives and Alternative Resource Development for Student Employment, #H324M000089), and Linkages to Employment (#H324M020140). The Model was conceptualized, implemented, and field-tested in nine Montana schools, each with very different challenges, resources, and populations.

One of the defining components of the Linkages to Employment project was offering students the option of self-employment as a career experience or a post-school employment outcome in addition to traditional wage employment. Of the thirty students who were served by Linkages, two chose the option of self-employment.

Choosing Self-Employment is the final monograph of the Linkages to Employment project. In this publication we will discuss the fit of self-employment within the Individualized Career Planning Model and present state-of-the-art information and proven strategies from national experts in the field of self-employment and disability. The monograph ends with invaluable and often misunderstood information about how self-employment income impacts Social Security benefits and about the work incentive “PESS - Property Essential for Self-Support.”

SELF-EMPLOYMENT AS A POST-SCHOOL OUTCOME OR CAREER EXPERIENCE

Data from a Rehabilitation Services Administration (RSA)-funded Choice project found that when given the option of self-employment or traditional wage employment, people with disabilities chose self-employment at the same rate as people without disabilities; approximately 20% chose self-employment (Callahan, 2000). (See excerpts from this article on page 19.) Self-employment is a growing trend, especially in more rural areas where limited job opportunities exist for everyone (Griffin & Hammis, 2003). People choose to be self-employed for a variety of reasons, including a lack of existing employment opportunities, a desire to customize work schedules and tasks to fit lifestyles, or a passion for a product or service that cannot be realized in any other employment setting.

For students with a more significant impact of disability, the list of Ideal Conditions—those factors that must be present (or absent) in order for a student to have the best chance of success in any work environment—will likely

be longer than that of someone with less impact of disability. This means that finding a suitable employment match in existing markets may be more difficult. In some cases, supported self-employment could be an alternative, but the inability to locate traditional employment should not be the only factor involved in this decision. While the self-employed person has more control over the design of the work environment, definition of job tasks, use of time, and a host of other factors that can be tailored to best meet the needs of the worker rather than the demands of the product or employer, it is not for everyone. There are a multitude of additional factors which need to be considered prior to choosing this option, including: What supports will the person need for their business, such as marketing, sales, or bookkeeping? Does the person or their family have experience or expertise in small business? If not, are there local resources that could provide needed assistance? How much will the person need to earn to support himself or herself and to grow the business? While independent performance of these activities is not a prerequisite to becoming self-employed, these are supports that will need to be negotiated on behalf of the individual or provided by a family member, friend, or employee to ensure that the business is successful.

Self-employment can serve as both work experience and as a post-school outcome. The strategies and principals intrinsic to supported employment also apply to a supported self-employment model (Griffin & Hammis, 2000). And, as is the case for small business owners in the mainstream workforce, students or adults with disabilities need not master all components or perform all tasks of owning and running

their own business for self-employment to be considered a feasible option. Partial participation with ongoing supports is by no means out of the ordinary.

THE MODEL

The Individualized Career Planning Model is designed to enable students with disabilities—particularly those with a significant impact of disability—to transition from school to work and from student services to adult services without incurring significant losses in employment opportunities, funding, services, or supports. The Model uses Social Security Work Incentives, natural supports, and linkages between Workforce Investment, Vocational Rehabilitation, and other adult agencies to enhance transition planning and career development for students. The ultimate goal is paid, community-based employment or self-employment for each student upon graduation, regardless of the severity of his or her disability.

The Model offers schools a template for individualizing vocational curriculum and preparation of students with disabilities. One significant advantage of the Model is that its innovative features and focus on the individual can be implemented—either in part or in whole—within existing school services and frameworks.

The innovative features of the Individualized Career Planning Model include:

- ✦ Customized employment opportunities, work experiences, and transition planning for each student, driven by the student’s interests, support needs, strengths, and contributions rather than by generic job descriptions and available openings. Customization implies
- flexibility, enabling support staff to modify parameters and desired outcomes as the student’s interests and skills evolve through additional work experience;
- ✦ Entrepreneurial options or self-employment as post-school outcomes or career-experience options for students, in addition to traditional wage employment;
- ✦ Utilization of Social Security Work Incentives with students to increase consumer choice and family control over services; and
- ✦ Linkages between agencies such as Vocational Rehabilitation, Workforce Investment, employment vendors and the schools to promote collaborative funding of employment and transition activities.

The Model is designed for students aged 14 (or younger if appropriate) through 21, or graduation from high school. It promotes individualized vocational planning within recommended benchmarks and timelines for vocational activities. To ensure individualization, vocational activities—whether school-based jobs for students under the age of 16 or community-based jobs for students 16 and older—are guided by the student’s support needs, strengths, and contributions. Thus, the first step in the Individualized Career Planning process is to answer the questions, “Who is this student? What are her interests, preferences and passions? What environments, supports, and teaching strategies enable her to be at her best? What skills and abilities does she possess? What job tasks does she currently perform?” The process of gathering this information is called Discovery. Discovery culminates in the writing of a qualitatively rich and detailed Vocational Profile—a written picture of the student.

The information from the Profile is then summarized and compartmentalized in a person-centered, Customized Employment Planning meeting. During this meeting several things happen: a plan to develop a customized job is formulated; the actual terms of employment—the Ideal Conditions—are identified and agreed upon and then translated into language understandable to future employers; and information describing the student’s skills and abilities—her Contributions—is captured.

Following the meeting, the information is translated into a picture and narrative format called a Representational Portfolio. The job developer uses this Portfolio to represent the job seeker to potential employers, or in those instances where self-employment is chosen, to develop self-employment alternatives with appropriate supports. Throughout this process, the Individualized Career Planning Model promotes creative funding arrangements, either by supporting students to access Social Security Administration (SSA) Work Incentives or utilizing funding in more collaborative ways, such as blending funds from schools, SSA, Workforce, and Vocational Rehabilitation.

Entrepreneurial and self-employment alternatives, collaborative funding agreements, and non-traditional agency linkages are especially important in places like Montana where resources and opportunities are significantly limited by demographics and geography. Indeed, a primary impetus for developing this Model arose from a need to get beyond or around the constraints and limitations imposed upon students with disabilities, their families, service providers, and schools by shrinking funds, lack of options

for students with significant disabilities, and the inherent economic and geographic challenges in a rural state.

DISCOVERY

In order for schools to customize work experiences or post-school employment, the first step is to get to know the student. The Individualized Career Planning Model uses the process of Discovery. This process answers the question, “Who is this student?” and the information gathered provides direction for all subsequent career development activities.

In Discovery, information is gathered about a student’s interests and strengths, the types of environments and activities in which a student is at his or her best, the types of supports that are most effective, and the present level of performance in actual life activities. This information is gathered through a series of interviews, activities and observations. Information is collected from the student, family members, friends, teachers, neighbors — anyone who knows the student well. The person facilitating the Discovery process spends time at the student’s home and school and in the community with the student, observing the student in familiar as well as unfamiliar activities.

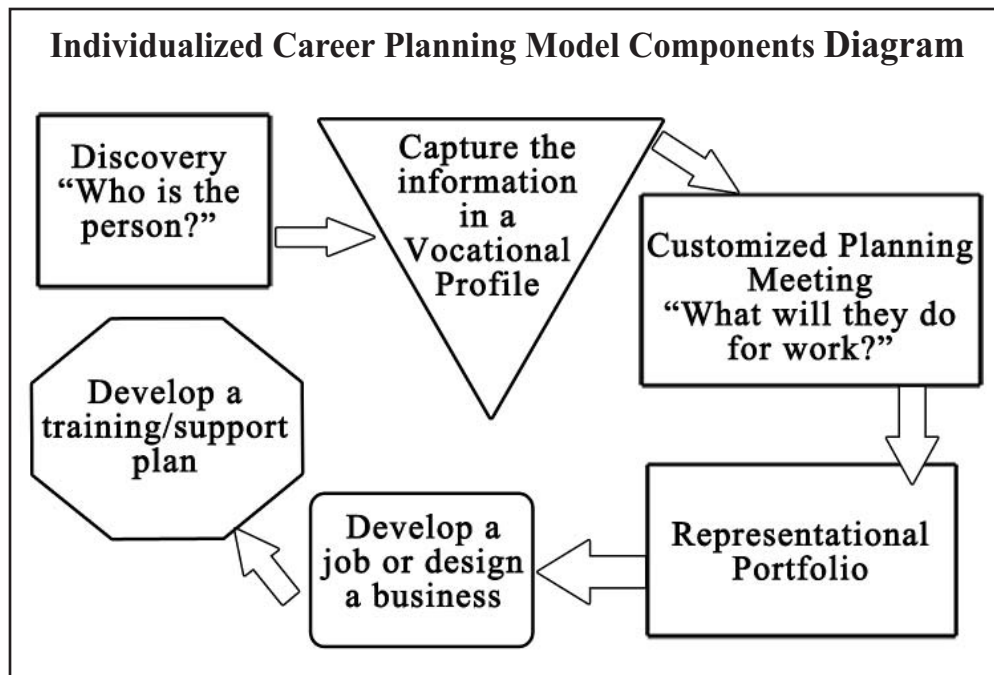
As we get to know an individual student during Discovery, we get to know their family as well. Sometimes it becomes evident that self-employment is a way of life for this family based upon where they live, who they are, or what passions, resources and skills they have, and if their son or daughter is to remain at home after graduation, self-employment will be their

route to economic self-sufficiency as well. The majority of successful self-employment ventures have a significant level of family support (Griffin & Hammis, 2003).

CUSTOMIZED EMPLOYMENT PLANNING MEETING

Once the process of Discovery is completed and the information is captured and shared, a Customized Employment Planning Meeting is held for the purpose of developing a blueprint of the ideal job for the job seeker and a plan for job development. The blueprint for the customized job will identify: 1) the parameters needing negotiation to customize a successful job, 2) a list of Contributions the person can bring to an employer, 3) a list of Job Tasks that the employee can perform, and 4) a prospecting list of employers within the person's community who may meet the Ideal Conditions and be in need of the services identified in the individual's Job Tasks.

If the individual has already identified the desire to pursue self-employment, the Planning Meeting is a forum where the team customizes the individual's business around their ideal conditions for environment and supports, and to maximize their participation in their own business. Of course the feasibility of the business, potential market, and products and financial issues of the business need to be considered as well but teams should not miss the opportunity to take full advantage of the opportunity that self-employment provides for maximizing customization for individuals. (Mississippi Model Youth Transition Innovation, MYTI, has developed a tool to plan around the support needs of the business and determine whether these are support needs for the individual business owner, training issues, or tasks that the individual already knows how to perform. See the next page for a sample.)



Business Labor Analysis Form

Participant: _____ Project Year: _____

Business Name: _____

Address: _____

Date Completed: _____ Start Up Date of Business: _____

Business Team Members: _____

Date of Business Team Review: _____

Work Routines/ Tasks	Task Completed By			Labor Cost		
	Business Owner K=Knows L=To Be Learned	Employee P=Paid U=Unpaid	Contracted Services	Self Pay	Employees	Contracted Services
Daily						
Weekly						
Monthly						
Quarterly						
Annually						
Other Times						

Form was created by MYTI: MS Model Youth Transition Innovation

PROMOTING SELF-DETERMINATION AND INFORMED CHOICE

At age 16, few students—with or without disabilities—have much firsthand experience with employment. They often do not know what their job-related preferences and interests are, much less have a clear, singular vision of what they would like to do for work after high school. Work exploration allows a student to investigate an area or job type in which he may have some interest. The experience enables the student to make more informed choices about environments, features of work, and job tasks in future employment decisions and it has the added benefit of providing the job developer with more information about an individual's skills, performance, and support needs within various environments.

For an individual who will depend on customization to access community employment, having them identify desired job titles or career paths would be contraindicated. Instead, customized employment seeks to identify tasks the individual can perform which will be reconfigured into a new position. Duties, support needs and work parameters are all renegotiated based on meshing individuals' needs and contributions with employers' needs to create a job description that has not previously existed.

The work exploration is not an attempt to "evaluate" an individual's "readiness" to work. The philosophy of the Model is that everyone is "ready" and has some contribution to make; it is simply a matter of discovering the individual's contributions and desires, and matching those to an employer's needs. Building a model that

incorporates flexibility as a fundamental feature provides students with disabilities the same latitude to explore possible career alternatives and to grow and change over time as that enjoyed by those without disabilities. As a student gains experience and skills, their preferences, the parameters which need to be negotiated on their behalf, and the job tasks they can perform will also evolve and change.

How does following the Individualized Career Planning Model result in self-employment for some students? For instance, what would we learn about a person during the process of Discovery that would lead the planning team to look at self-employment versus traditional wage employment? How would the individual's support needs and ideal employment conditions be met differently through self-employment than through wage employment? And finally, what other factors need to be considered when someone is weighing the pros and cons of self-employment for a young adult or for themselves?

Luke began his small business while he was still in high school. From his Discovery process his planning team knew that he liked to be on the go—driving around and visiting with familiar people. As part of his Transition preparation, he participated in school and community-based work experiences that involved making deliveries. Luke lived in a small rural community. His family wasn't passionate about self-employment nor was he. But when his job developer could not find a business that matched his ideal conditions of employment, as well as his preferences (making deliveries), his family urged

the job developer to pursue self-employment as an alternative.

Luke began a delivery business which transported lunches for local restaurants. He had a contract with one of the larger businesses in town to provide lunch to their employees twice weekly. Decisions about the organization of Luke's business were made based upon what the team learned through Discovery worked well for him. His deliveries were along a consistent route which enabled him to meet people, socialize with familiar acquaintances, and have a predictable routine. It was clear that Luke would always need someone with him to drive the delivery van and to help him navigate traffic, parking lots, and uneven terrain. The team wrapped this ongoing support need into the design of the business. As Luke's business grew the goal was to hire a partner who could also meet some of his ongoing support needs. Luke purchased his van using a Social Security Work Incentive called a PASS plan (Plan for Achieving Self-Support). Vocational Rehabilitation funded the alterations to the van to make it accessible and paid for some initial job coaching. Luke's family provided support to the business and when he began receiving some adult Developmental Disabilities services, he used this funding to purchase supports from a local employment vendor.

Matt, a senior in a rural high school, expressed the desire to be his own boss. He wanted a job where he could control the work flow and pace, where he could visit with people in his community, and where the production requirements would not be stressful for him.

He chose to create a mobile shredding business because he really liked to use a shredder.

The school-to-work staff, with support from Linkages, conducted an informal feasibility study by surveying local employers about their need and desire for an on-site shredding service. The responses revealed that there currently were no local shredders, and some businesses would prefer the option of someone to work on-site when they needed the service provided. A list of these employers was assembled for Matt to contact when his business was up and running.

The Linkages grant assisted him to purchase a high quality shredder. The school's shop class, in conjunction with a local fabrication business, designed and built a cart that would transport his shredder via local senior transit (the only public transit in this community) to various businesses who needed shredding completed. The school staff assisted Matt to learn the components of his business while he was still in school. Since he would be waiting for adult Developmental Disabilities services upon graduating rather than receiving them immediately, his mother shadowed the job coach prior to him exiting school to learn how the tasks had been taught and what support strategies had been put into place. His dad took over the responsibility of generating and scheduling the various shredding jobs as the school faded their responsibility in this area. Matt's family was very comfortable with the concept of self-employment as they were also self-employed.

Matt created his own invoices and business cards. His family helped him set up his ledgers

and then he was responsible for tracking billing and payments. He needed some time-limited job coaching and follow-along supports after he graduated. These services were funded by Vocational Rehabilitation and the job coach from the school was hired to promote consistency for Matt. A PASS plan was written and approved to shelter any income that would reduce his SSI. The PASS paid for support he needed to remove the shredded material from each site and deliver it to various local businesses that purchased it for packaging, pet bedding, and compost.

Brian's first work experience (which was secured by his mom) was a newspaper route. Through this experience his team learned that he had a good memory for routes and details about which houses received papers and where they wanted the papers located. Brian is someone who benefits from lots of physical activity and the 1-2 mile walk of the route resulted in him being calmer at home and at school. As his team began employment planning for him when he was a sophomore in high school, his mom suggested creating a vending business that he could operate while he was in school and continue to own as he graduated.

His company is called Bear's Snacks and he has brochures and business cards to help advertise the service. The school staff have taken the initiative to shop for supplies and to approach companies about installing a vending box at their place of work.

Linkages purchased his start-up supplies and cardboard vending boxes. Each box can hold

100-125 snacks and has the company name printed on it. All of the snacks are priced at 65 cents. Customers use the honor system and deposit money for their purchases in a slot on the front of the box. Brian and his job coach (a paraprofessional from the school) refurbish the boxes at least monthly.

Brian currently has ten boxes installed in local businesses and he and his mom have set the goal of having 20 established businesses on his route by the time he graduates from high school. As part of his school curriculum Brian works to refill his boxes, count income from the boxes, and record the specifics of his sales and inventory.

In summary, self-employment is a valid choice for any job seeker with or without a disability. It is the norm for many business owners to contract out for assistance with some portions of their business. Self-employment may be the model of customized employment that is the most adaptable and flexible to meet an individual's support and participation needs. Another positive feature of self-employment is that although self-employment income does impact SSI payments, it is the only way an SSI recipient can accumulate wealth and resources over the \$2000 limit and still maintain SSI eligibility. Because of the geographic isolation and lack of major industry in rural areas, self-employment may actually be more prevalent in these areas than typical wage employment for people with and without disabilities. While not everyone living in a rural area will choose to be self-employed, it does present a viable option for many individuals... including those with the most significant impact of disability.

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A Business Within a Business



Cary Griffin

Another method of designing supports for a prospective business owner is the business-within-a-business approach. This arrangement makes sense when a complimentary service or product is brought inside an existing enterprise. Hence, a person interested in weaving custom sweaters sets up shop inside a woolens retailer, an espresso maker co-locates inside a pastry shop, or a manicurist adds a chair in the local beauty parlor. The host business attracts customers, and the existing staff can naturally assist the new enterprise by teaching the tricks of the trade. The host business also benefits from having a value-added service in-house, and from the rent generally paid by the new occupant. In these cases support and assistance have taken the form of joint advertising, assistance with customer and production scheduling, training in the use of tools and equipment, help with pricing and bookkeeping, and assistance with inventory, supply ordering, transportation and delivery.

In some cases, the business-within-a-business strategy can be used to create opportunities where they were not obvious. Tricia, for instance, wished to work in a day care center. She also enjoyed working with computers, but her lack of reading and writing skills severely limited her job choices. Job development failed to find a child care job, but did identify an employer interested in Tricia. As with many small businesses, the day care center in question did not have ready cash to risk nor any positions open. By blending Tricia's interest in children and in computers a proposal for Tricia to manage a computer tutoring service was developed. The employer was still reluctant of the risk, so a further refinement involved Tricia purchasing the equipment and operating her own computer lab inside the day care facility. The day care center would then be satisfying a known customer need, and would increase revenues from Tricia's payments for rent.

The owner hesitated until a feasibility survey to the parents indicated a strong desire for computer tutoring using the latest interactive and intuitive software. In fact, approximately twenty families signed their children up for the classes. Within a few months of operating, the employer saw the value of the service and offered Tricia a position on staff. While this meant that Tricia closed her sole proprietorship, it also meant she no longer had to manage the business, which actually came as a relief to her.

In this case, a business-within-a-business approach reduced an employer's risk and stress at creating a position; natural supports were utilized in a worksite. The person-centered planning that drove this development proved previous vocational assessments wrong. Traditional vocational evaluations had indicated that Tricia could not succeed in her dream job, but the small business coupled with the resource ownership technique served as a transitional approach to securing a desirable wage position.

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Assistance Not Assessment: Getting At The Heart Of Small Business Feasibility



Cary Griffin & Dave Hammis

The big question in everyone's mind when someone points to the self-employment option is, "Will the business be successful?" While there is almost universal agreement that this is the critical question, the literature on business feasibility testing reveals a paucity of resources in the area. Fortune 500 companies have huge Research and Development budgets used to test new ideas, but such wealth is not available to prospective business owners. Since public funds from developmental disability, mental health, vocational rehabilitation, workforce development, and/or Social Security are almost always involved in a business start-up by an individual with a significant disability, risk raises anxiety and hence the call for a test or evaluation of predictive validity. Of course, the predictive validity of vocational testing is largely a hoax, so matching a person's dreams and desires to a supportive business model achieves ecological validity. Still, the need to consider safety and security persists.

Business feasibility for anyone begins with self-analysis. Many experts ask questions of the prospective business owner, such as:

- ✦ Are you self-motivated?
- ✦ Do you get along with people?
- ✦ Do you have a positive outlook?
- ✦ Do you enjoy making decisions?
- ✦ Are you competitive by nature?
- ✦ Do you practice self-control?
- ✦ Do you plan ahead?

- ✦ Do you get tasks done on time?
- ✦ Do you have high amounts of physical stamina and emotional energy?
- ✦ Can you work many hours every week?

All of these questions have some legitimacy when starting and operating a business. But they can easily be used to screen out people with significant disabilities. The problems rest with the folklore of the entrepreneur. This alleged individual single-handedly fights off customers with one hand, while designing spreadsheets on the computer with the other. She makes quick decisions, is in control, and never sleeps. In reality, most people who own businesses are self-employed, but they are not entrepreneurs according to the characteristics above. Self-employed people do often work hard, take risks, and make decisions. People with significant disabilities are just as well equipped to run a small business as the next person, as long as support is available and affordable. The business design, including all forms of support, must be taken into consideration in any feasibility study.

As the business idea evolves, paid supports, such as accounting, sales people, and marketing, must be figured into the pricing of the company's goods and services. So, instead of relying on personality testing, vocational evaluations, interest inventories and other time and money wasters, the logical approach is to determine how to support someone inventively in achieving business success. The issue, again, is one of support, and not of personality or readiness. If a person has a disability that does not even allow them to go their store every day, they can still

own a business if it generates income enough to hire someone who can go.

The fact remains that most transition-aged youth and adults with significant disabilities face a life of poverty, isolation, and underemployment. Taking only one-year's worth of day program funding to experiment with a business idea is a worthy risk. Plan A, day programs or high-turnover entry level wage jobs, has resulted in an unemployment rate of approximately 80% for people with significant disabilities. How could trying Plan B, self-employment, cause any more harm? Let's assume that someone draws down \$10,000 a year for special education followed by a sheltered workshop placement. Multiply that by 40 years for a total of \$400,000. Now, imagine spending \$10,000 to purchase a franchise, say a popcorn business. Then add another \$10,000 in coaching services. In one case, a similar franchise (that cost only \$5,000) operated only 2 days a week by a young man with autism and a family member who shares the income, generates \$48,000 a year. A \$20,000 investment can lead to a conservative savings of \$380,000 over a lifetime. The average small business start for people with disabilities is currently under \$5,000, not counting on-going support. Where is the risk?

More relevant and cost-effective questions to ask when refining a business idea are:

- ✦ Does this business address a recognized need in the marketplace?
- ✦ Can this product or service be produced at a profit?

- ✦ Can this business compete with other similar businesses?
- ✦ Does this business match your dreams and goals?
- ✦ Are you really interested in owning this business?
- ✦ How much time can you invest in operating this business?
- ✦ How much money can you invest in this business?
- ✦ Do you have, or can you afford, the necessary business and personal supports required to run this enterprise?
- ✦ Do you have, or can you acquire, the skills necessary to perform the parts of the business you wish to perform?
- ✦ How will this business affect your family?

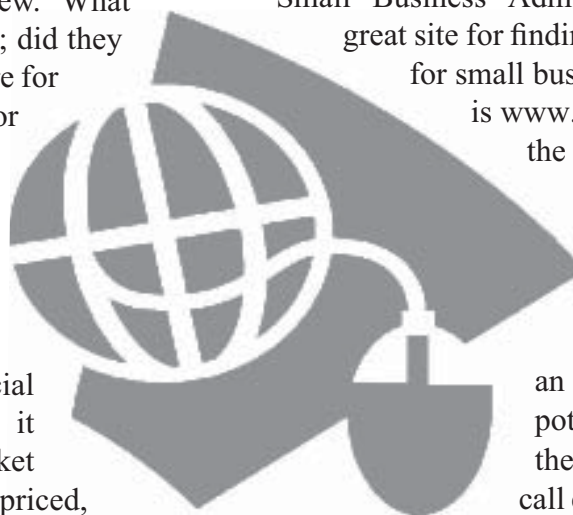
One commonsense and low-cost technique for testing business ideas comes from Rosalie Sheehy-Cates, Executive Director of the Montana Community Development Corporation. Rosalie recommends simply: "Sell a few. What did buyers think of the product; did they want more; would they pay more for it; should it be a different color or size; can you deliver it; is wholesale pricing available; is it as good as other similar products or services?" Selling a few items or services and having a short discussion with the customer provides crucial information. If no one buys, it might suggest there is no market for the product/service, it is overpriced,

it is considered of low quality, or it simply does not address a need. Some serious thought goes into the analysis, but the concept of selling an item before starting a company is logical and ecologically valid.

The Internet provides one of the best, cheapest, and easiest ways of comparing business ideas, seeing what others with similar ideas and businesses are doing, and linking up with business owners across the globe. Not only are other existing businesses easy to find through a search engine (e.g., www.yahoo.com), but their pricing, product line, terms of purchase and shipping, seasons of operation, advertising strategies, and other key business components are offered for the Internet researcher to see. Another on-line resource is www.zoomerang.com. This on-line survey service is free when used with small samples and has already helped several individuals poll their local communities to establish market demand. And local, state, and federal economic development assistance is available over the Internet. Local Small Business Development Centers (SBDC) are always listed, as are state Small Business Administration resources. A great site for finding government assistance

for small business ideas and financing is www.firstgov.com and is often the beginning point for determining available resources, regulations, and expertise.

Another way of testing an idea is simply asking potential customers what they think. Telemarketers call every night around dinner



Some important web sites for testing business ideas and getting a sense of feasibility by examining similar business plans, reading reports and research studies, checking regulations, and finding financing, or other related topics include:

FirstGov	www.firstgov.com
U.S. Small Business Administration	www.sba.gov
Association of Small Business Development Centers	www.asbdc.net
Forum for Women Entrepreneurs	www.fwe.org
On-line Women's Business Center	www.onlinewbc.org
National Association of Women Business Owners	www.nawbo.org
Office of Women's Business Ownership	www.sba.gov/womensbusinesscenter.org
Entrepreneur.com	www.entrepreneur.com
Inc Magazine	www.inc.com
U.S. Dept. of Agriculture	www.usda.gov
Senior Corps of Retired Executives (SCORE)	www.score.org
The Rural Institute at the University of Montana	http://ruralinstitute.umt.edu
Rural Institute PASS Plans on-line	www.passplan.org
U.S. Dept of Labor	www.dol.gov
U.S. Dept. of Education	www.ed.gov
Job Accommodation Network	www.jan.wvu.edu
Virginia Commonwealth University Research & Training Center	www.worksupport.org
The Abilities Fund	www.abilitiesfund.org

time to ask questions about buying products and services. While this is annoying, a short survey that asks a person's opinion, with no sales pitch, is an effective and inexpensive way to get advice and public opinion on a business idea. While large corporations spend millions of dollars on statistically correct surveys, most small businesses launch successfully by asking small samples of customers very simple questions.

For instance, if the business idea is a mobile dog washing venture, it makes sense to call citizens in the early evening, asking first if they own a dog. A mobile dog wash would also be of potential interest to boarding kennels, veterinarians, pet stores, and the Humane Society. Calling and/or making personal appointments to discuss their interest in the business is a terrific way of getting information on the potential demand, pricing, and grooming options.

A phone survey approach to the retail mobile dog grooming might go as follows. First, determine the demographic profile of a likely consumer:

- ✦ They own at least one dog;
- ✦ They have disposable income to afford the service;
- ✦ They do not have time to wash their own dog;
- ✦ They do not have children who earn their allowance washing the dog.

If there is a particular part of town where folks fit this description live, look through the phone book for phone numbers of people on those streets. Make a list to record their answers so that data can be shared with other advisors. While the same questions should be asked of everyone called, being conversational is a much better approach than a rote monotone interrogation. Call enough people that a pattern of responses begins to form. Chances are you will hear new ideas and have discussions that challenge the business idea, improve it, or spark a new idea. Follow these leads if they are promising; rewrite or modify the questions to clarify the idea to those being called.

The phone script might sound something like this:

“Good evening. I am developing a new business in town and I am calling to get some advice. All I need is about 3 minutes of your time.”

Wait for acknowledgment. If the person is annoyed or busy, thank them and say goodbye. Otherwise, continue:

“I am starting a mobile dog grooming business. Customers make an appointment for their dog and I drive to their home and groom their dog in the rear of my van. My van is custom built and features a washing tub, hair dryers, pedicure equipment, and a full line of dog grooming products and shampoos. I graduated from the Belmont School of Dog Grooming last year and am licensed by the state. Can you tell me if you would use this business or if you have friends or family who might use it?”

Record response and follow up on questions they might have.

“How often do you suppose you (or your friends) might use this service?”

Record response.

“Do you think you would use the basic washing service, or would you prefer the full-service grooming?”

Record responses. Again, pursue questions and comments in a friendly manner.

“What day(s) of the weeks and times do you think would work best for you and your friends?”

Record responses.

“I am thinking of charging \$11.00 for the basic grooming. Does that sound reasonable to you?”

Record responses. They may or may not agree with you. Do not argue about pricing. Collect the information and make decisions later.

At this point more questions may be appropriate, but the 3 minutes is up. Move on and say



Assistance Not Assessment

goodnight, unless the person continues to be enthusiastic.

This is simply one hypothetical scenario. There is no one correct way to approach the survey. But do keep it simple, conversational, and friendly.

There are many ways to test a business idea, but there are no sure things in this world. In the end, the owner needs to enjoy the work, adequate and sometimes creative supports will be necessary, and changing or modifying the business model to attract and retain customers is probable.

Experiences in Self-Employment in RSA's National Choice Demonstration 1993-1999



Michael Callahan, President, Marc Gold & Associates
UCPA Choice Access Project - July, 2000

We initially felt that self-employment was of minor importance and would likely lead to isolation of participants.

In 1993, United Cerebral Palsy Association (UCPA) was granted a five-year demonstration project by the Rehabilitation Services Administration (RSA) to examine strategies to increase participant choice in the employment and rehabilitation of persons with significant disabilities (Callahan, 2000; Cooper, 2000; Collins, 1999; Sullivan, 1999). UCPA was one of seven projects nationally to participate in this demonstration.

Prior to the early '90s, self-employment was rarely an outcome of supported employment services for persons with significant disabilities. At this time, self-employment was largely characterized by either retail businesses developed as a result of governmentally mandated set-asides for persons with milder impact of disability in their lives or in telemarketing of household goods by persons with more significant disabilities.

In the Choice project, UCPA had avoided encouraging self-employment due to a variety of reasons:

- ✦ We feared that most self-employment business would be at home, isolating participants from integrated interactions with regular co-workers.
- ✦ We were concerned that traditional providers knew little about the strategies and skills needed to start a new business.
- ✦ We felt that the choice and direction of self-employment would likely come from some service provider's desire to own a business rather than the participant's passion to become an entrepreneur.

- ✦ We had heard that the vast majority of new small businesses failed within a year or so of their inception.

For these reasons, the UCPA Choice Access project did not anticipate that self-employment needed to be included as a possible outcome for participants. However, as the project unfolded and as other projects, particularly the one managed by Vermont's state VR agency, began to share their outcomes, we came to realize that we needed to reconsider our assumptions. Input, experiences, and research by other choice projects indicated that a number of our fears were unfounded. For instance, we found that it was a myth that most new businesses failed in their initial year. In fact, adjusting for businesses being sold, voluntary closures, retirements and other similar factors, the failure rate of new business over a five-year period is no worse than that associated with supported employment retention rates. We also acknowledged that all self-owned businesses would not be isolated. In fact, business employees and customers can offer the same opportunities for integration as co-workers and supervisors.

But perhaps the most compelling reason to embrace self-employment as an option for participants was that, as participants repeatedly said, "It's my choice. It's what I want to do." If we were to truly offer choices to participants, we simply had to extend not only the opportunity but the encouragement for anyone who desired that outcome to be able to pursue it. Overall, 21% of participants (29 of 134) who became employed chose self-employment in our project.

Self-employment is a vocational option that may be considered in the wide array of employment options available to a person. Such an option recognizes that self-employment is more prevalent in rural areas and that people with a work disability tend to be self-employed at higher rates than do people without a work disability.

WHAT WE LEARNED ABOUT CHOICE AND SELF-EMPLOYMENT

When people control their own resources for employment:

1. *They will likely choose self-employment at approximately the same rate as the general population – about 20% – 22% nationwide (this figure will vary by region).*
2. *They will occasionally choose self-employment out of frustration associated with their lack of ability to find a willing service provider to represent them for a more traditional job.*
3. *They will spend only marginally more than others who pursue more traditional employer/employee forms of work.*
4. *They will likely need information and assistance in order to plan for all the issues associated with starting and running a business as well as feedback on the potential viability of their idea, or perhaps input on possible ideas for self-employment.*
5. *They have the opportunity to welcome others – family, friends, peers – into the effort to develop and run the business more easily than is possible when pursuing traditional wage employment.*

6. *It is possible to blend public resources with investments from the participant, family and others.*

7. *It is possible that some new businesses will fail, but at this time it looks as though the failure rate for self-employment efforts by people with disabilities is no worse than that for traditional employment, and in fact, may be better.*

8. *It will be necessary for both funders and providers to rethink the typical employment relationship with participants and embrace generic solutions and processes in addition to those individualized strategies used to facilitate and fund traditional employment.*

9. *It will almost inevitably cause questions of feasibility to be raised and directed both at the individual and the idea for the business venture.*

10. *People can more easily tailor job duties, environments, hours and other features of work as a part of the business plan design as compared to traditional employment.*

11. *It is not necessary to have a “successful” business by typical business standards; rather, it is possible to fashion a business with outcomes that meet the individual’s needs.*

12. *It is possible for participants to combine their resources with others - individuals who share their passion for a particular business—in a manner that leverages more resources.*

13. *Support needs can potentially be met through employees, thus turning support costs into business expenses.*

14. *As with everyone else, business ventures can provide an avenue to build real wealth and capital as compared to regular wage employment.*



*Excerpts from
Self-employment:
Owning The
American Dream*



*Cary Griffin, Nancy Brooks-Lane,
Dave Hammis, & Doug Crandall*

For the general population, small business ownership represents the largest market segment of new and expanding employment options in the United States. The self-employment rate is growing at more than 20% annually, and microenterprises (companies comprising one to five workers) generated over 40% of all new jobs in the past decade. Currently, small business in this country creates more jobs than the Fortune 500 (Brodsky, 2002; U.S. Census Bureau, 2001; Access to Credit, 1998; Freidman, 1996; Sirolli, 1999).

Self-employment for individuals with disabilities represents another Customized Employment option and has its roots in the Supported Employment processes of matching a person's dreams and talents to economic activity, earning wages commensurate with others, and designing support strategies that promote a successful tenure (Wehman & Kregel, 1998). Self-employment is also a rehabilitative option under the Rehabilitation and the Workforce Investment Acts (WIA). Both systems can help a person with a disability purchase business equipment and/or assistive technology, training, and the supports necessary to run their business (e.g., legal, marketing, accounting). The Social Security Administration (SSA) is also actively promoting the use of business ownership to stimulate employment of individuals with disabilities, through the Plan for Achieving Self Support (PASS). A PASS is one of the few financial options providing actual operating cash to businesses, and is a critical compliment to Vocational Rehabilitation (VR) and/or WIA resources (Griffin & Hammis, 2003).

THE SELF-EMPLOYMENT PROCESS

Initially Bob's support team thought he was not motivated or was unable to focus as a result of his label of Attention Deficit Hyperactivity Disorder (ADHD). His employer

thought Bob could not grasp the job because of his label of “mental retardation.” This job, his first since graduating from high school, required him to stock and clean shelves in a department store. Bob was feeling increasing pressure and disappointment in himself for not doing a “good enough job.”

Bob was having a difficult time focusing and was not motivated, but not because of any reason other than it was a bad job match. The support team rallied around Bob and planned for his ideal job, which based on Bob’s vocational profile would have to involve working with animals. He loves animals; that is his passion.

An analysis of potential employment opportunities within his neighborhood included pet stores, veterinarians, and groomers. Bob was presented with the option of owning his own business, a plan that his family also liked and wished to help with. Bob made it clear that a pet grooming business interested him, so he and his employment consultant began the development process by exploring the option of creating an apprenticeship with an established groomer. Together they located a pet salon four blocks from his home and met with the owner to propose wage employment with “resource ownership.”

Resource ownership is simply the concept of acquiring materials, equipment, or skills that an employer uses to make a profit. For instance, many people spend \$50,000 or more on a college degree, and that degree is a symbol of exploitable resources. Employers reason that they can profit from a graduate’s intellect so people with degrees get hired. In essence, the graduate gives the employer that degree in trade

for wages. The same occurs when a truck driver who owns a tractor-trailer applies for a hauling job. Without the trucking equipment, the trucker is possibly forced to face unemployment, or a less satisfactory, lower paying trucking job. The point is that people have to have exploitable resources to get a good job, and by putting the means of production in the hands of people with disabilities, it makes them more employable (Griffin & Hammis, 2003).

In this particular case, the resources owned allowed Bob to create a position within an existing business. Bob is an apprentice, and with his equipment it allows the employer to satisfy more customers and create more profit, much the same way hiring someone with a Veterinary degree would allow a pet groomer to increase profits through a value-added medical service. The equipment, a hydraulic lift table on which to groom the pets, a shampooer, and a vacuum groomer all remain in Bob’s ownership. Once he has learned the business through his apprenticeship, Bob will open his own shop.

It is important to note that Bob is not “getting ready” to own a small business. He is ready now, but the opportunity for the apprenticeship cuts down on the need for intensive and expensive supports that would be necessary at this point. Instead, the apprenticeship represents an opportunity for the pet grooming host business to benefit from Bob’s labor and his new equipment, and Bob learns about suppliers, customer service, and especially about the proper ways to do the job. There is no prerequisite for owning a business, but for some people, learning the trade first is a beneficial approach to launching their own profitable enterprise and avoiding common

start-up mistakes made by those who have little experience in running an enterprise.

Bob currently has the support of his employment specialist (being paid for through the local Vocational Rehabilitation office), the natural support of the business owner and staff, and his family. What became immediately obvious was that Bob, now in a position that meets his career dreams, has a very strong work ethic, is highly motivated, and is driven by his passion for animals. What was at first assumed to be lack of focus and lack of motivation in a traditional experience was an erroneous view of Bob that could have resulted in a life of chronic under-employment or unemployment.

Self-employment is not for everyone, but it is a reasonable option for consideration. All careers involve personal choice that should be balanced by a variety of life circumstances, including financial circumstances and funding, availability and quality of business and personal supports, and the quality of the business idea. As in Supported Employment, the dominant principle remains that everyone is ready to work and it is the responsibility of special education and rehabilitation professionals to provide or facilitate the supports that make success possible. In some cases, allowing the person to experiment with different career options is the greatest support available. This is precisely what Cobb Community Services Board staff in Georgia did with Bob in the above example.

The reason some small businesses are successful and others are not has a tremendous amount to do with the processes used to establish an enterprise. In Supported Employment, for instance, the

quality of the job match has long been known to make or break job retention and satisfaction (Callahan & Garner, 1997; Griffin & Hammis, 1996; Wehman, 2000). Using solid approaches to get to know the individual coupled with inventive problem-solving is a must in any career design, and is especially critical when applied to people with significant support needs. There are various components of the self-employment process. The approach is not always linear, with one step naturally following another, but instead is one of deviations and adjustments based on the individual involved, the funding and financing climate, the potential for supports, and the market conditions. Still the components of self-employment remain typical for almost any start-up.

- 1. Person-Centered Planning is the primary and critical first step to identify how the individual will participate in their business, and their support needs.*
- 2. Community-referenced evaluation further explores the person's motivation around self-employment to ensure that the business is reflective of the person's passions, skills, and interests. This also gives the business owner an opportunity to have exposure to additional employment and to make an informed choice about their own employment future.*
- 3. Business Idea generation is the dynamic team driven process to come up with ideas for businesses that meet this individual's needs and desires.*
- 4. Referral to funders such as Work Force Investment (WIA) and/or Vocational Rehabilitation (VR) for financial*

assistance in businesses start up or in support costs for the individual business owner.

5. *Test business idea feasibility. This is the step in the process where you evaluate whether or not your business or product will sell.*

6. *After you determine the feasibility of your business it is time to write the business plan where you flush out who your customers are, your competition, and the capabilities of your business.*

7. *The Financial Plan identifies what resources you need for start up, projects income and costs, and projects how the business owner's resources (such as SSA benefits or SSA work incentives) merge with other funds and the financial needs of the business.*

8. *Developing support strategies for the business and business owner is the final step. The preliminary work around identifying the individual's support needs will have been completed during the person-centered planning and community-referenced evaluation processes. In this final phase the team ensures that these support needs are met by weaving their provision into the business design.*

CONCLUSION

Finally, it is important to re-emphasize that the process of creating a small business is fluid and non-linear. Many folks already know what they want to do and they know how to do it. Others will need extensive supports, a few job trials to clarify their career choices, and significant assistance in managing their money and operations. All of these can be planned for and accommodated, given the availability and affordability of supports and a spot in the marketplace. There is no doubt that anyone can own and operate a business, the challenge remains our mutual inventiveness in creating something legitimate that engages the individual's personal genius and simultaneously satisfies or creates a market niche.

This article is a very short snippet adapted by permission from:

Griffin, C., Brooks-Lane, N., Hammis D., & Crandall D. (2007). *Self-employment: Owning the American dream*. In P. Wehman, K. J. Inge, W. G. Revell, Jr., & V. A. Brooke (Eds.), *Real work for real pay: Inclusive employment for all people with disabilities* (pp. 215-235). Baltimore, MD:Paul H. Brookes Publishing Co.

*Property Essential for
Self-Support (PESS):
A Self-Employment
Resource that SSI Doesn't
Count*



Marsha Katz

If you receive SSI and you are self-employed or have your own small business, you need to know about PESS. You also need to know about PESS if you have a countable resource that provides income for you.

When you apply for or receive SSI, the Social Security Administration takes into account any income you receive, and any resources you have. In order to remain financially eligible for SSI, your countable income must be less than \$1331/month (in 2007), and your countable resources must be below \$2000 (\$3000 for a couple).

First, let's review what income and/or resources do and don't count for SSI purposes. Then we will look specifically at PESS, and how it can help you to have more than \$2000 (\$3000/couple) in resources and still maintain your eligibility for SSI and Medicaid.

RESOURCES

SSI allows you to have up to \$2000 (\$3000/couple) in countable resources. Countable resources include things like cash on hand, bank accounts, stocks and bonds, cash-surrender value of life insurance policies, property in addition to the home or land where you live, and valuables like coin or stamp collections.

When reviewing your resources, SSI will NOT count things like the home where you live and any adjacent property, your personal possessions, a vehicle, the value of a term life insurance policy, money set aside in a Plan for Achieving Self-Support (PASS plan), and the value of any Property Essential for Self-Support (details to follow).

INCOME

SSI doesn't count the first \$20 of any unearned income you receive (like SSDI, VA or Railroad Retirement benefits, Unemployment or Workers' Comp benefits), but will count every dollar after that. If you don't have any unearned income, SSI will exclude the \$20 from any other income, like earnings, that you may have. SSI also doesn't count the first \$65/month of your earned income, but will count half of everything over and above the first \$65 per month.

PESS, OR PROPERTY ESSENTIAL FOR SELF-SUPPORT

There are 3 categories of PESS that SSI either doesn't count, or will only partially count.

Category 1: "Property Excluded Regardless of Value or Rate of Return" - This is the category that assures that SSI will not count any property used in your trade or business. The property that SSI doesn't count can be things like tools, equipment, or permits, and/or it can also be the liquid resources (cash) in your business account. Your business account can accumulate money well over the \$2000 you are allowed as your personal resources with no adverse effect on your financial eligibility for SSI.

Note: When children with disabilities are under 18, their financial eligibility for SSI is based on their parents' income and resources, in addition to any income (like child support) and resources (like a trust fund) that the child may have.

Example: Amanda is 13 years old and has cerebral palsy. She lives with her parents and three brothers and has no income or resources

of her own. Her parents are self-employed and have their own excavating business, Dig-It! Most of the Dig-It! business occurs in the warmer months, so during the summer Amanda's parents have a higher income and in the cold winter months there is often no income from the business. SSI counts self-employment income as the average net income per month, so the high summer income from Dig-It! is balanced out by the absence of earnings in the cold winter months. As a result, the average net income Amanda's parents receive from Dig-It! is low enough that Amanda is eligible to receive SSI and Medicaid.

In order to do the excavating that customers need, Dig-It! has a backhoe, a front loader, a bulldozer, a tractor, a dump truck, a great deal of smaller equipment, and a storage facility. The machines and equipment are worth over \$100,000. Amanda's parents also have a business checking account in addition to their personal checking and savings accounts. Their personal accounts have a total of about \$2500. The business account currently has a balance of \$30,000. Even though Amanda's parents have resources worth over \$130,000, SSI doesn't count the resources used in someone's business; therefore, the business equipment, the storage space, and the business bank account are not taken into consideration when SSI is deciding if Amanda is financially eligible for SSI payments. And, since their personal resources add up to less than \$3000, Amanda's parents' resources are under the SSI resource limit of \$3000 for a couple, and Amanda is eligible for SSI.

How much SSI Amanda receives will depend on her parents' average net income/month from their business.

Category 2: “Property Excluded up to \$6,000 Equity, Regardless of Rate of Return” - One

example of this kind of PESS is land that is not used in your business and is not attached to your home, but is where you have a garden to raise fruits and vegetables that feed your family.



Example 1: In this example suppose you own a fishing boat which you use to fish to feed your family. If you have less than \$6000 of equity in this non-business property, then it will all be excluded. If you have more than \$6000 of equity in the property, then everything over \$6000 will be counted by SSI. For instance, if you own a personal fishing boat that is completely paid off and is worth \$7000, SSI will not count the first \$6000 of the boat’s value, but the remaining \$1000 of value will be counted. If you have no other countable resources, or if your countable resources are not over \$1000, then the countable \$1000 of equity in the boat will not put you over the \$2000 personal resource limit, and you will remain financially eligible for SSI.



Example 2: Jordan is 18 years old and has a cognitive disability. He lives with his parents on the family ranch where his mom and dad have been helping him start his own business raising horses. In addition to his horses and equipment, which SSI does not count, Jordan also owns several acres of land that were left to him by his grandfather when his grandfather died. The land from Jordan’s grandfather is about a half mile down the road and is not connected to the family ranch. Jordan uses this land to graze a couple of cows that will end up being butchered and eaten by his family. In addition to his horses and the

land from his grandfather, Jordan has about \$500 in the bank in his personal savings account.

As we saw in Example #1 in this category, everything related to Jordan’s horse business will not be counted when SSI looks at Jordan’s resources to see if he is financially eligible for SSI. And since Jordan’s personal savings account contains only \$500, he is well under the \$2000 SSI resource limit. That leaves only the land that his grandfather left him.

According to the local assessor, the land from Jordan’s grandfather is worth about \$6,700. Because the land is not part of Jordan’s business it can’t be excluded under the PESS Category #1 on page 1. However under PESS Category #2, because it helps Jordan to feed his family, up to \$6000 of the value of the land will not be counted.

Value of Jordan’s land	\$ 6,700
Amount not counted by SSI	\$ 6,000
Amount counted by SSI	\$ 700
SSI resource limit	\$ 2,000
Jordan’s bank account	-\$ 500
Countable value of land	-\$ 700
Amount of resource limit unused	\$ 800

As you can see from the calculation above, when the value of Jordan’s personal bank account is added to the \$700 countable value of the land his grandfather left him, the total is \$1200, which is still well under SSI’s resource limit of \$2000. Jordan could accumulate up to another \$800 in resources with no effect on his SSI eligibility.



As you can see from the examples, this resource must be providing for your essential needs, like food or shelter, in order for SSI to exclude it.

Category 3: “Property Excluded up to \$6,000 Equity if It Produces a 6% Rate of Return”

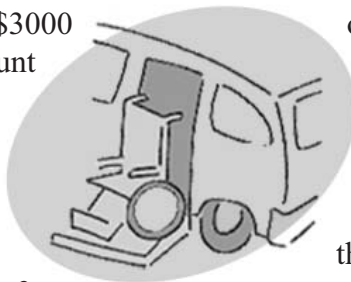
- This category might include something like a tractor you don’t use in your own business, but that you rent out to others. The rental income you get from the tractor must be at least 6% of the amount of equity you have in the tractor. If the tractor cost \$8000 new, and you only have \$3000 equity in it because you are still making payments on it, you must net at least \$180 from renting it out over the course of a year for it to be excluded by SSI as a resource. In most cases, if your income from renting out the tractor is not at least \$180 (6% of the amount of the \$3000 equity), SSI will count the entire amount of your equity (\$3000) as a resource.

If you rent out land or a vehicle or real property that is not a business, then PESS Category #3 would apply, and the property must net you at least 6% of the equity value in order for that equity value to be excluded (not counted) by SSI. However, if renting out the land or equipment or real property IS your business, then PESS Category #1 would apply, and the value of the property would be excluded regardless of the amount.

Example: Jillian is 19 years old and has quadriplegia. She also is self-employed as an artist who paints with a mouth stick. Jillian has a brand new lift-equipped van for her personal transportation that was donated to her by a local service club. She also has another lift-equipped

van that she no longer needs since she got the new one.

The new van is not counted by SSI, because SSI excludes one vehicle regardless of value. The old van is worth about \$2500, and under normal circumstances SSI would count it as a resource. Since its value is above the \$2000 SSI resource limit, if SSI were to count it, it would make Jillian ineligible for SSI. However, until she can find a buyer for it, Jillian has been occasionally renting the van to people without accessible transportation who need rides to the airport, or to go to special events out of town, or for whatever other purpose people require. She charges people \$50/day and they have to pay for all their gas and return the van with the tank full. Jillian has someone wanting to rent her old van about once a month.



Under PESS Category #3, SSI won’t count the value of the second van if it brings in at least 6% of its value in a year. Since the van is worth \$2500, that means that Jillian needs to get a return of at least \$150 during the course of a year. By renting out the van an average of once a month, Jillian will meet this requirement in 3 months, well under the year time frame. SSI won’t count the first \$20/month of each rental fee, but will reduce her SSI dollar for dollar after that.

Monthly income from renting out the van	\$ 50
SSI general income exclusion	- \$ 20
Countable unearned income	\$ 30
SSI Federal Benefit Rate in 2007	\$ 623
Countable unearned income	\$ 30
SSI due two months later	\$ 593

For the SSA Overview of PESS go to the Website:
<https://s044a90.ssa.gov/apps10/poms.nsf/lnx/0501130500!opendocument>

HOW SSI COUNTS INCOME FROM SELF-EMPLOYMENT

When your earned income comes from your self-employment or your small business, SSI counts it differently than wages. With wages, SSI excludes the first \$65 you gross each month and if you have no unearned income, SSI will exclude an additional \$20. Then if you have any Impairment-Related Work Expenses (IRWEs), those are excluded by SSI. Once these exclusions have been made, SSI only counts half of what is left. If you happen to have a PASS plan, the last thing SSI will do is subtract the amount you are setting aside each month in your PASS plan, or any Blind Work Expenses you may have. The amount that is left is called your “countable earned income” and that figure is subtracted from the SSI Federal Benefit Rate for the year (\$623/month in 2007) or the amount of SSI you could be receiving when you take into consideration your living situation and any state supplement your state provides.

HOW EARNINGS FROM WAGE EMPLOYMENT COUNT FOR SSI

Gross earnings/month	_____
Subtract earned income exclusion	-\$65.00
Subtract general exclusion	-\$20.00
Subtract any IRWEs	_____
Divide remainder by 2 (_____ /2) =	_____
Subtract funds set aside in a PASS or any Blind Work Expenses	_____
Remainder is Countable Earnings	_____

SSI Federal Benefit Rate (\$623/mo. in 2007)	\$623.00
Subtract any unearned income	_____
Subtract countable earnings	_____
Remainder is SSI due two months later	_____

If you are self-employed, or you have a small business, SSI counts your earnings quite differently. One reason for this is that self-employment/small business earnings are often extremely variable from month to month. So, first SSI will start with your gross earnings for the entire year (or your projected gross earnings for the year). Next, SSI will subtract your year’s worth of business expenses from your gross earnings. What is left is your net earnings for the entire year. SSI then divides your yearly net earnings by 12 to get an average amount per month. From this point on, SSI treats this average monthly net amount like it treats wages, subtracting the \$65 earned income exclusion, the \$20 general income exclusion, and any IRWEs, and then dividing by two. If there is a PASS plan in effect, SSI then subtracts any money being set aside in a PASS, or any Blind Work Expenses you may have. What is left is your countable monthly net income from self-employment. SSI subtracts the countable net from the SSI monthly Federal Benefit Rate (FBR) for the next year, and then sends you the resulting amount for each month during the upcoming year. By doing this, Social Security assures you have a stable, predictable amount of SSI each month for the next year. At the end of the next year, SSI goes through the whole process again, and reconciles any differences from the previous year’s calculations.

HOW EARNINGS FROM SELF-EMPLOYMENT COUNT FOR SSI

Gross earnings/year	_____
Subtract yearly business expenses	_____
Result is NET income for year	_____
Divide by 12	_____
Subtract earned income exclusion	-\$65.00
Subtract general exclusion	-\$20.00
Subtract any IRWEs	_____
Divide remainder by 2 (_____/2) =	_____
Subtract any funds set aside in a PASS or any Blind Work Expenses	_____
Remainder is countable net income	_____
SSI Federal Benefit Rate (\$623/mo. in 2007)	\$623.00
Subtract any unearned income	_____
Subtract countable net income	_____
Remainder is monthly SSI amount due for each month next year	_____

How SSI Counts Income Earned Through Self-Employment



Marsha Katz

EXAMPLE ONE:

Mickey is a 20-year-old SSI recipient who received special education services all through school due to his cognitive/intellectual disability. He lives in his own apartment on his parents' homestead and in early 2006 he started his own business selling a type of hard-to-find clay that is prized by local potters, and just happens to be found on the family's property.

At least 5 days a week Mickey goes to the river location on the family homestead where the clay is found, digs it up, weighs and portions it, seals it in plastic, and boxes it in 25-pound or 50-pound quantities. He then sells the clay to local potters, local vendors of pottery supplies, and the art department of the local community college. He charges .50/lb for the clay in either the 25-lb or 50-lb boxes, and will package and sell smaller amounts at .60/lb upon request.

In addition to continuing with his clay sales, Mickey decided to purchase a kiln and charge people in the community to fire their pots. The new kiln cost about \$2200, plus \$300 for delivery, for a total of \$2500. He bought the kiln just after Thanksgiving, and planned to have it set up and usable by New Year's Day 2007.

Mickey started his business with some funding from his state Vocational Rehabilitation agency. That funding paid for the shovels, plastic, boxes, scale, and other equipment Mickey needed to start the business, Mickey's Clear River Clay. During his first year Mickey sold 7000 pounds of clay at .50/lb for a total of \$3500, and 1000 pounds of clay at .60/lb for a total of \$600. Altogether he grossed \$4100.

At the end of the 2006, SSI asked Mickey to come in and work with his SSI Claims Representative to figure out how much of his income would be counted. Following are the calculations that Mickey and SSI used:

Total gross income from clay sales..... \$4100
 Subtract the cost of the new kiln
 (business expense)..... -\$2500
 Mickey's net income..... \$1600

Net income for the year divided by 12 to get a monthly average..... $\$1600/12 = \$133.33/\text{month}$

\$133.33/month
~~-\$ 65.00~~ SSI Earned Income Exclusion
 \$ 68.33
~~-\$ 20.00~~ SSI General Income Exclusion
 \$ 48.33

$\$48.33/2 = \24.17 Countable Monthly Income

Mickey's monthly SSI with no earnings in 2007.....\$623.00
 Subtract countable monthly income.....\$ 24.17
 SSI due monthly in 2007.....\$598.83

This is the amount of SSI that Mickey will be sent every month in 2007. At the end of 2007, SSI and Mickey will meet again to calculate his countable income for 2007, and that amount will determine the amount of SSI he will be due in each month of 2008. Mickey's 2007 countable income will be calculated by adding the gross amount of his clay sales, and the amount earned from renting out the kiln.

Any business expenses* will be subtracted from Mickey's gross earnings, and then the remainder

will be divided by 12, as in the example above, to get Mickey's average net income per month. From that monthly average, SSI will deduct the \$65/month earned income exclusion, and the \$20/month general exclusion, and divide the remainder by 2. The resulting amount will be Mickey's 2007 countable monthly income.

The 2007 countable monthly amount will be subtracted from the federal 2008 monthly SSI amount, and the remainder will be the amount of SSI that Mickey will receive each month in 2008.

EXAMPLE TWO:

Marianne is in her last year of high school. She has spina bifida and mental illness, and has decided not to go to college right away. She has opted instead to keep living with her parents, pay them for her share of the monthly expenses, and run her own business making keys for people in her community.

As a graduation present Marianne's parents, grandparents, aunts and uncles all got together to buy her the key-cutting machine and a beginning supply of key blanks. It all came in a package deal for just over \$2000. Marianne printed some flyers advertising her new business, and she put them up all over town on the bulletin boards in the grocery stores and restaurants and beauty shops. She also had some business cards printed and handed them out wherever she went. In addition, the local newspaper did a wonderful story about her new business.

Marianne has many kinds of customers. Sometimes it's just one



person needing an extra house or car key. At other times she makes keys for landlords and property managers, and employers who need keys for their employees. She charges \$1.50-\$2.50 for most keys, but for keys that cost more, she charges more, up to about \$20 for some of the transponder keys that can unlock a car door. Most of the common house key blanks and the blanks for common locks and various doors cost approximately \$.50 each.

In her first year, Marianne sold 3015 keys, and grossed \$5,847. The only expenses she incurred that first year were the cost of sharpening her key cutting blade (\$50) and replacing her original supply of key blanks at a total cost of \$599. Her expenses totaled \$649 for the year.

When she met with SSI, here is how they figured Marianne's countable income:

Gross income from key duplication.....	\$5,847
Subtract expenses.....	\$ 649
Marianne's net income.....	\$ 5,198
Net income for the year divided by 12 to get a monthly average.....	$\$5198/12 = \$433.17/\text{month}$

\$433.17/month
- \$ 65.00 SSI Earned Income Exclusion
\$ 368.17
- \$ 20.00 SSI General Income Exclusion
\$348.17

$\$348.17/2 = \174.08 Countable Monthly Income

Marianne's monthly SSI with no earnings in 2007.....	\$623.00
Subtract countable monthly income....	\$174.08
SSI due monthly in 2007.....	\$448.92

When she started cutting keys, Marianne used her family's kitchen, which is not large enough to run a business in. Marianne decided that a perfect solution would be to have a small key shed in her family's front yard, near both the road and the driveway. A ready-made 10-foot by 14-foot shed, put on a concrete pad with electricity connected, will cost \$3265 and will allow Marianne to continue her business without disrupting the family.

If Marianne takes her monthly "countable income" of \$174.08 and sets it aside in a PASS plan, in just over 18 months she will have saved enough to pay for the cement pad, storage shed and electricity. By putting all of her countable earned income in a PASS plan, SSI will view Marianne as though she has NO countable income. This means that she will get her whole SSI check for the next year (\$623/month in 2007), save \$174.08/month to pay for her shed, and increase her monthly income by the $\$174.08 + \$20 + \$65 = \259.08 /month that SSI doesn't count. In addition, SSI will not count the key shed as a countable resource for Marianne because it is used in producing income for her business.

*NOTE: For SSI purposes, Mickey's business expenses include only the items/services he pays for out of the income from his business. Any items/services paid for by a third party (e.g. VR, Tribal VR, WIA, school, or a gift or grant) are not counted as business expenses. When Mickey started his business in 2006, VR paid for the equipment and supplies he needed to start. Because VR paid for those items, SSI does not count them as business expenses in 2006. In 2007 and beyond, when Mickey needs to buy new shovels and more plastic and boxes he will pay for these items out of his gross income from the business so at that time those will be business expenses for SSI purposes.

