

NEW MEMBER BENEFIT: INDEPENDENT CONTRACTOR GUIDE

Answering an Urge to Be Your Own Boss

Today an Employee, Tomorrow an Independent

Not every golf instructor ends up self-employed, though plenty get the urge. If you're one of them, here's a summary of the hoops you'll need to jump through.

By John Torsiello, Contributing Writer

A steady paycheck, familiar surroundings, helpful mentoring, possibly even free coffee: These are the benefits of full-time employment enjoyed by most up-and-coming golf instructors. But eventually the positives can be outweighed by a sense that one is professionally stifled, undercompensated, or both. At that point the urge to become an independent contractor may strike.

All well and good, but the moment you feel ready to leave the club payroll is not the time to move—it's the time to start prepar-

ing to move. It's your cue to dive into all the planning and pro forma arithmetic your "big break" will require. It starts with scouting out locations, assessing the demographics of a target marketplace, forecasting potential income, potential costs and myriad other issues.

Questions quickly arise: How will the loss of salary and benefits affect you? How

about the new costs you'll bear—for rent, marketing and so forth? Objectively speaking, do you have a strong enough following to attain success on your own? Becoming an independent contractor also calls for research to keep you from running afoul of the IRS or other federal and state agencies. And it means protecting your earnings and livelihood, now and in the future, through retirement planning.

The potential advantages of self-employment are notable—that's why so many people are drawn to it. "To me the biggest upside is having more control over my time," says Mark Polich, a Proponent Group member who operates an academy in Arizona. To make sure he maintains that control, an independent like Polich carves out a contract with his facility owner that keeps him free of ancillary duties. "Put it in your contract that you're not on the hook for setting up the range, working the counter, running tournaments, things like that," advises Polich.

The price of freedom, he feels, comes mainly in the form of lost benefits and perks. "You cut yourself off from paid vacations, health insurance, discounts in the golf shop, playing privileges

and other extras like that," Polich cautions.

Kandi Comer is a Proponent member who can look back with satisfaction on the planning process that set up her most recent move. Pondering relocation she searched her region of Virginia for a semi-private facility that would allow her students to follow her when she made the move. "I also looked at the future of the facility," Comer recalls. "The site I chose was in a young community located in a town that was really growing. The future was good for juniors because it was the best school system in the area, and their bus routes weren't particularly long, which meant I could do after-school programs."

She advises any fellow member considering the independent option to sketch out a plan that accounts for the other teaching professionals at the facility. "I negotiated exclusive teaching rights for my academy," she explains, "which meant I could hire instructors from outside or work with the PGA and LPGA profes-

sionals who were already on-site." You also need to find out right away about clubfitting and equipment sales. "Who has the right to fit clubs? Who controls the hardgoods inventory? Who gets what percentage of sales—all that has to be figured out," says Comer.

In her view, the appeal of independent-contractor status often stems from a sense that

"all you'll have to do is teach." That's a tempting daydream, but it's not the gritty reality of business ownership and management. "You have to teach, market, keep the books and do whatever it takes to run a business," Comer points out. Her baseline requirements for the independent instructor look like this: "Make sure you form an LLC or an S-Corp and make sure you have adequate business insurance. Be certain the facility you rent space from has a place you can teach during bad weather. And, obviously, insist on a written contract with the facility."

She adds a list of other boxes to check, such as finding out how much you'll have to pay for range balls and what your access to the course and the golf carts will be. "This all needs to be in your contract," she warns. "Pay attention to details and talk to teaching pros who have been through the process."

Henry Brunton, owner of Henry Brunton Golf of Canada, believes many teachers elect to go independent based on perceived financial advantages—some of which are illusions. "You have to understand how your arrangement will look to a tax auditor," Brunton warns. "Are you independent in the eyes of the law—that's a big question." On the pay stubs you've received

"To me the biggest upside is having more control over my time," says Mark Polich. "Put it in your contract that you're not on the hook for setting up the range, working the counter, running tournaments, things like that."

NEW MEMBER BENEFIT: INDEPENDENT CONTRACTOR GUIDE

twice a month for so many years, all those withheld taxes are a frustration—one that goes away when you become self-employed. That can be a problem, according to Brunton. Golf coaches should avoid the temptation to “keep as much money in their pockets as possible,” he says. That means setting up a self-employment pension plan, making your estimated payments and keeping careful records of them. Before you actually quit your job, he suggests, take one last look at “all the advantages and protections of being an employee.”

Understand Your Tax Situation

To Brunton, the value of self-employment comes largely in the form of business-cost deductions and tax advantages that are unavailable to employees. Disadvantages, as mentioned, can include being responsible for running a business, i.e. filing complicated taxes, paying employees, keeping detailed and accurate accounting records. “Independent contractors,” he points out, “are responsible for health insurance, business insurance, and their own 401K/retirement plans.” Thus, having a CPA or an attorney confirm that you are a legitimate independent contractor is vital. “Don’t assume anything. Protect yourself legally and financially,” says Brunton. “Get advice and confirmation from a CPA, so you do not put yourself at risk.”

Darina Koltsova, a client relationship manager for Independent Contractor Tax Advisors, spells things out candidly. “Under current U.S. tax law,” Koltsova says, “independent contractors have the potential to pay more in taxes than any other group. It’s not uncommon for contractors to end up in a tax bracket higher than 50 percent. This means that of every dollar you earn, various government entities can together be taking 50 cents of it.” She says the reason is three-fold.

First, self-employment taxes (FICA) are 15.3 percent for most independent contractors. If you’re a traditional employee, half of that 15.3 percent is paid by your employer—once on your own, you’re responsible for the entire amount. Second, the tax-prep advice a self-employed person could legitimately use isn’t easy to come

by. The information is a dense thicket of home-office deductions, S Corps, MERPS (medical expense reimbursement plans), use of childrens’ tax brackets and other means of lessening the tax burden. “Not all tax advisors are created equal,” Kolstova states. “Most do not understand how to use these options properly to reduce a client’s tax bill. Many don’t even tell their clients about these legitimate deductions, in order to avoid the hard work and hassles that comes with them.”

Third on her list is administrative burden and expense. The solutions to the above problems require time and cost money. “Most independent contractors are extremely busy and simply do not have the resources to focus on their tax situation. For the do-it-yourselfer, this takes a significant amount of effort,” she says. “You must study and compare the value of acting as a sole proprietor or forming an S Corp. You have to set up payroll with

the federal and state governments and remain compliant, make quarterly tax filings and payments, maintaining a clean set of books and perhaps ultimately filing an S-Corp tax return that requires significant expertise.: This could easily cost \$5,000 or more annually, according to Kolstova, depending on your CPA’s rates.

Manage Your Risks

Independence also means managing business risk. Byron Shultz, an employee benefits consultant for MJ Insurance in Arizona, reminds non-employed teachers that they aren’t covered by any of the policies maintained by the facilities where they ply their trade. This includes general liability, property protection, worker’s compensation and medical benefits. If the independent contractor is a PGA member, he or she will receive coverage through the PGA insurance program as part of annual membership dues. “However,” cautions Shulz, “this coverage is very limited and the exclusions need to be read when you’re trying to comply with contract requirements.”

The PGA policy is designed specifically for the independent contractor who acts as a sole proprietor, because the policy is written in the name of ‘Bob Smith, PGA.’ Coverage does not extend to ‘Bob Smith Golf, LLC’ or ‘Bob

Tips From an Independent Contractor

Proponent Group member **Mark Polich**, owner of Mark Polich Golf in Arizona, offers some valuable tips on the process of becoming an independent contractor:

- Be aware that you are responsible for the employee and employer portion of Social Security taxes.
- Be aware that you are responsible for filing quarterly tax payments.
- Be aware that you must arrange for and pay for your own professional liability insurance.
- Understand that you will be responsible for purchasing all items required for teaching.
- Understand that you will probably not be eligible for any typical employee benefits.
- Make sure you are entrepreneurial-oriented in order to generate enough money to survive.
- Make sure you are creative enough to think through multiple opportunities to generate money.
- Make sure you have the common sense and experience required to run a business.

Polich’s thoughts on misconceptions of being an independent contractor and common mistakes:

- The biggest misconception may be that “this is easy.” It is not. It is very difficult.
- Misconception--the organization you are working for really cares about you and your business.
- Mistake—Under-capitalization. Not having enough money set aside for getting things rolling.
- Mistake--thinking that because you are a good player, you are automatically a good teacher.
- Mistake--thinking that because you are good player, golfers will be willing to pay you to teach them.
- Mistake--thinking that because you are a good teacher, golfers will be willing to pay you to teach them.