Taste Of Ownership

Sandwich shop franchisee likes independence

By John Minter
THE CHARLOTTE POST

Katherine Harris was over 30 by the time her son entered school. She was an Army veteran, with several years in the work force managing a word processing center.

But starting over in a new job after five years meant going back to the bottom of the stack. It could be years before she worked her way back up to a supervisory position with the desired income. Unless...

Unless she went into business for herself.

So Harris, now 35, bought a Subway franchise in 1994, opening for business last April at Lawyers and Lebanon roads in Mint Hill.

"My husband (Calvin) and I decided that rather than starting over to build up a decent wage, we would try a business," Harris said. "We decided to go with a franchise. They had an on going operation...a successful operation."

She said Subway stood out because it was not as expensive as some franchises, such as McDonald's or Kentucky Fried Chicken.

"We went to a business broker and looked at businesses which were for sale, and a Subway was for sale," Harris said.

After looking at their finances, location of the business and other factors, the Harrises decided to try ownership.

The franchise fee was $10,000, but by the time Harris was ready to open, she'd spent about $100,000. That's another area where going with a franchise helped, Harris said.

"It is easier to put together a business plan for a franchise," she said. "So much is standardized. That carries some weight with financing."

Harris said she never thought of herself as a business woman before. Running the Subway shop is not difficult since the company provides a clear road map of how to operate.

"The procedure is in place. They teach you all you need to know. It's pretty regimented, so systematic. It can be done by anyone," she said. "It's pretty much by the book.

"The biggest problem is employees. They are not as dedicated as you are. Finding good people is hard. Finding people that will show up every day is hard. A lot of time I come home and have to go back in the evening."

Kathy Harris decided owning a business would more advantages than working her way back up the corporate ladder. She owns a Subway sandwich shop at Lawyers and Lebanon roads in Mint Hill and plans to open another in the Charlotte area. PHOTO/CALVIN FERGUSON

Normally Harris goes home after the lunch hour, about 2 p.m. or so. That puts her home in time to meet her son, a student at David Cox Elementary. John Calvin Harris is 8 years old now.

"I like that," Harris said. "With advance notice I can go on field trips with the school and visit the classroom more often than I could if I worked a regular 9-to-5."

Harris joined the Army after high school, serving four years before getting out and transferring to the National Guard. She met her husband in the Army. Calvin Harris is an officer now. Kathy Harris became an officer by going to Officer Candidate School in the National Guard. She's still in the Guard, supervising a maintenance crew which repairs and overhauls engines on tracked vehicles, such as tanks.

Running her own business has taught Harris some tough lessons.

"Something I realized is the level of commitment it takes," she said. "You can get home and have dinner in the oven. Have your shoes off and be in a robe or something, and have to turn around and go back. I have worked every day, Monday through Sunday so

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Who owns your life insurance Policy?

CHARLES ROSS

Your Personal Finance

Covering life insurance needs is a key part of financial planning. Without life insurance, your family may not be protected in the event of your premature death. But, if you're like most people, the owner of your policy is you, and that could be an expensive mistake.

Such a simple choice can make the difference between paying thousands of dollars in estate taxes and paying none. The reason? If you own the policy, when you die, the proceeds could be subject to federal estate taxes of 37 to 55 percent. The IRS counts insurance proceeds as part of your estate, so if the death benefit pushes the value above $600,000, the excess is subject to estate taxes.

Your spouse as owner

One alternative to your owning your insurance policy is to transfer ownership to your spouse, then the proceeds won't be taxed if you die prematurely. However, if your spouse names someone else as the beneficiary, such as a child, another relative, or a friend, the Internal Revenue Service considers the death benefit to be a gift. Anything above ten thousand dollars can be subject to gift taxes of anywhere from 37 to 55 percent, costing your beneficiary thousands of dollars, and reducing the benefits of your policy substantially.

It is wise not to have more than two people involved in a life insurance agreement. Consider a non-spousal beneficiary as owner, or have a trust own the policy.

Non-spousal beneficiary as owner

You can transfer ownership of your policy to a beneficiary other than your spouse, to your child, for example. But, be aware that if you give the policy to a beneificiary, the IRS regards the transfer as a gift. As long as your policy has no cash value or is valued below ten thousand dollars, the transfer won't be taxed.

Note that most states don't allow minors to own insurance policies. You may need to put the policy in a custodial account with someone other than yourself as the custodian.

Trust as owner

A trust ownership of your life insurance policy is a way to protect your beneficiaries from estate taxes, and it can be set up by a lawyer for as little as five hundred dollars. With a trust as owner, the IRS does not consider the death benefit as part of your taxable estate, making the proceeds tax-free. As long as the policy has cash value below ten thousand dollars, gift taxes do not apply either.

See INSURANCE page 7A

Money management

Recordkeeping 101

Amanda S. Danchi
SPECIAL TO THE POST

If you needed your 1992 tax return in a hurry, would you know where to look? What about last month's mutual fund statement? Or last year's canceled checks? If you answered "no" to these questions, you're not alone. Most people amass so much financial documentation that they don't know how to organize it all. But don't give up. The North Carolina Association of CPAs says recordkeeping is vital to effective money management, and offers this primer on what you should retain, why, and for how long.

Your tax returns

Keep all federal tax returns and supporting documents for at least six years. The Internal Revenue Service (IRS) generally has three years after your return is filed to assess tax. (If you filed your tax return prior to the due date, it's deemed filed on the due date.) This three-year statute of limitations is extended to six years if amounts in excess of 25 percent of your reported gross income have been omitted from your return. If you file a fraudulent tax return, the IRS can come after you at any time. State laws on tax audits vary, so be sure to check with local authorities before discarding old returns. While it's generally safe to discard tax-supporting documents after six years, it's a good idea to keep your tax returns indefinitely. Copies of past returns can help remind you of carry-over items, such as capital losses and depreciation, for your current return.

Your investment documents

It's important to retain trade confirmation notices you receive from your stockbroker or mutual fund when you buy or sell securities. You'll need the information to calculate you capital gains and losses. When you sell an investment, it's a good idea to attach the buy and sell confirmation form to your copy of your tax return for that year to document the capital gain or loss you reported. Keep your monthly brokerage or mutual fund statements at least until you receive your annual statement. If that statement summarizes all transactions and related data for the year, toss your monthly statements. If you're reinvesting dividends, save each reinvestment transaction

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Tax planning for '96

By Gregory J. Hettrick
SPECIAL TO THE POST

The holidays are behind us; the bills are rolling in and you have already started your 1996 holiday savings plan. Good for you.

But there's more to do. Go ahead and get a jump on your taxes. You should already have received your state and federal income tax forms. Dig up your checkbook register and receipts. Get out your pen and paper and your pay stub from Dec. 31.

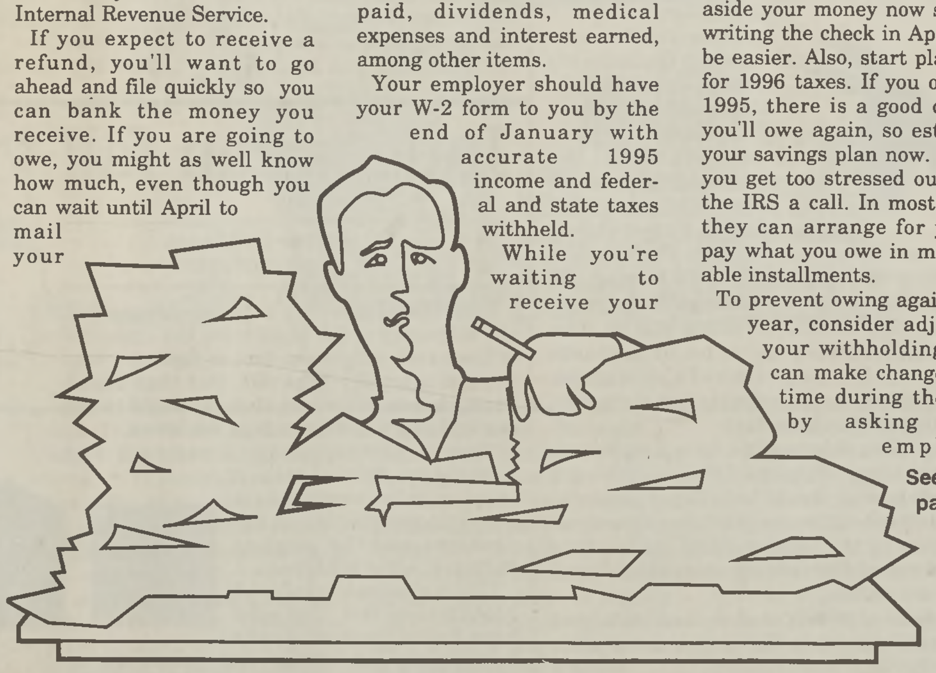
There's no point in waiting until April 15, the day you must file your taxes with the Internal Revenue Service.

If you expect to receive a refund, you'll want to go ahead and file quickly so you can bank the money you receive. If you are going to owe, you might as well know how much, even though you can wait until April to mail your check.

And filing is easier than ever. If you are single and earned less than $50,000 in 1995, and have no deductibles to report, you can use a 1040EZ. If the 1040EZ will not meet your needs, use the 1040.

You'll need to figure out the charitable contributions you've made. If you gave more than $250 to charity in 1995, the IRS now requires an official receipt from the charity – no more personal receipts or canceled checks. In addition to contributions you'll have to figure dependent care expenses, deductible interest, taxes paid, dividends, medical expenses and interest earned, among other items.

Your employer should have your W-2 form to you by the end of January with accurate 1995 income and federal and state taxes withheld. While you're waiting to receive your W-2, you may want to gather the correct tax forms and publications you must file. Your local library should have forms or you can call the IRS at (800) TAX-FORM to have a form mailed to you.



If you are getting a refund, consider using it either to invest for the future or to help pay off or consolidate debts. If you have a child's education to consider, you may want to give serious thought to setting up an account in your child's name. The money placed in this account reduces the amount of tax you pay and it benefits your child.

If you owe, start putting aside your money now so that writing the check in April will be easier. Also, start planning for 1996 taxes. If you owe for 1995, there is a good chance you'll owe again, so establish your savings plan now. Before you get too stressed out, give the IRS a call. In most cases, they can arrange for you to pay what you owe in manageable installments.

To prevent owing again next year, consider adjusting your withholding. You can make changes any time during the year by asking your employer

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BUSINESS TO BUSINESS

If you have an idea for a business story, call: Herbert L. White or John Minter at 376-0496.