

How This Book Can Help You

Chapter Summary

This chapter explains how business planning can help you manage your family child care business more effectively, whether you have an ongoing business or are thinking of opening a new family child care business.

Most family child care providers have experience caring for children before they begin offering care to other families. However, few providers have experience starting and managing their own business. For this reason, over the years many providers have asked me for a resource that would help them get their business properly organized right from the start.

This book meets that need. It is organized around the resources in the appendixes—two blank plans that you can fill out to set up your business properly and two financial tools that you can use to budget and plan your business finances:

- **Start-Up Plan (Appendix A).** Completing a start-up plan will help you to handle the issues that must be addressed before your business begins, identify the costs involved in starting your business, and set up the key terms of your contract and policies.
- **Business Plan (Appendix B).** Completing a business plan will help you to plan how to market your business, protect yourself with insurance, set up your program, and keep the necessary business records.
- **Financial Tools (Appendix C).** Preparing a budget and cash flow projection will make it easier for you to meet your financial goals, whether you are a new or an experienced provider.

This book outlines a clear path that will help you to either get a new business started in a businesslike way or manage an existing business more effectively. I hope that the information in this book will help you learn new skills so you can enjoy the work you love most—caring for children. However, this book doesn't include all the resources you'll need to run a successful family child care business; it's intended to be used with the other books in the Redleaf Press business series:

- *The Redleaf Calendar-Keeper*
- *Family Child Care Record-Keeping Guide, 7th Edition*
- *Family Child Care Tax Workbook and Organizer*
- *Family Child Care Tax Companion*
- *Family Child Care Contracts and Policies*
- *Family Child Care Marketing Guide*
- *Family Child Care Legal and Insurance Guide*
- *Family Child Care Money Management and Retirement Guide*

The books in this series offer a depth of information that will answer all your questions about operating a family child care business. However, you don't need to read all of these books before you open your business—you'll be ready to go after you complete the plans and budget explained in this book. You can add the other books to your library as needed to help manage your business and make it more successful.

Tax note: This book refers to tax laws that are subject to change. For the latest tax rules and information, consult the current edition of the *Tax Workbook and Organizer*.



A Note about Gender

Studies show that over 95% of family child care providers are female. In this book I will use female pronouns to describe family child care providers and male pronouns to describe their spouses. I've made this choice to avoid the awkward use of "she or he"; however, I don't mean to slight any male family child care providers or female spouses who may be reading this book.



Treat Your Business Like a Business

In 2007 we posted a money management survey on our Web site, and over 500 family child care providers responded. (You can view the results at www.redleafpress.org—enter "Business Planning Guide" into the search field, and follow the links.) The responses showed us that many providers would like to learn how to manage their business more effectively. For example, one experienced provider wrote:

I feel that we older providers—and maybe the younger ones, too—went into this business thinking it was just something to do while our children were young—we didn't really view it as a business at first. We were just so grateful to be at home with our children, and we didn't lay down a solid business plan. When we finally started thinking about how to secure our future, we realized that it would take a lot of courage and drastic changes to the way we do business. Even now, that's one of the most difficult parts of the business for me.

In other words, it's important to "treat your business as a business, rather than a hobby," as another provider told me. A hobby is something that you do just for fun. The work that you do as a family child care provider may be deeply rewarding, but you know that it involves a lot more than just having fun.

One of the most important steps in "treating your business like a business" is preparing a formal business plan—a comprehensive blueprint for how you'll run your business. This book outlines, step by step, how to prepare all the elements of a plan for your business:

- Chapter 1 explains how a business plan can help you and describes the major components of a family child care business plan.
- Chapters 2 and 3 address the planning issues essential to starting (or thinking of starting) a new family child care business. Some of this information may also be helpful for experienced providers.
- Chapter 4 outlines the seven components that should be included in any family child care provider's business plan.
- Chapter 5 explains how to prepare a budget (financial plan) in detail, based on a sample budget that you can use as a template.
- Chapter 6 describes some of the ways that you can use your budget to manage your business finances more effectively.

I suggest that you start by reading the entire book and flagging the information that interests you or that applies to your business. Once you have that overview of the steps involved in the planning process, return either to chapter 2 (for a start-up business) or to chapter 4 or 5 (for an ongoing business) to start working on your plan.

Why Do You Need a Business Plan?

I know that business planning is probably pretty low on your list of favorite activities. It's unlikely that you'll ever turn to your significant other and say, "Sorry, sweetheart, I'm just not in the mood for dinner and dancing tonight—I'd rather stay home and work on my annual budget."

No, preparing a business plan isn't an exciting task, and it may even seem quite intimidating, especially if you've never done anything like this before. However, paying closer attention to your business will have a significant payoff, and the hours you spend on planning may end up being the most important time you spend on your business, other than actually caring for the children.

Planning for a Start-Up Business

Preparing a plan is essential if you are starting a new family child care business, because the plan you prepare may well mean the difference between success and failure for your

new enterprise. For example, the planning process for a start-up business plan accomplishes several things:

- Make sure that you satisfy all the legal requirements for providing child care in your state *before* you invest a lot of time and money in setting up your new business. (See the section on legal and regulatory issues in chapter 3.)
- Figure out what your start-up expenses will be and decide how you'll get the money to pay for them. (See the section on start-up costs in chapter 3.)
- Decide in advance how to operate your program and set your policies so you'll be able to respond effectively to problems as they arise, rather than reacting to crises on the spur of the moment. (See the section on contracts and policies in chapter 3.)
- Decide how to promote your business to maximize your chances of success. (See the marketing plan section of chapter 4.)
- Make sure that you start out with all the insurance you need to operate legally and protect yourself from the risks involved in running your business. (See the insurance plan section of chapter 4.)
- Budget to plan ahead for potential financial obstacles so that they don't take you by surprise. (See the financial plan section of chapters 4 and 5.)

Planning for an Ongoing Business

Preparing a business plan is also very useful for an ongoing business, especially if you're trying to establish your operations on a more businesslike basis. The planning process offers several advantages:

- A chance to reevaluate and rethink your program. ("Should I try some new marketing approaches?")
- A financial spring-cleaning. ("Is it time to create a budget to help manage my spending?")
- A review of your practices to clean out anything that's outdated and fill in any gaps. ("Should I overhaul my contract? Should I add more paid vacation time?")
- A review of your insurance policies to ensure you're adequately covered. ("Is it time to increase the coverage limits on my business liability policy?")
- Help in meeting your short-term financial goals. ("What changes would allow me to put more money into an emergency fund? Should I cut back on buying toys? Should I start charging for another federal holiday?")
- Help in meeting your long-term financial goals. ("What changes would let me save more money for retirement? Should I raise my rates? Add another child to my program?")

In addition to the benefits listed above, an up-to-date business plan will also be very helpful if you ever want to apply for a business or personal loan. Your plan will strengthen your loan application by showing your lender that you're handling your business in a professional way. (For more information about managing the financial side of your business, setting short-term and long-term financial goals, and applying for a business loan, see the *Money Management and Retirement Guide*.)



If You Need Help

Most family child care providers will be able to write their own business plan by following the instructions in this book. However, if you feel overwhelmed, aren't sure how to proceed, or just want some help, don't hesitate to ask for assistance.

For example, you can talk to another provider who has already written a business plan. You can ask your local child care resource and referral agency, your local family child care association, or your Food Program sponsor for advice or a referral to someone who can provide more help. If you're working with a tax preparer, attorney, or financial planner, that person may also be able to help you with certain areas of your business plan.



How to Get Your Plan Done

You don't have to prepare all the planning tools described in this book at once. If it seems too daunting to write an entire business plan all at once, start with the first step—read through this book and become familiar with the steps of the planning process. Then set a goal to complete your business plan and take your plan one section at a time. (To make it easier to get started, be sure to use the blank plans provided in the appendixes.)

It may be easiest to start with a topic that you've already given some thought to or have some experience with. For example, if you already have some ideas about your professional development goals, then start by filling in that section. Once that section is done, review another section and jot down any ideas you have about it.

There's no rush; just try to make steady progress and complete another section whenever you can. Before you know it, your plan will be done!

You can also benefit from this book even if you don't have the time to write up a formal business plan right now. For example, you might compare your own practices to the ideas suggested here and see if there are any improvements you'd like to make right away. You may also find some tips that can help you manage your business or save time and money.

What's in a Business Plan?

A complete plan for a family child care business will include the following sections:

- a start-up plan (for new businesses only)
- a statement of your hopes and goals for the business
- a marketing plan
- an insurance plan
- a program plan
- a professional development plan
- a record-keeping plan
- a financial plan (budget)

If you're about to open (or have just opened) a new family child care business, then your business plan should begin with your start-up plan, which I'll explain in chapter 3. The other seven sections listed above are necessary parts of a business plan for any family child care business, new or ongoing. Chapter 4 will guide you in preparing these seven sections, supplemented by the more detailed instructions for preparing a budget in chapter 5.

However, you don't need to prepare your plan in the order listed above. I'd suggest that you start by reading the entire book to get an overview of the planning process. Then proceed as follows:

- If you're planning for a start-up business, begin by weighing the issues discussed in chapter 2. If you decide to proceed, do your start-up plan first (chapter 3) and then either your business plan or your first-year budget (described in chapters 4 and 5, respectively).
- If you're planning for an ongoing business, start working on the seven sections described in chapters 4 and 5, completing them in any order that you wish.



Keep Your Plan Updated

To be most helpful, your business plan should be a living document that evolves as your business changes and you gain experience. I suggest that you review and update your plan periodically—perhaps every year, or whenever there's a change in your personal or business circumstances, such as an addition to your family or a move or expansion of your business. For example, if you move, you'll need to review your insurance policies (see chapter 4) and see if there are any regulatory issues or barriers to doing business at your new address (see chapter 3).

