



The How's & Why's of Starting Your Own Amusement Rental Company

By Chuck Ford, co-owner of the Gymnastics Training of Simsbury, Connecticut and Innovative Inflatables, (860) 658-7340

Many of you have already purchased an inflatable or two for your gym and are now wondering what the next step is. By now, you are using your inflatables to help develop your programs, increase your birthday party fees, and promote your gym at fairs and special events. But what's next? The answer may be to start your own rental company separate from your gym. Why, you ask? Well, let me tell you some of the reasons that I started a new company.

Seven years ago, I started looking around for ways to increase my income to help get me ready for the increase in expenses that comes with three teenage girls. You know the ones I'm talking about: college tuitions, cars, and maybe a little for my retirement! So, I started Innovative Inflatables and I was able to bring my children into the company as part owners. This allows me to do a lot of things that have saved me money. First, it enabled me to move money out of my tax bracket and into a much lower bracket, in most cases, with no social security tax. It also allowed me to lease cars through the company for my children (with what was previously considered tax dollars) and write off the insurance as well. Getting the idea? Did I mention that we have corporate meetings several times a year? Our last one was this past November in the Bahamas! These are just a few of the expenses that you can write off with your new business. Cell phones, meals, gas, computers, and the list goes on and on. But, there is more . .

Need to move some of your profits from your C corporation to a lower tax bracket? By charging your gymnastics school for using the inflatables, you can move money from your high tax bracket, or the famous "double tax," and move it to the lower tax brackets of your children. How much money can you really expect to save? Well, let's look at some numbers:

- Let's say you have a \$30,000 profit that you can either take out as payroll, or pay the corporate tax on it. The corporate tax doesn't make sense because the money stays in the company after you've paid the corporate tax. Your gain? Zero! So, let's look at taking it out as payroll.
- You are in a 24% tax bracket and you have to pay the 7.5% social security tax, plus your company must also pay an additional 7.5%. So, it works out like this:

\$30,000 (starting profit)
 - **\$7,200 (Federal)**
 - **\$2,250 (SS personal)**
 - **\$2,250 (SS corporate)**

\$18,300 (take home)

OUCH!

Now, let's look at moving it out to your family company.

- You own 25% and your family owns the other 75%.

\$7,500 (your share)

Compare this total to the Federal + Social Security (personal and corporate) taxes, and there is a savings of \$6,525! (There is no social security payment!)

x 24%

\$1,800 (your tax)

Although my numbers might not be exactly right for your company, I think you get the picture. Talk to your accountant before doing anything on your own. He/she may have a few ideas that will assist you even more.

\$22,500 (family's share)

x 15%

\$3,375 (family's share)

You'll notice that we managed to make a profit without even renting out a single inflatable! So, let's talk about renting a few inflatables. Why should people rent from you instead of the local rental company? The answer walks in your door every day. Clients! Or, in this case, lots of kids. The clients who will rent are already coming to your facility and, right now, they are giving their money to someone else!

\$3,375 (family's tax)

+\$1,800 (your tax)

\$5,175 (total taxes paid)

You can expect to rent to at least 10% of your clients, plus another 5% from people who attend a function where you had your inflatable. You do the numbers, and multiply them by at least \$150.00 (rental fee). Now, you're increasing your profit and getting to keep more money than ever. Inflatables and an amusement rental company are the perfect combination for any size gymnastics school. You have little or no risk with the potential for a large return on your investment. Think about it and stop that money from going somewhere else. If you maximize your clients the same way you maximize your gym space and time, you are sure to make money.

So, how much money can you expect to make over, say, three years? Using three inflatables: Castle Maze, 15'x15' bouncer, and 55' Caterpillar, renting them out for \$125, \$160, \$220, twice a week, during a six-month period, will result in an income of over \$50,000 on an investment of \$12,000. This is a 350% gain on your investment!! Remember, this does not include any additional income generated by using the pieces in your programs, birthday parties, or town fairs.

Inflatables are the perfect complement to your gymnastics school and will assist you in expanding your programs and income base. Don't wait for everyone else to have them before you decide it's a good idea. Start inflating your profits today!