

BECOMING YOUR OWN BOSS

TAKE TIME
TO PREPARE
FOR THIS BIG STEP

As an owner-operator, you enjoy more freedom from supervision than a company driver. As an owner-operator leased to a carrier, to an extent you're able to set your own hours and take time off when you want. But those freedoms come with a big trade off : being financially responsible and self-disciplined. The challenge is great, but the rewards can be, too.

Why do you want to be an owner-operator? If your answer is to work hard, make more money and have a more rewarding life, you have a good chance at success. The successful owner-operator is driven above all else by the prospect of financial payback for time and investment.

There's reason to believe it's a good time to pursue this dream, and that's not based just on economists spouting rosy forecasts. It's also based on the track record of the last couple of years.

Though anemic demand marked 2015 and 2016, things picked up noticeably in 2017 and 2018.

While 2019 started out less favorably than 2018, at midyear there was reason



to believe that owner-operators would have a strong year and possibly a good 2020.

According to owner-operator business service provider ATBS, overall owner-operator net income averages have risen to the highest levels the organization has seen since it began tracking them 13 years ago. Unless the economy hits a bona fide recession, income increases are likely to continue.

And while all the buzz in recent years has been about autonomous trucks, the reality is that drivers aren't going anywhere. The work may change to where owner-operators need different skills in addition to driving as more technology is added to trucks, but driving opportunities in the industry aren't going to dry up overnight.

QUALITIES OF SUCCESS

Most drivers who become owner-operators already know about the need to run a lot of miles while driving safely and legally, but other qualities also are important.

RESPONSIBILITY

Develop your own business systems, and set up a regular truck maintenance program. Plan for the hard times when your business is good. Set specific goals.

RELIABILITY

Good customer service is vital to your success. Being dependable means you'll get the loads you need to get the revenue you want.

MOTIVATION

Without the desire to earn money, the freedom of being an owner-operator won't amount to much when the truck payment is due. This means being available to carry the loads and being smart in choosing profitable loads.

WILLINGNESS TO LEARN

Seek knowledge. Ask questions. Know your limits, and learn to overcome them.

MECHANICAL APTITUDE

You may not have to do major work on your truck, but every dollar you save by doing simple tasks yourself goes straight to your bottom line.

SELECTING A BUSINESS SERVICES PROVIDER

The most successful owner-operators start modestly and manage well. Until you learn the ropes of owning your business, focus on managing both business and personal expenses. Along the way, you'll be responsible for a lot, such as accounting, taxes, financial goals and your own rules of conduct. A strong financial services provider can provide this assistance and guidance.

Over the long term, the ability to tie the financial side of the business seamlessly into the systems of freight partners could make it easier for independent contractors of all stripes to manage the day to day of their businesses. Many owner-operators fail within the first few years, as do most small businesses. A good services provider often can save you an amount of money that more than covers the annual service fee. Such a provider should be able to give you all the tools necessary for running a profitable trucking business. These include:

PROFIT PLANNING

A profit plan is akin to a budget, or a plan that helps you oversee your business and control your future, including both business and personal expenses and goals.

BOOKKEEPING

Sorting and tallying receipts and settlements can take several hours a week. A good business service can, in effect, give you back that time.

PROFIT-AND-LOSS STATEMENTS

These tools provide snapshots of your business' health. A profit-and-loss statement shows your revenue, fixed

OWNERSHIP RISKS AND REWARDS

There is more than one way to be a business owner in trucking. As the degree of independence increases, so do the potential risks and rewards.

LEASE-PURCHASE OPERATOR

You have signed a lease or a lease-purchase agreement to get your truck through a carrier or a third-party leasing company. **Pros:** Easiest way to get into business with little or no down payment, credit rating or experience. You might be able to find a simple walkaway lease that will let you test the waters without much risk. **Cons:** Many sign the deal before they are truly ready and are saddled with too-expensive equipment. Some deals restrict decision-making ability when it comes to equipment additions. Keep in mind that with many lease-purchases, you're leasing from the same entity that controls 100% of your income, who will by contract often make it difficult for you to take the equipment elsewhere. Get somebody on your side who can interpret what the deal's legalese means.

LEASED OWNER-OPERATOR

You buy your equipment, outright or with a loan, and lease it to a carrier. You run under the carrier's operating authority. **Pros:** Unlimited

selection of equipment, total control over equipment modification and maintenance, and you decide to whom you will lease. **Cons:** No walkaway options. Once you sign to buy, you are committed. If you borrow for the equipment, you are committed for the entire loan plus interest, with severe financial consequences if you default.

CARRIER

You get your own operating authority and become a motor carrier. **Pros:** A higher profit margin with no carrier taking a piece of the action before you get your cut. Almost complete freedom on how you run the business. **Cons:** That freedom brings more work and complexity. Do you want to develop your own customers, soliciting freight directly from shippers? Or do you want to work through load boards or brokers? The latter is easier, but also means giving some revenue to the broker. You'll also be responsible for invoicing, collections, compliance, safety, drug testing, hours of service, licensing, permitting, fuel tax and mileage tax – and the list goes on. See Chapter 18 for more on taking this route.

and variable costs, net income, contribution margin and break-even miles.

BENCHMARKING

This is the practice of comparing your business to the rest of the industry to decide what changes may be needed to maximize your profitability.

TAX PREPARATION

Many federal and state income tax rules relative to trucking are complex and constantly changing. You need a business services provider with tax expertise in trucking – one that has a Certified Public

Accountant and Registered Tax Return Preparers. This critical expertise helps. There is more than one way to be a business owner in trucking. As the degree of independence increases, so do the potential risks and rewards professional drivers find every legal tax deduction, thereby helping to reduce your tax burden significantly. A good service provider also will support you if you're audited.

RECEIPT ARCHIVE

A good provider will house receipts and financial documents in a place where you can access them anytime on the road or at home. This information should be in an encrypted secure site that keeps your personal information safe.

BUSINESS CONSULTING

A good business service provides continual support through business consulting to help you better understand the essential tools of business and use them effectively.

FINDING THE RIGHT MATCH

Choosing a business services provider is an important step that should be taken carefully. Consider these criteria to make your choice:

- *How long has the provider been in business and serving the trucking industry?*
- *Does the provider understand how the trucking industry operates and where it's headed?*
- *Is the company large enough to provide the best services, benchmarking and comparison data?*
- *Is the provider's customer base composed of successful owner-operators and fleets?*
- *Does the tax staff hold professional tax credentials and have trucking-specific expertise?*
- *Do the provider and its tax department provide audit support by CPAs or enrolled agents if a client is audited?*

- *Does the provider offer an assigned consultant, or do you typically speak with a different person every time you call?*
- *How does the provider charge?*

Work with your business services provider to determine key issues to address in your operation. Based on this information, your consultant should help you complete your profit plan. Once completed, your plan will help you manage expenses so you can run a successful operation. It will allow you to make any necessary changes to your business on a monthly basis instead of at tax time, when it's often too late.

HOW TO DETERMINE YOUR NET WORTH

Profit planning can help you be financially secure when you retire. Take time to build balance sheets to calculate your net worth. The balance sheet compares your assets with your liabilities. Start with what your business owns: Write down how much money is in your business checking and savings accounts, and don't forget escrows or maintenance reserves your carrier may be deducting from your settlement fund. Next, determine how much your equipment is worth.



CREATING YOUR FINANCIAL MAP

A business plan, also known as a profit plan, is one of the most effective business tools you'll use as an owner-operator. Think of it as a road map that allows you to track income and expenses over time, with the goal of reaching your desired financial rewards. A business plan helps you make ends meet. It shows you exactly how much money is needed for expenses, where it will be spent and how much you can afford to pay yourself.

Your business plan should show all sources of income and costs while taking into account industry averages, personal expenses and cash flow. It also should provide this complete financial picture in weekly, monthly and annual detail.

It also allows you to know when you have reached your break-even point – after which every extra mile driven puts more money in your pocket.

GETTING STARTED

The best time to begin the planning process is before you start your business. The process will give you targets, and these can be compared later with your actual financial performance to see where

adjustments are needed to maximize profits.

In its simplest form, the business or profit plan should identify your revenue — or gross income — and your expenses. All personal household expenses should be included. While your books may reflect a profit table business operation, you may fall short of your personal needs and desires if household expenses are left out.

BE REALISTIC

As you work through this process, gather as many of your collected invoices or settlement statements, bills and receipts as possible. Accumulate three to four months of expenses to reflect your spending habits properly. Don't forget to budget for savings, estimated taxes, unexpected situations and lean times.

If you lack past data for developing your plan, be conservative in estimating your income, and slightly overestimate your expected expenses so you don't start out with a flawed plan. If there is money left over, place it into savings for emergencies.

If you need help, a business services provider such as ATBS can estimate costs you may not be sure of.

PROFIT PLAN

	Monthly	Monthly	Annual	Costs Per Mile	% Rev
Income					
Loaded Miles	1,791	2,000	60,000		
Empty Miles	0	0	0		
Total Miles	1,791	2,000	60,000		
Revenue					
Management Charge	\$2,000	\$1,500	\$18,000	100.00	100.00%
Fuel Surcharge	\$0	\$0	\$0	.00	.00%
Accessionment	\$0	\$0	\$0	.00	.00%
Total Revenue	\$2,000	\$1,500	\$18,000	100.00	100.00%
Expenses					
Fuel	\$600	\$2,100	\$25,200	36.33	33.44%
Tire Fuel	\$0	\$0	\$0	.00	.00%
Fuel Tax	\$20	\$100	\$1,200	1.50	.83%
Repair Truck Maintenance/Repair	\$100	\$200	\$2,400	1.34	7.93%
Depreciate Truck/Revol	\$0	\$0	\$0	.00	.00%
Laborer	\$0	\$0	\$0	.00	.00%
Owner Labor	\$0	\$0	\$0	.00	.00%
Communications	\$20	\$100	\$1,200	1.50	.83%
Travel & Lodging	\$10	\$50	\$600	1.00	.61%
Office/Equipment	\$5	\$20	\$240	.37	.17%
Electronic Device Purchase	\$0	\$0	\$0	.00	.00%
Company Charges	\$0	\$0	\$0	.00	.00%
Uniforms/Laundry/Supplies	\$0	\$20	\$240	.37	.17%
Small Tools & Truck Supplies	\$0	\$0	\$0	.00	.00%
Maintenance	\$0	\$0	\$0	.00	.00%
Depreciable Tool Purchase	\$0	\$0	\$0	.00	.00%
Other Fees	\$0	\$0	\$0	.00	.00%
Total Expenses	\$620	\$2,370	\$29,040	41.82	33.48%
CONTRIBUTION MARGIN	\$1,380	\$1,130	\$15,000	10.00	66.52%
Fixed					
Truck Payment	\$400	\$1,100	\$13,200	22.53	14.82%
Tire Payment	\$0	\$0	\$0	.00	.00%
FLHT	\$10	\$40	\$480	.80	.44%
License, Permits, Title & Taxes	\$40	\$180	\$2,160	3.60	1.99%
Physical Damage Insurance	\$5	\$10	\$120	.20	.11%
Owner Insurance	\$10	\$40	\$480	.80	.44%
Health, Dental, Vision, Other Insurance	\$10	\$10	\$120	.20	.11%
Safety & PPEs	\$0	\$0	\$0	.00	.00%
Legal & Accounting	\$20	\$100	\$1,200	1.80	.94%
Total Fixed	\$485	\$1,370	\$16,340	24.94	20.18%
Variable					
Management Charge	\$2,000	\$1,500	\$18,000	100.00	100.00%
Fuel Surcharge	\$0	\$0	\$0	.00	.00%
Accessionment	\$0	\$0	\$0	.00	.00%
Total Variable	\$2,000	\$1,500	\$18,000	100.00	100.00%
Fixed % of Total Contribution Margin	35.19%	35.19%	35.19%		
Variable % of Total Contribution Margin	64.81%	64.81%	64.81%		
Fixed % of Total Revenue	24.25%	24.25%	24.25%		
Variable % of Total Revenue	75.75%	75.75%	75.75%		
Fixed % of Total Expenses	24.25%	24.25%	24.25%		
Variable % of Total Expenses	75.75%	75.75%	75.75%		

PROFESSIONAL ASSISTANCE

ATBS, co-author of this manual and presenter at Partners in Business seminars, is the nation's largest owner-operator business services provider. ATBS has years of experience in the trucking industry and partnerships with most major owner-operator fleets.

The Denver-based firm provides bookkeeping, profit planning, profit-and-loss statements, tax preparation, incorporation review, a secure on line portal and consulting services for more than 40,000 owner-operators. It can use its extensive database to pinpoint

dozens of owner-operator benchmarks, measurements of key operations, that are not available elsewhere.

ATBS clients make on average 40% more than their peers. Let ATBS help you grow your business and gain peace of mind in knowing that you are on the road to success as an owner-operator.

ATBS enrollment specialists can be reached at (888) 640-4829 or via www.ATBS.com for answers to critical questions.