



CONSULTING MATTERS

A publication of the Delaware Valley Chapter of the Independent Computer Consultants Association

www.iccadelval.org

November 2004

From the President...

Handling Administrative Tasks

by Keith Mast
Mast Consulting, LLC
President
ICCA/Delaware Valley



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How do ICCA members handle accounting, taxes and retirement?

Recently, I surveyed our members with five questions about these administrative tasks. The results are below. There were a few humorous responses but most provided straight forward answers to the survey. Be sure to read the member comments at the bottom of this article on page 4.

How do you handle day-to-day accounting needs?

- a. I personally enter my own data into accounting software (94%)
- b. My employee enters into XYZ software program (6%)

Summary of survey comments/responses:

- Most use Quickbooks
- Others use Excel, Quicken, MYOB, MS Money, and ACCPAC.
- One company resells accounting solutions (ACCPAC Executive & Advantage Series).
- One person wrote his own package under Lotus Notes.

How do you handle YEAR END accounting needs?

- a. Rely on my own experience with QuickBooks or software (33%)
- b. My own experience plus talk to other consultants & professionals (24%)
- c. Take data and reports to accountant for help and planning (43%)

Survey comments/responses:

We have an in-house accountant handling all our finances; he works with our CPA — who is with an outside firm to prepare

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taxes, strategize for tax purposes. I also discuss issues with our CPA—how to take advantage of our state’s high-tech tax credits and changes in that area, also for fed if that applies.

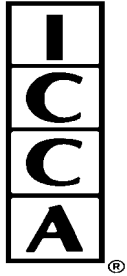
How do you handle your YEAR END TAXES?

- a. I use Turbo Tax. No other outside help (22%)
- b. I use Turbo Tax with accountant or CPA help (22%)
- c. In-house data and tax accountant or CPA (56%)

Survey comments/responses:

•I do the federal and state corporate taxes the way I think they should be done, then take to an accountant for finalization. I do monthly and quarterly payroll reporting myself.

•You need to have revenue to pay taxes! This year, I finally do, so I’ll have to let you know. Based upon previous years loses, the gov’t will still owe me. *(Continued on page 4)*



**Meeting
Information
610-394-9090**

**info@iccaderval.org
www.iccaderval.org**

6:00 P.M. Networking & Cash Bar
7:00 P.M. Dinner
8:15 P.M. Meeting & Program

Entire Evening Prepaid	\$30 Members	\$40 Guest
Entire Evening at Door	\$40 Members	\$45 Guest
Networking/Speaker	Free Members	\$5 Guest

First time guests pay member rates. Prepayment must be received and cancellations for refunds must be made by Monday before meeting. Credit Cards accepted (MC, Visa, Discover). If there is more than one person in your party, we request that you pre-pay. Note that making a reservation is a promise to pay. "No-Shows" will be billed.

Mail Check Payable to:
ICCA Delaware Valley
125 N. Highland Avenue
Lansdowne, PA 19050

**Meeting Locations:
(Please call the hotel for directions.)**

Philadelphia Airport Hilton

215-365-4150
4509 Island Avenue
Philadelphia, PA

DoubleTree Guest Suites

610-834-8300
640 W. Germantown Pike
Plymouth Meeting, PA

Clairon Hotel

856-428-2300
Route 70 & I-295
Cherry Hill, NJ

Holiday Inn Select

302-792-2700
630 Naamans Road
Claymont, DE



**TOP TOPICS at
ICCA DeVal
2004-2005**

by Kathleen Conti, WebSquared, LLC

I really enjoyed the presentation by Mel Payne at our October meeting. He made me think about the fact that to be successful as a computer consultant in today's marketplace you need to be in one of two categories. You either have a state-of-the-art high technology product/service or you need to have new or unique products and services. If you find yourself with a service that is accepted and widely used, or worse still providing services that are a commodity, you will quickly find yourself struggling to keep up with the competition.

If I took one thing away from the presentation it was the importance of selling your skills to the key players in an organization. The entrepreneur/owner and the quiet guy or gal that everyone goes to for advice often have a lot of influence when it comes to who gets the sale/contract within a company.

Also at this October meeting, three member firms were recognized for five years of membership with ICCA. These members received certificates and name badges.

Congratulations to ...

James W. Schott, II	JWSII, LLC
Rangarajan Suresh	Chipper Systems, LLC
John Erthal	Alphalon Business Solutions, Inc

In **November** at our Plymouth Meeting location, we have **Dan Goldberg** presenting - Using Public Relations to Position Your Business – where he will discuss how to position your business for success while differentiating it from the competition.

Our final meeting for 2004 will be in Cherry Hill in **December** where we will be joined by **Chris Fearnley** who will be talking about Linux and Open Source Technologies. This will be a joint meeting with **PMI** so I am hoping we will have a great turnout.

I am currently finalizing the 2005 schedule and thinking about the 2005/2006 schedule, so let me know of any good speakers you have heard lately or any topics that you are interested in. Email me: kconti@websquared.com

For more information on upcoming programs, don't forget to check out our website: <http://www.iccaderval.org/> and click on the "Monthly Meetings" link on the left.



**Here, Here!
Welcome,
New
Members!**

George Letkiewicz

312 Sharon Court
King of Prussia, PA 19406
610-405-2013
Fax: 610-354-9217

Expertise: Microsoft Access, SQL Server, Visual Basic, Excel

Kevin McGahey

Abacus Internet, Inc.

1033 Glendevon Dr.
Ambler, PA 19002
267-992-0099
Fax: 215-793-9061

Expertise: Software Development

Join the ICCA!

Become a part of the region's premier association for Independent Computer Consultants.

Membership rates are:

- * \$100 Local Chapter Dues
- * \$175 National dues for 1 person firm
- * \$225 National dues for 2-9 person firm
- * \$275 National dues for 10+ person firm
- * \$25 National Processing fee
(1st time only)

This Translates to:

- * \$300 for a first-time 1 person firm
- * \$275 subsequent years for 1 person firm

Call **610-394-9090** to request an application, or fill out membership application on line at www.icca.org

ICCA Upcoming Dinner Meeting Dates 2004

✳ **11/11 DoubleTree Guest Suites, Plymouth Meeting, PA**

Topic: Using Public Relations to Position Your Business

Presented by: Dan Goldberg

Description: Positioning your business for success and differentiating it from the competition is essential for substantial growth. Your public image and how it's delivered can help position your organization as an industry leader, innovator, expert, and/or company on the rise. Learn some proven public relations positioning techniques to help your business grow.

✳ **12/9 Clarion Hotel, Cherry Hill, NJ (This is a joint meeting with PMI)**

Topic: Survey of Linux and Open Source Technologies and their Business Functions.

Presented by: Chris Fearnley

Description: An overview of what Linux and Open Source Technologies can provide to businesses and consultants (i.e., the business functions).

From the President

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What type of year-end retirement plan are you using?

- a. Regular IRA (22%)
- b. Roth IRA (28%)
- c. SEP (61%)
- d. Individual 401K (6%)
- e. none (17%)

Survey comments/responses:

•Huh? What's a retirement? A 401K from prior employment is being used to help cover shortcomings in the consulting business. Managed by Wachovia Securities. We have setup a SIMPLE-IRA for partners and employees. I also have a sole proprietorship under which I contribute to a SEP-IRA. I also maintain a Regular IRA — which I may change to a Roth because I can't deduct my regular IRA.

•I subscribe to tax newsletter - RIA Tax Guide. I have been looking at CFS Tax Software.

•If I could retire at year-end, do you think I would be filling out this survey?

Do you pay for personalized professional advice?

- a. Yes (17%)
- b. No (83%)

What are going to do DIFFERENTLY next year to enhance your consulting?

Survey comments/responses:

•Better Marketing; Alliances with other consultants in larger ventures; Networking and call on past and existing clients for more business; building my referral business and working with existing clients.

•Use mybizoffice.com, your clients pay them, they pay you. They charge 4% but, at the end of the year, you get a w2 with all your taxes already done and paid. Essentially you become an employee of mybizoffice.

•Be more diligent about keeping records up to date during the year to avoid the year-end madness of looking for and sorting through papers and receipts.

•Pay for professional help when you really need it since your time and frustration probably ends up costing you more than their bill.

•We spend far too much time on administration and other non-paying work (like tech-support). We need to organize

what we can quickly do and disperse the rest to others - perhaps some helpful family members or part-time help.

•We've branched out into several areas.

- 1) JV on Product Development w/ Clients,
- 2) Forge Strategic Alliances w/ Product Start-Ups as Their Services Arm,
- 3) Growing our Gov't Services Arm,
- 4) Partner w/ Other Tech Start-Ups That Are Strong on Concept but Weak on Technology,
- 5) Investor Services,
- 6) Provide Higher Level Business Strategy to Clients,
- 7) Gateway Outsourcing.

•It becomes much easier to deal with clients, and to maintain good relationships with them, if you can bring them business. Quite often, just the sheer fact that you make efforts to bring them business, will change their entire perspective of you. Nothing makes a client happier than if you bring business to them. And more business for them, means more business for you.

•Look for work in Richmond, Raleigh, Washington, areas as well as Phila.

•Don't put off entering your accounting data, reconciling, or keeping your soft and paper files up to snuff for an audit. Consider hiring me, an experienced Quickbooks bookkeeper, one day a week for peace of mind. See my background at <http://www.magnatech-pa.com/>,

•I will ramp this business up with advertising and articles, and so on and see what happens.

Thank you for everyone who participated in this survey. If you think of an interesting survey topic, send it to me at keithmast@aol.com.

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• **Consulting Matters** always welcomes newsletter article submissions. If you have an article that would be of interest to the computer consulting community, send your article to: newsletter@iccadelval.org.
• MS-Word or plain text is preferred. Article submission deadline for the December Issue of *Consulting Matters* is **November 15**.
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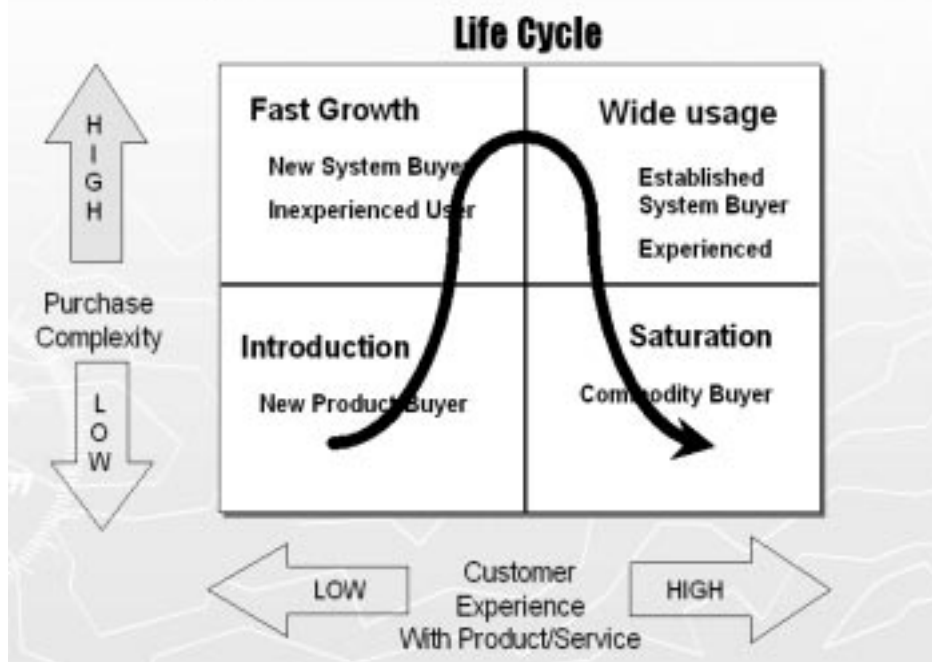
Growing Your Business: The Future of Relationship Selling

by Mel Payne, President, Knowledge & Success, Inc

Remarkable bottom-line benefits can be gained when you understand the customers and markets you are trying to reach. You may have the best products or services in the world, but until you clearly understand where you want to aim your pitch, your sales efforts will be ineffective. It is not enough to be different; you must be better.

It is possible that your marketing and sales strategy is on target. If so, I hope to provide an overview that will keep you on course. If you are off course, I want to help you move your organization in the right direction. I suggest that you consider the Quadrant Solution results-oriented approach to identify the most important buying behaviors and needs of the customers and markets you serve. The Quadrant Solution concept (Diagram 1) is a disciplined process that can help you effectively market to four different types of buyers. To grow your business successfully you have to understand these buyers better than your competitors and identify their pressing needs. Then deliver benefits that solve their problems and help them manage their success.

Types of Customers



All customers are not alike. This might sound obvious, but only the less successful salespeople tend to treat all customers alike. HR Chally Group research studies show that top salespeople use two basic dimensions to classify customers. These dimensions are the customer's experience with the product or service and purchasing complexity. (See Diagram 1)

1. Inexperienced customers don't want to struggle with all the complexity and details. They need a lot of hand-holding to guide them completely through the purchase decision.
2. Experienced customers want to make quality decisions but may need technical help. They want to know that you can provide customization, quality standards and deliver on schedule.

The Quadrant Solution process defines four sales quadrants based on the two customer dimensions described above. In each of the quadrants the type customer and what they buy is identified. When you understand these characteristics you are better prepared to aim your pitch, solve the customer's problems and increase your sales. New products (Quadrant 1) are typically purchased by visionary CEOs or Entrepreneurs, also known as "gate swingers", who rarely used the product but hire an expert to implement solution. The solution must be unique and exciting with a benefit that is ease to understand. These buyers enjoy purchasing new and unique product and service. They also want to know how increased margins are tied directly to the uniqueness that your solution delivers.

The new "system" buyers (Quadrant 2) are inexperienced but real users. An IT manager could purchase a computer system or a financial services buyer could select an asset management solution. These buyers usually have both substantial technical and application support needs. The solution in this case should help eliminate activity interruptions and deliver improvements. Once the buyer becomes comfortable with their knowledge of the solution, he or she becomes an experienced and more controlling user of the system. Often this person becomes the "expert".

Experienced and demanding users,(Quadrant 3) "experts", no longer have high technical and application needs. However, they have pressing purchase and delivery needs that require personal "relationship" involvement from salespeople. They want to ensure that the solution meets the require quality standards while delivering cost (not price) savings.

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Employee Benefit Planning for Independent Contractors

By Brad S. Arnold, JD

Due to their size, the independent consultant can often get overlooked in the employee benefits world. However, there are unique opportunities for these individuals that are worth pursuing. This is especially true in the qualified retirement plan area.

There are two main types of qualified retirement plans: defined contribution plans and defined benefit plans. A defined contribution plan is based upon an annual contribution that cannot exceed certain Internal Revenue Code (IRC) limits. Because of the annual contribution limits, there is no limit on the amount that can accumulate over time in one of these plans. A defined benefit plan is based upon a benefit at retirement age. The maximum benefit at retirement age is limited by the IRC. As a result, there are relatively few limits on the amount of the annual deposit.

The most common example of a defined contribution plan today is the 401(k) plan. This type of plan allows for pre-tax deferral of income up to certain levels. In addition, an employer can also make profit sharing contributions to these plans, resulting in substantial tax deductible contributions. Most importantly, a 401(k) plan can be maintained by a one-person entity such as an independent contractor.

The current annual limit on contributions to a defined contribution plan is \$41,000 (the 2004 limit). In addition, the maximum deduction that can be taken for contributions to these plans is 25% of compensation. This 25% limit does not include the salary deferral contributions made under the 401(k) part of the plan. Furthermore, for individuals aged 50 and over, the law allows for additional salary deferrals of up to \$3,000 (for 2004) that are unaffected by any of the annual limits. As a result, particularly for individuals looking to maximize retirement contributions and tax deductions, these plans have become extremely useful to independent contractors. The market refers to them as "individual 401(k) plans."

Let's take a look at an example:

An independent contractor with a corporation makes \$100,000 in W-2 income. For calendar year 2004, this person can make a 401(k) contribution of \$13,000 and still have the corporation fund a profit sharing contribution of \$25,000 (25% of compensation). The total deductible contribution is \$38,000. In addition, if the individual is over 50, they can take advantage of the catch-up contribution rules and deposit an additional \$3,000 over and above the other amounts.

This is tremendous result for someone who does not need the income to live off of and is seeking a maximum tax deduc-

tion. Frequently, this describes an independent contractor.

These plans are subject to annual tax reporting depending upon their size and do require a plan document. However, the investment options are very flexible and the plans are widely available.

With all the notice that gets paid to 401(k) Plans, the defined benefit plan option can be easily overlooked. In addition, with large plan failures like those that occurred in the steel industry and are now beginning to occur with the airlines, they have acquired a bad name. However, there are still situations where the defined benefit plan is the perfect design option and it is a serious mistake in planning to overlook them.

We have noticed a growing number of independent contractors are discovering the benefits of these plans. These individuals are typically looking to maximize tax deductible retirement savings. Because independent contractors do not usually have other employees, the problems with inflexibility -- so often a deterrent to the use of the defined benefit plan -- is not present. Quite the opposite is true. There is a tremendous amount of flexibility in annual deposits as long as proper monitoring and planning is done.

Because there are no annual limits to contributions under a defined benefit plan, the tax-deductible deposits that can be achieved are substantially higher than the \$41,000 in the defined contribution plan. For example, the chart below gives a rough idea of the deposits and maximum lump sums at retirement that can be attained:

Current Age	Retirement Age	Contribution	Lump Sum at Retirement
40	55	\$60,100	\$1,400,000
45	55	\$106,100	\$1,400,000
50	60	\$136,100	\$1,800,000
55	62	\$165,300	\$1,400,000
60	70	\$179,800	\$2,400,000
65	70	\$210,200	\$1,200,000

Let's look at another example:

The same independent contractor above, assumed to be age 65, can make a tax-deductible contribution of virtually all of his income into a defined benefit plan. The same would be true if the individual was consistently making \$200,000 per year.

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Employee Benefit Planning for Independent Contractors

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A defined benefit plan also requires the same annual reporting that a defined contribution plan does and also has plan document requirements. In addition, the services of an actuary are required to properly administer them. However, the actual costs of maintaining a defined benefit plan for an independent contractor are virtually the same as for a defined contribution plan.

Individuals looking to shelter as much of their income as possible will be best advised to take a long look at the defined benefit approach. Those individuals with lower levels of income that don't desire deductions in excess of 25% of their compensation will find the defined contribution approach to be better.

As is true with all employee benefits, it is most important to seek the advice of an expert to help design the plan that best suits the client's individual needs. Independent contractors provide expert advice in their field and understand the benefit of letting other experts provide advice to them.

Please contact Brad S. Arnold, JD of Tycor Benefit Administrators, Inc. at 610-251-0670, extension 12 for more information on the range of services that we can provide to independent contractors.

About the author:

Brad Arnold, JD is a consultant for Tycor Benefit Administrators, Inc. in Malvern, PA. Contact him at barnold@tycorbenefit.com, or 610-251-0670, extension 12.

Tycor Benefit Administrators, Inc is a consulting firm specializing in comprehensive integrated benefit solutions for employers, employees and business owners. Tycor specialists advise, administer, and produce products in the areas of Retirement and Employee Benefit plans: www.tycorbenefit.com

Growing Your Business: The Future of Relationship Selling

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Commodity buyers (Quadrant 4) are totally experienced with the standardized product or service. Price and convenience are typically their two key concerns. They want to know that the product or service is readily available and easily replaced at the best price.

Utilizing the Quadrant Solution concept to identify the right customers, buyers and markets for your products and services will help you grow your business.

About the author:

Melvin Payne is the President and founder of Knowledge and Success, Inc. Knowledge & Success, Inc assists clients with building successful organizations using World Class standards and tools. Knowledge and Success, Inc. provides employee assessments, sales, management and leadership development training, organizational design consulting and mentoring programs.

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ICCA Delaware Valley Shirts

Size	S	M	L	XL	XXL
Color	Green	Ecru	White	Navy	

Qty _____ @ \$25 Total Enclosed: _____

Name _____

Address _____

Email _____

Send this form with check payable to:

ICCA
125 N. Highland Ave
Lansdowne, PA 19050

Or call/email your VISA/MC/Discover card number,
expiration date, and total dollar amount of order to
610-394-9090 icca@erols.com

Shirts will be ready for pickup by the following meeting.

November Tech Calendar

11- Nov

PADLA's 2004 Distance/e-Learning Conference
8:00-5:00pm
Dr. Marc Rosenberg, Keynote
Location:
Penn State Great Valley
Malvern, PA
<http://www.tempo-train.org/programs.html>

11- Nov

ICCA Del Val Chapter Meeting
Using Public Relations to Position Your Business
Presented by: Dan Goldberg
Location:
Doubletree Guest Suites
Plymouth Meeting, PA
6:30 PM - 9:30 PM
www.iccadelval.org

17 - Nov

Delaware Valley Computer Users Group
"The Dynamic UI Environment-- Modernization and Beyond!"
Tom Herman, Look Software
Location:
Airport Embassy Suites
Philadelphia, PA
5:30 PM Cocktails
6:00 PM Roundtable
6:30 PM Dinner
Meeting information:
www.dvcug.org

If you hear of an event that would be of interest to our members, send the meeting notice to
newsletter@iccadelval.org

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