
Your Bottom Line

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Covering the bases

Operating a successful photography studio during economically tough times is difficult. Besides the continuous problem of generating sufficient sales to cover expenses and earn a profit, photographers must deal with an ever-growing variety of incidental factors.

Handling non-routine situations, such as hiring and firing staff, charge backs on credit card purchases, or employee theft, is extremely important, and expensive! These threats can easily destroy the financial position of a studio and its owner. And ignorance in these situations can be fatal.

Past columns focused on a number of these threats; however, many more incidental menaces exist and photographers must be aware of them.

At the top of this list, studio owners must recognize that they operate in a "law-suit-happy" country. An enormous number of lawyers actively advertise their services, overtly telling potential clients they can receive large sums of money by winning court cases. As a consequence, photographers need to purchase adequate liability insurance. Without sufficient coverage, even a minor incident could result in bankruptcy, especially if the studio is not incorporated.

At one time, a \$100,000 liability insurance policy provided enough coverage for an average small business, but not anymore. It is more prudent to secure at least a \$1 million policy—but a \$3 to \$5 million umbrella policy is optimal. The additional cost of acquiring this level of protection is justifiable if photographers accumulate tangible levels of personal financial worth. Sensible photographers cannot avoid the fact that liability insurance is essential.

Studio owners should also consider incorporating their operations. Even though incorporating a business offers minimal tax savings, this arrangement protects photographers' personal finances if their studios encounter major business complications.

Workman's Compensation insurance is also critical for covering studios when employees are injured on the job. Pho-

tographers may falsely believe they work in a "safe" profession and assume they don't need this insurance. Think again! If an employee is injured by picking up a flash power pack, a claim can be filed against the studio. If a studio's part-time photographer is hurt at a wedding, or injured traveling to and from the event, the studio is again liable. Suppose contracted labor doesn't provide enough Workman's Compensation coverage for their employees—if these employees are injured while performing duties for a studio, the photographer is totally responsible.

Photographers' only recourse in these situations is to pay and pay. Insufficient Workman's Compensation coverage can financially destroy a photography studio.

Some photographers avoid paying Workman's Compensation insurance by not hiring employees. However, this practice limits studio growth.

When photographers hire employees, they assume many unexpected responsibilities. For example, employees cannot be dismissed easily if they are not performing as expected. This fact is especially true if the employee is female and/or a minority.

My business frequently receives government bulletins advising employees of their rights and providing toll-free telephone numbers to report employer infractions. By law, these notices must be posted in a conspicuous area in the studio. Unfortunately, these bulletins invite employees to "snitch" at anytime—without penalty, even if information is inaccurate.

Should studio owners dismiss employees, for any reason, it is extremely difficult to avoid paying unemployment compensation. My business fired an employee who could not perform the duties outlined on his application. This individual received unemployment benefits, even though the claim was contested by the business. Remember, claims are not directly paid by employers, but they do raise studio costs.

Employee theft is another constant problem, ranging from missing pencils and personal use of equipment, to large

amounts of stolen cash. Unfortunately, this behavior reflects modern-day morals. Several years ago, I conducted an experiment while teaching a class of 60 students at a local university. On a specific test, the students received ample opportunity to cheat. I was shocked to find that 80 percent of the students took advantage of the situation and cheated.

Sufficient proof is needed to accuse employees of theft—be careful not to violate an alleged thief's rights or you may find yourself in big legal trouble.

The list of potential problems goes on and on. Is there adequate health coverage? What about disability insurance? Are all taxes paid?

For example, after my business contracted carpenters for a remodeling project, several of the contractors failed to pay the state sales tax, even though they were contractually bound. After a routine state audit was conducted, guess who was stuck paying the sales tax bill?

Credit should be another area of concern for photographers. The law reasons, "If you are gullible enough to give credit, then you also take on the risk." Laws generally don't safeguard studio owners when they extend credit—instead, consumers are provided with a variety of protections during bad-debt situations.

Because these financial risks continue to escalate, many small business owners are packing up their operations to work for someone else. Those photographers who continue to pursue their personal business interests must constantly cover all bases to protect their bottom line. 