

# **Getting Started**



## **in the Business of Family Child Care**

**Redleaf National Institute  
The National Center for the  
Business of Family Child Care**

# Getting Started in the Business of Family Child Care

**C**ongratulations on becoming a family child care provider! You are among a special group of individuals who have chosen the profession of caring for young children. You have chosen this work because you love children. You also have an opportunity to earn money to support your family. Each year tens of thousands of providers have successfully set up their businesses, and we welcome you to this caring profession.

This booklet introduces the most important topics that every family child care provider needs to know about in order to run a successful business. Resources for additional information are listed in the back of this booklet.

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**R**edleaf National Institute is the national center for the business of family child care. We have been the leading educator and advocate for the business interests of family child care providers since 1992. Our goal is to assist providers in becoming successful in their businesses. We encourage you to contact us if you need help running your business.

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For further information about our services, see pages 12–13.



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# How to Begin

**1** Find out what the child care regulations are for your area, and follow them. Each state has its own child care rules that govern health and safety issues. They also cover how many children you can care for, what type of training you must have, and much more. If you do not follow these rules, you could be held liable for any injuries to the children in your care.

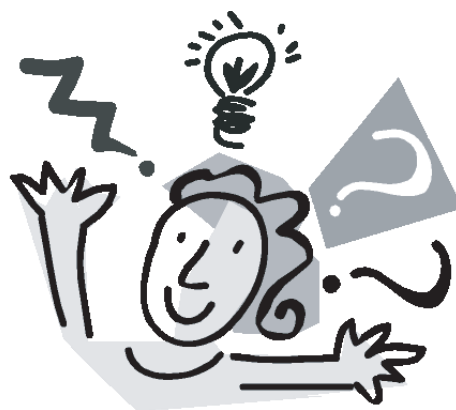
There are many benefits to being regulated (some states call this *licensing*), such as extra tax deductions and sometimes higher subsidy payments for low-income parents. In addition, you can get access to the Food Program, the child care resource and referral (CCR&R) agencies, and local grant and loan programs.

**2** Join your local family child care association. Family child care associations are groups of providers who help each other and improve the child care profession. They can offer monthly support meetings, professional growth, discounts on products and services, newsletters, public policy advocacy, and much more.

**3** Sign up with your local child care resource and referral agency (CCR&R). These agencies help parents find child care in their local communities by keeping up-to-date information on providers. They also train providers and offer access to other community resources, such as grants.

**4** Join the Child and Adult Care Food Program (CACFP). This federal program offers education on nutrition and pays providers monthly for some of the cost of the food they serve to children. All providers are eligible for this program. Depending on where you live and your household status, you will be paid about \$400 or \$850 a year per child.

All of the organizations mentioned above can help you get started in your business. To contact the organizations in your area see “Other Resources” at the end of this booklet.




# How to Promote Your Business


If you offer a safe, caring, and high-quality program, the word will get out to parents, and your business is likely to succeed. As providers increasingly face competition from other child care programs, however, those who know how to market their program will have an advantage.


Marketing is much more than advertising, business flyers, and business cards. A good marketing strategy continually promotes your program to parents who might use your services.


Start by making a list of the benefits of your program. *Benefits* are the things about your program that make a difference to the parent or the child, such as child-centered curriculum with planned learning activities; an enclosed yard for safe, fun outdoor activities; individual care and attention to help children learn quickly; an energetic provider who supports families; accreditation by the National Association for Family Child Care; or a Child Development Associate (CDA) credential.


If you have already begun providing child care services, ask your regulator what she feels is unique about your program. Ask the parents and children in your care what they like best. Add these to your own list, pick three or four to memorize, and then find ways to get the word out. Don't forget that a client's impression of your home will be some of your best advertising, especially for new or prospective clients.


 Create a positive, professional impression when you record a message on your telephone answering machine. Identify yourself and your business. Indicate that you can't answer the phone because you are with the children.


 When a parent calls, try to identify her specific needs to help in your screening process. Describe the benefits of your program. Set up a time for the parent to come for an interview.


 Keep the outside of your home clean and uncluttered. Mow the lawn, clean the front windows often, and plant flowers.


 Create a welcome feeling in the foyer or entry by putting children's items at a child's level. Eliminate bad odors. Post photos of children (with parent's permission), credentials, and an activity schedule on a bulletin board.


 When interviewing a prospective client, offer written materials describing the benefits of your program. Give the parent a tour of your home. Point out things that make it a safe, fun, and creative place for children to learn. Introduce your own family members.


 Use photo albums (with permission) and scrapbooks to illustrate the benefits of your program.


 Tell parents on a regular basis what their children are learning.


 On the first day of care, give parents and children a welcome note, perhaps with a photo. Have the child bring a favorite toy or nap blanket.


 Offer a finder's fee (free day of care, free night out, or money) if a parent refers a prospective client whom you end up enrolling.

 Keep track of the children after they leave your care by sending them birthday and holiday cards. Post any letters or photos you receive (with permission) on your bulletin board or in your scrapbook.

 Create a business name (Country Munchkins, The Small School) and register it with your Secretary of State's office. This prevents other programs from using the same name.

 Make a coupon that offers a beginning discount on your services. Hand them out like business cards. Everyone loves a sale.

 Distribute flyers about your business in the community grocery stores, Laundromats, elementary school, hospitals, real estate agencies, and so on.

 Use other organizations to help you promote your business. Talk every so often with your regulator and your child care resource and referral agency about how to attract new parents. Attend local family child care association meetings. Get advice and encouragement from other providers.

Don't try to run the cheapest program around. Someone will always charge less than you. Instead, stress the benefits and the value of your program. These may include individual attention that helps children learn faster, home environment, availability for all ages of children, or flexible hours. When competing against child care centers, focus on your advantages. When competing against unregulated caregivers, emphasize the health and safety aspects of your program.

For more ideas and strategies to promote your business, see the *Family Child Care Marketing Guide: How to Build Enrollment and Promote Your Business As a Child Care Professional*, from Redleaf Press.



# How to Create Contracts and Policies

**A**s a family child care provider, you get to be your own boss. You set the rules for your business. To get parents to treat you like a business owner, you need to establish clear rules and communicate them effectively.

**1** Set rules and policies. You are not required to provide care for every family that approaches you, and you can and should work with families who will follow your rules. (See page 9 for rules about accepting children with special needs.) Question parents carefully at an interview about what they want. Trust your instincts about whether the family is a good fit for your program. Enrolling a family and then ending the relationship after six months is not good for the children. Don't admit any children beyond the number you feel comfortable with. Many providers set up a two-week trial period when the care begins. This allows either party to walk away without a penalty.

Use a written contract to describe your rules about payment and hours. Every contract should contain the following elements: names of the child and parent(s); amount due hourly, weekly, or monthly; days and hours you are open; holidays, vacations, sick days, payment due dates; rules on late fees, registration fees, activities fees, holding fees, and so on; termination plan; and dated signatures of provider and parents.

Some organizations (such as regulatory agencies or the military) may require that you cover other topics in your contract.

Use written policies that are separate from your contract to spell out your other rules. What your policies say are up to you. Don't adopt a policy unless you are willing to enforce it. Most providers' policies cover discipline and guidance, meal and nap schedule, activity schedule, emergency procedures, child rearing philosophy, substitute care arrangements, illness policy, field trips, infant supplies, and toilet learning.

Consider including two key rules: Parents must pay for the care in advance; and parents must give two weeks notice before leaving your program. Let's say the parent normally pays you on Friday. If so, ask to be paid a little extra each Friday until you have one full week of payment in advance. If the parent receives government help and is paying a co-payment, require that the co-payment be paid up front.

Require parents to pay you up front for the final two weeks that you will provide services, whenever that time comes. If parents can't afford to pay it all at once, have them pay you in installments. If you participate in a subsidy program, their rules may prevent you from adopting this policy. Ask the administrator of the subsidy program whether you may do this.

**2** Communicate the rules to the parents. Review each term in your contract and policies with the parents at least yearly to make sure everyone understands them. Use a bulletin board, a parent newsletter, daily

notes to parents, e-mails, and regular parent meetings to communicate the rules about your business.

Take notes if there is a conflict with a parent or a problem concerning the care of their child. If you have trouble resolving the problem with the parent, seek outside help from local regulators, providers, and other community resources. Don't hesitate to try to negotiate a solution with the parent to solve the problem. You can adopt different policies with different parents.

**3** Enforce the rules. Any change to your written contract must be put in writing; otherwise it's not enforceable. You can have the parents sign a note that you attach to your current contract. Or you can rewrite your contract and have the parents sign it again. It is up to you to set the limits of what parents and children can do in your program.

To enforce your rules you must establish consequences if they are not followed. The consequences can include additional fees or the ending of care. You can charge a late fee if the parent doesn't pick up her child on time. If the parent fails to bring an extra set of clothes, you can buy the clothes and bill the parent. You can end the contract with a parent who does not follow your rules.

Enforcing your rules may feel awkward. However, you are better off if you establish your rules, communicate them clearly, and then enforce them. This is true even if it means you occasionally lose a parent because of it. Providers who follow these steps rarely regret a parent's decision to leave.


**4** Congratulate yourself for being professional about contracts and policies. Being professional about your business will leave you with more time and energy to focus on the love and care of the children.


For more information about what to include in contracts and policies, see *Family Child Care Contracts and Policies: How to Be Businesslike in a Caring Profession*, from Redleaf Press.





# How to Keep Records


**T**aking the time to keep good records of your business is a sign of professionalism as well as a means to save you money. For every \$100 of business expenses you track, you will save approximately \$25–50 in taxes.


 You will owe taxes on all income you receive from your business. This includes money from parent fees and government payments for low-income parents. It also includes Food Program payments and grants to purchase equipment. At the end of the year, get the parents to sign a receipt indicating how much they paid you.

 You can deduct 100% of items used exclusively for your business (advertising, training, activity supplies). You can deduct a portion of items used by your business and your family (cleaning supplies, utilities, furniture).

 You are entitled to claim expenses for all the household furniture and appliances you owned before you went into business that you are now using in your business. Make a detailed list of all the items used in full or in part for your business. *The Family Child Care Inventory-Keeper* can help you keep track of your property.


 Items costing more than \$100 may have to be deducted over a number of years using depreciation rules. See the *Family Child Care Tax Workbook and Organizer* for a detailed explanation of how depreciation works.

 You can begin deducting expenses as soon as your business begins. It begins when you are ready to care for children and are advertising that you are ready. This may come before you are officially regulated. For a tax advantage, postpone smaller expenses until your business has already begun.


 Keep track of your car mileage for trips that are primarily for business: to the grocery store, bank, park, school, library, and so on. *The Family Child Care Mileage-Keeper* can help you keep track of mileage for business and personal reasons.


Here are the three most important things to do throughout the year to keep good expense records:


- save all receipts for all expenses associated with your home or apartment;
- save all food receipts (including personal food) and track the number of all business meals served (even if not paid for by the Food Program);
- record all hours your home is used for business, particularly when the children in your care are not present (cleaning, activity preparation, phone calls, and so on).


 The IRS doesn't want to wait until the end of the year to get your taxes. You may have to pay federal or state estimated taxes each quarter. If you do need to file tax returns quarterly, the deadlines will be April 15, June 15, September 15, and January 15. See the *Family Child Care Tax Workbook and Organizer* for information on this rule. You can avoid quarterly


payments if your spouse withholds enough at work.

 If you hire a substitute or helper in your business, you need to treat this person as an employee. This means withholding federal and state payroll taxes.

 Review your records at least monthly, if not weekly. Use envelopes to store receipts by different expense categories (food, toys, supplies, utilities, and so on). Keep canceled checks, credit card statements, calendar notations, photographs, and other written records to document your expenses.

 Keep your records for at least three years after filing your taxes. You can amend your tax return, and the IRS can audit you, back three years.

 Join the Child and Adult Care Food Program (CACFP). You are always financially better off joining the Food Program. Money you receive for the meals you serve the children in your care is taxable income. Any money you receive for your own children is not taxable. After paying taxes on the money you receive, you will keep at least half of it for your family. Business food expenses are deductible whether or not you are on the Food Program.

 Find a tax preparer on the Redleaf National Institute Web site ([www.redleafinstitute.org](http://www.redleafinstitute.org)), which has a national directory of tax preparers. Ask other providers in your area for referrals. Look for someone who has experience in

family child care taxes or who has special training (an Enrolled Agent or Certified Public Accountant).


You are entitled to deduct all expenses that are “ordinary and necessary” for your business. This includes hundreds and hundreds of items around your home, such as **house expenses**: property tax, mortgage interest, utilities, cable TV, house insurance, house repairs, house depreciation, fence, landscaping, well, garage, rent (for renters), etc.; **items for the children**: food, arts and crafts supplies, toys, outdoor play equipment, children’s books and magazines, video rentals, CDs, diapers, field trip expenses, etc.; **household items**: lightbulbs, toilet paper, paper towels, cleaning supplies, carpet cleaning, lawn maintenance service, kitchen supplies, fire extinguisher, household tools, yard supplies, lawn mower, laundry detergent, etc.; **furniture and appliances**: sofa, chairs, beds, TV, VCR, washer, dryer, tables, rugs, freezer, refrigerator, microwave, rocker, stroller, etc.; **other expenses**: advertising, car expenses (including car loan interest), business liability insurance, training workshops, computer, business books, etc.


See the *Family Child Care Record-Keeping Guide*, the *Family Child Care Tax Workbook and Organizer*, and the *Calendar-Keeper* for more help with record keeping and tax preparation.





# How to Reduce the Risks of Running a Business


**R**unning a family child care business creates a greater risk of accidents and injuries in your home. You can never eliminate these risks. But you can do a lot to reduce them and to protect your business and your family in the event of a major incident.


 When you start caring for children, you become a self-employed business owner. Other options include forming a partnership or a corporation. Carefully consider the pros and cons of each option. Most providers run their business as a self-employed owner.


 Comply with all local (child care and zoning) regulations. You are less likely to have an accident if you are following all regulatory standards. You are also more liable if an accident occurs while you are violating a rule. Check for any local zoning or deed restrictions in your town.


 Seek out training in health and safety.


 Screen families before enrollment. Look for signs of conflict and inflexibility.


 Communicate regularly with parents. Listen and respond to parent concerns.


 Screen potential helpers. You are responsible for the acts of anyone working for you.


 Follow reasonable business practices. Use medical release forms, field trip permission forms, and parent evaluations.


 Establish a transportation policy. Address what you would do if the parent comes to pick up the child and is drunk, on drugs, or without the appropriate car seat. Create a list of names of people who can take children home in these situations. Call 911 if the parent insists on taking the child.


 Parents cannot waive their right to sue you. If parents sign a liability waiver that says they will never sue you if something happens to their child, the court will not enforce such a waiver.


 Report child abuse or neglect. You are probably required to do so. Make sure you understand your responsibilities. Talk to your regulator or your county child protection services agency for advice.

 Update your insurance to provide protection against major incidents. Read the “exclusions” section of your homeowner’s or renter’s policy to see if you can run a business in your home. Find out if there are limits on how many children you can have in your care. Find out whether you need extra coverage for furniture and appliances that are used for business. Purchase business liability coverage. Ask your agent how many children you would have to transport, and how often, before you would need extra coverage for your car.

 Investigate other forms of insurance for yourself that are normally covered for employees of established businesses, such as medical, disability income, workers' compensation, and long-term care.

 For a list of insurance providers in your state, go to [www.redleafinstitute.org](http://www.redleafinstitute.org) and click on Insurance.

 Family child care providers may not discriminate against parents or children based on race, color, sex, religion, disability, or national origin. "Disability" includes physical handicaps, learning disabilities, HIV, and AIDS. It also includes other conditions that affect seeing, hearing, walking, or talking. Parents are not required to tell providers if their children are HIV-positive. There is no documented case of HIV being transmitted by one child biting another. To find out more about HIV and AIDS, contact your local child care resource and referral agency.


 You must take reasonable steps to make your program accessible to children with disabilities. Spending \$100 to modify your bathroom would be considered reasonable. Spending \$5,000 to build a wheelchair ramp probably would not. If making your program accessible would create a "significant" difficulty or expense, you do not have to provide care. However, it is not reasonable to refuse care for a child with a special need simply because the child would require more


attention. You may not charge more to care for children with special needs. You may not discriminate against prospective employees who have disabilities.





# How to Manage Your Money and Plan for Retirement


**L**earning to manage your money is a vital skill. You will need at least 70% of your current income when you retire. Social Security will generate less than half of this amount. You need to save money through your own retirement investments. You can expect to live approximately one-fourth of your life in retirement. Planning ahead will make a difference.


 Educate yourself about money. Two excellent books are *Personal Finance for Dummies*, by Eric Tyson (New York: John Wiley, 2000), and *Making the Most of Your Money*, by Jane Bryant Quinn (New York: Simon and Schuster, 1997). Learn more by attending classes and workshops in your community.


 Know what you spend your money on. For at least two months, track every dollar your family spends. Put your spending in categories under two headings: fixed expenses and flexible expenses. Examples of fixed expenses include mortgage, utilities, insurance, and loans. Examples of flexible expenses include food, clothing, entertainment, vacations, and so on. Set aside savings at the beginning of the month as a fixed expense. Cut something under flexible spending if you are short at the end of the month.


 Pay off all credit card debt. If you can't afford to fully pay off credit card bills at the end of each month, this is a sign of overspending. The money saved from paying interest on credit cards can be used toward your retirement.


 Use cash for all purchases. The only exceptions to this rule are the purchase of a house, home improvements, and a college education. You should set aside money each month in a car replacement fund so that you can pay cash for your next car.

 Start saving in small amounts. Some providers set aside the amount of a payment for one child as their retirement savings.


 Purchase insurance to protect yourself against major disasters. See pages 8 and 9 for more information.


 Planning for retirement is a long-term goal. Before making long-term goals, make sure you have a plan to meet your short-term goals (one to five years). Short-term goals would be buying a car, making a down payment on a house, and so on. Also, plan how you will pay for your own children's college education.


 Set up a plan to meet your regular monthly expenses if you become disabled or out of work for three to six months. You don't want a short-term emergency to wipe out your retirement savings.

 Figure out how much you will need to retire, and make that your goal. Here


are two Web sites that will help you estimate this: [www.money.com](http://www.money.com) and [www.quicken.com](http://www.quicken.com).

 Target at least 10% of your net income (income minus business expenses) for retirement savings. If you are over 40 years old, then 20% is better!

 Don't wait until the end of the year to put money into a retirement account. Start putting a small amount away each month.

 If you don't know where to invest your money, put your retirement savings into a money market account. This is a safe

starting point. Then start educating yourself and seek out advice about where to put your money. Don't invest in stocks or bonds until you understand their risks and rewards.

 Depending on your household and business income, you may be eligible to participate in several tax-deferred retirement plans. These include a traditional IRA, Roth IRA, SIMPLE IRA, or SEP IRA.

Saving money and planning for retirement is not simple. But you can educate yourself about finances. And doing so will give you more control over your future.

**Time is money. The sooner you begin saving, the better.**

Name	Age at start of savings	Savings per year	Years saved	Total deposited in savings	Retirement savings at age 65*
Susan	35	\$2,000	10	\$20,000	\$151,000
Rich	45	\$2,000	20	\$40,000	\$99,000


\*money earned 8% annual interest




# Other Resources


## **Child and Adult Food Program**


**Sponsors:** For the names of Food Program sponsors in your state, call and ask for the name of the state agency that oversees this program: 703-305-2286; [www.fns.usda.gov/cnd/care/CACFP/cacphome.htm](http://www.fns.usda.gov/cnd/care/CACFP/cacphome.htm)


 **Child Care Law Center:** Helps with legal questions and the Americans with Disabilities Act: 415-394-7144; [www.childcarelaw.org](http://www.childcarelaw.org)


 **Daycare Provider's Beginner Page:** Provider Web site with extensive business tips and Internet links for new providers: [www.oursite.net/daycare](http://www.oursite.net/daycare)


 **Family Child Care Insurance Information:** List by state of companies and insurance agents offering business liability, car, homeowner's, and other insurance: [www.redleafinstitute.org](http://www.redleafinstitute.org) (click on Insurance Information)


 **Family Child Care Regulatory Agencies:** Find out about family child care regulations in your state by calling your county social services office, or by contacting your state regulatory agency at [www.nncc.org/Evaluation/stlicofc.html](http://www.nncc.org/Evaluation/stlicofc.html)

 **Internal Revenue Service:** For tax questions, 800-829-1040; for IRS publications, 800-829-3676; [www.irs.gov](http://www.irs.gov)

 **National Association for Family Child Care:** List of family child care associations; NAFCC also offers benefits to its members: 801-269-9338; e-mail [nafcc@nafcc.org](mailto:nafcc@nafcc.org); Web site at [www.nafcc.org](http://www.nafcc.org)

 **National Association of Child Care Resource and Referral Agencies:** To find the local agency in your area, call 202-393-5501, or e-mail [info@naccra.org](mailto:info@naccra.org); Web site at [www.naccra.net](http://www.naccra.net)

 **National Association for the Education of Young Children:** Information about professional development, publications on child development, and conferences; call 800-424-2460, or e-mail [naeyc@naeyc.org](mailto:naeyc@naeyc.org); Web site at [www.naeyc.org](http://www.naeyc.org)

 **National Child Care Information Center:** For a comprehensive listing of links to other child care-related organizations and resources, call 800-616-2242, or e-mail [info@nccic.org](mailto:info@nccic.org); Web site at [www.nccic.org](http://www.nccic.org)

Copies of this booklet are available in Spanish. Both English and Spanish versions are posted on our Web site: [www.redleafinstitute.org](http://www.redleafinstitute.org).

Additional copies of this booklet may be purchased from Redleaf Press, 800-423-8309, [www.redleafpress.org](http://www.redleafpress.org).

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