

# Financial Guidance for Consultants

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# Incorporate v. Self Employment

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- *Liability protection*
- *Overhead Expenses (File corporate taxes, Register in states, other expenses)*

# **Independent Contract Worker v. Part-time Temporary Employee**

- **Determined by Control Test, 20 factors..**
- **If “employee,” then company pays for FICA, FUTA, State unemployment insurance, Workers Comp, possibly OT**
- **Employer motivation**
- **Social Security max wages: \$110K**
- **Split business ?**

# Tax Benefits

## Health Insurance

- 100% of medical insurance premiums paid
- Not more than your “earnings.”

# Self-Employed 401 K

- 0-20% of Schedule C “Profit sharing”
- Up to \$17,000 “salary deferral”
- Up to \$5500 more if age over 50
- Maximum: \$50,000 (\$55,000 if > 50)
- Not more than amount “earned”
- No reporting requirement like for Keogh plans.
- Loans possible

# Home Office Expenses

- **Portion of home must be used exclusively and regularly for business**
- **Either “principal” place of business or for meetings with clients in normal course of business.**
- **Can then deduct portion of home expenses.**

# Mileage

- **Travel between home and client, if qualify for home office.**
- **Otherwise, more limited**
- **IRS mileage cost amount (or “actual” expenses)**

# Other Business Expenses

- **Travel**
- **Meals & Entertainment**
- **Advertising and promotion**
- **New computer**
- **Supplies**
- **Telephone & Internet**
- **Many others**