FRANCHISE MONTHLY

FEBRUARY 2015

Noteworthy Events

FRANCHISE EXPO SOUTH

February 5-7, 2015
Houston, TX

INTERNATIONAL FRANCHISE EXPO

June 18 – 20, 2015
New York City, NY

WEST COAST FRANCHISE EXPO

November 12-14, 2015
Anaheim, CA

Liberty Tax CEO Expects Major Boost This Tax Season from Affordable Care Act

accountingTODAY January 23, 2014

John Hewitt, the president, CEO and chairman of Liberty Tax Service, is anticipating increased business for preparers this tax season thanks to the Affordable Care Act and the boost in employment from the increasingly robust jobs market.
Hewitt founded Liberty Tax Service in 1996 after leaving Jackson Hewitt, another major tax prep chain that he co-founded back in 1982. He built them into the second and third largest tax prep chains in the country, right behind H&R Block, where he worked his way up from tax preparer to regional director.

Hewitt believes the ACA will make this one of the best tax seasons ever for preparers as more taxpayers come to professionals to have their taxes done.

“It’s the biggest tax change since 1986,” he told Accounting Today in an interview Thursday. “Tax change is one of the three primary drivers to people choosing to come in and get assisted preparation, and so it’s going to drive people from the capability of doing their own return into seeking assistance. In addition to that, more people are going to file, and also tax preparation fees in general are going to go up because of the additional complexity, and in this industry we charge on the complexity. So three major impacts: more people will file, a higher percentage of people will seek assistance, and thirdly the industry will get higher fees because of the increased complexity.”

On top of that, the increase in the employment numbers over the past year is likely to induce more taxpayers to seek help from preparers. “More people were put to work in 2014 than any year in the 21st century so that’s going to drive more people to file their return,” said Hewitt. “We think that about 3 million more people are going to file this year.” He anticipates over 60 percent of them will go to a tax preparer.

Obamacare is widely expected to be a major hurdle for many taxpayers and preparers as they cope with new forms and requirements that could force some taxpayers to give back the subsidies they received in the form of premium tax credits for buying health insurance from the exchanges if they made a mistake in estimating their income.

So far, Hewitt said Liberty Tax hasn’t experienced those kinds of problems. “That’s yet to be seen because the forms are just coming out now,” he said. “We’ve already prepared a couple of hundred thousand tax returns and anecdotally it hasn’t been a problem yet. I’ll say this: whenever a taxpayer owes way more money than they thought or gets a refund way less than they thought, they have an issue with it, but we haven’t seen any significant signs of that yet this season.” Liberty has been giving its tax preparers specialized training to familiarize them with the provisions of the Affordable Care Act and even encouraging franchisees to help customers get health insurance.

Your Business Name Here
Contact Name
Contact Number

Best Franchises to Own: Why Home Healthcare Is Hot

The franchise world has grown over the past 60 years to encompass nearly every type of business — if you want your taxes done, your sidewalk pressure-washed, your windshield repaired, your house cleaned, your dog walked, or a fast-food burger, franchise owners can do that for you.

Out of all the different franchise types, one franchise sector is growing at an amazing rate right now: the senior care or home-healthcare niche. Of Forbes 2014 Best Franchises list for up to $150,000 investment, three of the top ten are home-health brands: BrightStar, Right at Home, and Synergy HomeCare.

Why is home healthcare franchising on the rise? Here's a quick snapshot of the unique opportunity in this fast-growing sector:

- **Lower investment.** While it can cost $500,000 or more to open a fast-food franchise, most home-healthcare franchises cost $150,000 or less to start up, a feature that attracted Right at Home Seattle franchisee Ben Solomon, who owns two area territories and is buying a third. The investment is primarily for hiring marketing, recruiting and training staff, and for office space.
- **High revenue.** From that relatively low investment, home-health franchises can drive a lot of volume, especially after the first year's ramp-up making connections with key referrers such as elder-law attorneys and social workers. Territories are usually large. Industry research firm Home Care Pulse found median franchise home-health revenue was nearly $2 million. What's more, franchise owners brought in substantially more than independent operators, Home Care found, giving their businesses a resource advantage over the competition.
- **Growing demand.** Demand is forecast to grow sharply, thanks to the aging of baby boomers. The number of people over age 60 is set to triple to 2 billion by 2050, the UN estimates.
- **International opportunity.** Most US franchises are just beginning to look overseas at opportunities, with Right at Home being one of the leaders — it recently became the first US home-healthcare franchise to enter China. But the rest of the world is aging, too, to there is still plenty of growth opportunity in new markets.
- **Help with red tape.** Mom-and-pop home healthcare operators struggle to keep up as national, state and local laws evolve. For instance, my home base of Seattle is currently debating a possible $15-an-hour minimum wage law. Independents are also hard-pressed to obtain insurance to cover their workers' activities in clients' homes. By contrast, franchises become well-known to insurers, smoothing the way for policies, says Right at Home CEO Allen Hager. National chains also have the money to do lobbying and advocate for favorable laws — most recently, against the proposed federal minimum wage increase.
- **Chance to do good.** Seattle Right at Home franchisee Solomon says helping seniors stay in their own homes affordably is more than a business — it's a community service. "I feel great doing this," he says.

With home-health franchises booming, how can you spot the best one? Ask lots of questions. Franchise contracts vary widely, so read carefully. Solomon said the contract "is like a marriage." Most franchise contract terms are at least 10 years.

Not all chains are created a like — for instance; Right at Home provides skilled nursing services, while many other franchise chains do not.

One great way to learn about a franchise opportunity is to ask current franchise owners how satisfied they are with their business.

FASTSIGNS Recognized as Top 50 Franchise for Veterans

World Franchising Network Honors Expanding International Sign & Graphics Franchise; Continues to Offer Enticing Mix of Benefits to Veterans

CARROLLTON, Texas - Continuing to support the men and women who have served in the United States Armed Forces, FASTSIGNS International, Inc., the world's premier business-to-business marketing solution franchise with more than 530 locations, was selected as one of the 50 Top Franchises for Military Veterans by the World Franchising Network.

As part of a targeted new website and recruitment program for military veterans by the World Franchising Network, the 50 franchises were selected from a list of hundreds of franchise concepts. Highlighting franchisors offering an enticing mix of benefits to veterans, including sizeable and meaningful reductions in franchise fees, among other incentives, the list also took into account the number of operating units owned by veterans within a franchise, as well as the number of veterans in senior management positions.

"We take great pride in being recognized as one of the top franchise opportunities military veterans can turn to as they return to civilian life and search for promising business ventures," said Mark Jameson, Senior Vice President of Franchise Development for FASTSIGNS. "The proven business systems we have implemented, along with the life skills veterans have gained during their service, create the perfect combination to foster future success.

FASTSIGNS welcomes veterans into its system with open arms. Men and women who have served in the United States Armed Forces develop the drive, motivation and discipline needed to become successful business owners. Veterans choosing to join FASTSIGNS are allowed to take advantage of specific benefits. Financially, FASTSIGNS offers a reduced franchise fee of $15,000 for veterans compared to $27,500. Also, with more than 300 markets available, veterans have the flexibility to open a location in their ideal market.

Jameson adds that FASTSIGNS' commitment to helping veterans start new careers has grown over the past years with its active participation in the Veterans Transition Franchise Initiative, known as "VetFran", a national program designed to encourage franchise ownership. Additionally, FASTSIGNS recently secured $4 million in financing for franchisees opening new centers, ultimately creating further opportunities for business ownership.

"Amazing corporate structure and the satisfaction of other FASTSIGNS owners is what initially grabbed my attention as a potential franchisee," said Kelly Harward, an Army veteran who opened his Washington, Utah, FASTSIGNS location in March 2011. "I felt a true commitment from FASTSIGNS corporate to see franchisees succeed."

About FASTSIGNS International, Inc. is the worldwide franchisor for the more than 530 FASTSIGNS sign and graphic centers located in the US, Canada, the UK, Brazil, Mexico and Australia (where centers operate as SIGNWAVER). FASTSIGNS sign and graphics centers leverage sign and marketing knowledge, state-of-the-art technology and innovative thinking to solve customers' marketing and communications challenges- from the simple, to the simply impossible. Centers provide consulting, file transfer, design, production, delivery and installation for a full range of custom sign and graphic solutions.

Choosing Business Structure

Which Business Structure Is Right For You?

While you are considering the purchase of a franchise, you should also begin a process, in parallel to your search, that addresses your financial and tax considerations. Your consultant will generally suggest you begin interviewing small business accountants and financial consultants so that you may have a relationship developed when you're ready to start your business – but more importantly, so that you've had conversations with these experts that will allow you to think through various issues important to HOW you start up your business. If you wait until after you purchase your franchise to have these conversations, it may cause unnecessary delays in your ability to start up your business – and as you know, time is money in the world of business. These issues usually have to do with how you should structure your business, how you finance your purchase, and the tax implications of your franchise purchase. Only your accountant or financial consultant can best answer the latter two issues for you, but we can address structure for you here
:
The most common business entity structures are:

- Sole proprietorship
- Partnership
- Limited Partnership (LP)
- Limited Liability Corporation (LLC)
- S-Corporation
- C-Corporation

How do these structures compare? And on what factors do they differ?
The most common factors in which these structures differ is your company's liability protection under each particular structure, and the tax requirements. There are also differences with regard to complexity and cost of formation, as seen in the following chart:

Type	Complexity	Formation Cost	Taxation	Liability Protection
Sole Proprietor	Very Low	Low or Zero	1 level	None
Partnership	Low or Very Low	Low or Zero	1 level	None
Limited Partnership	Medium	Medium	1 level	Good
LLC	Medium	Medium	1 level	Good to Very Good
S-Corp	Medium to High	Medium to High	1 level	Good to very Good
C-Corp	Medium to High	Medium to High	Corporate (2tier)	Very Good

Most attorneys or accountants will tell you to consider an LLC, an S-Corp, or a C-Corp structure, as these offer your company greater protection against personal liability.

Right off the bat, you can see in the above chart, that C-Corp is somewhat less desirable from a tax perspective, but strong from a liability standpoint. Similarly, the most popular choices – the S-Corp and LLC -- seem absolutely comparable – but are they? The tie-breaker usually is something called "self-employment taxation."

The Federal tax imposed if you are "self-employed" is 15.3%. (12.4% is Social Security tax paid on first $94K, and 2.9% is Medicare tax paid on all income.) And half of this self-employment tax is deductible on your personal return.
If you are an LLC, you are required to pay SE tax on the entire income generated by your business. An S Corporation only pays SE tax on the owner's salary, not distributions. (Example: Against $100K in income, an LLC owner will pay about $43K in taxes while an S-Corporation owner will pay about $38K in taxes.) In addition, an S-Corporation allows owners to build a pension (412i) that can provide significant tax advantages as well as build personal equity.

Another important point to consider is that an LLC can often have advantages in cost of formation, i.e., there can be fewer documents required or a lower attorney fee, and can be slightly simpler to maintain. This tends to be a state-by-state consideration.
In net, it's important to have your accountant compare the SE tax based on your business plan for either structure AND the comparative costs of formation in your state.

Other financial considerations you may want to discuss with both your consultant and your financial expert are impact on estate planning, timing of purchase (and the impact on franchise fee tax deductions,) and your exit strategy. The better and earlier you understand these basic financial issues, the more you can concentrate on building your business!

BENFITS OF FRANCHISING

The following benefits provide a good rationale for starting a business by purchasing a franchise. These must be balanced by the costs or disadvantages.

Lower Risks. Most business experts agree that a franchise operation has a lower risk of failure than an independent business. The statistics on this vary depending on the definition of failure. Whatever statistics are used, they consistently suggest that a franchise is more likely to succeed than are independent businesses.

Established product or service. A franchisor offers a product or service that has sold successfully. An independent business is based on both an untried idea and operation. Three factors will help you predict the potential success of a franchise. The first is the number of franchises that are in operation. The second predictor is how long the franchisor and its franchisees have been in operation. A third factor is the number of franchises that have failed, including those bought back by the franchisor.

Experience of franchisor. The experience of the franchisor's management team increases the potential for success. This experience is often conveyed through formal instruction and on-the-job training.

Group purchasing power. It is often possible to obtain lower-cost goods and supplies through the franchisor. Lower costs result from the group purchasing power of all franchises. To protect this benefit, most franchise agreements restrict the franchisee from purchasing goods and supplies through other sources.

Name recognition. Established franchisors can offer national or regional name recognition. This may not be true with a new franchisor. However, a benefit of starting with a new franchisor is the potential to grow as its business and name recognition grow.

Efficiency in operation. Franchisors discover operating and management efficiencies that benefit new franchisees. Operational standards set in place by the franchisor also control quality and uniformity among franchisees.

Management assistance. A franchisor provides management assistance to a franchisee. This includes accounting procedures, personnel management, facility management, etc. An individual with experience in these areas may not be familiar with how to apply them in a new business. The franchisor helps a franchisee overcome this lack of experience.

Business plan. Most franchisors help franchisees develop a business plan. Many elements of the plan are standard operating procedures established by the franchisor. Other parts of the plan are customized to the needs of the franchisee.

Start-up assistance. The most difficult aspect of a new business is its start-up. Few experienced managers know about how to set up a new business because they only do it a few times. However, a franchisor has a great deal of experience accumulated from helping its franchisees with start-up. This experience will help reduce mistakes that are costly in both money and time.

Marketing assistance. A franchisor typically offers several marketing advantages. The franchisor can prepare and pay for the development of professional advertising campaigns. Regional or national marketing done by the franchisor benefits all franchisees. In addition, the franchisor can provide advice about how to develop effective marketing programs for a local area. This benefit usually has a cost because many franchisors require franchisees to contribute a percentage of their gross income to a co-operative marketing fund.

Assistance in financing. It is possible to receive assistance in financing a new franchise through the franchisor. A franchisor will often make arrangements with a lending institution to lend money to a franchisee. Lending institutions find that such arrangements can be quite profitable and relatively safe because of the high success rate of franchise operations. The franchisee must still accept personal responsibility for the loan, but the franchisor's involvement usually increases the likelihood that a loan will be approved.

Proven system of operation. An attractive feature of most franchises is that they have a proven system of operation. This system has been developed and refined by the franchisor. A franchisor with many franchisees will typically have a highly refined system based on the entire experience of all these operations.