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# How to Start a Business While on Unemployment

Depending on your state, you may be limited in how much money you can make while receiving unemployment benefits—but you may also access free resources to put you on the road to self-employment.

by Diane Faulkner

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While losing your job may be devastating, it opens up the possibility of doing something you love—and getting paid for it. Many people think it's impossible to start their own business while on unemployment. It isn't.

Will Ward, an entrepreneur and CEO of **Translation Equipment HQ**, has founded multiple businesses. "Though unfortunate, unemployment can be a great opportunity to take the entrepreneurial route," he says.



## Restrictions on Starting a Business While on Unemployment

"There's no prohibition that denies people the right to **start a business** during unemployment," Ward says. "The only restriction will be in terms of the amount of available time you have to invest in your business."

Your time might be limited because of the requirement that you actively seek employment—and be available if a job presents itself—while you're receiving unemployment benefits. The exact requirements vary based on your state labor department's rules. Look up your state's requirements on the U.S. Department of Labor's website, [CareerOneStop](#).

One thing you can count on is that, should you make any money from your new venture while **receiving unemployment benefits**, you will have to report those funds to the unemployment office. Depending on your state, your benefits could decrease or disappear.

Samuel Otto, CPA and founder of **Uncle Sam's Accounting**, shares his experience.

"During the first several weeks of setting up my business, I did not generate much in the way of revenue," he says. "So I filed for unemployment. I did report the little revenue I had gotten and the fact that I was doing some self-employment. I was still granted the normal unemployment benefits, plus the \$600 pandemic assistance. After several weeks, I started earning an income again. I stopped filing for unemployment as, ethically and legally, I no longer needed the benefits."

## Where Can You Find Clients?

**Marketing can be challenging** for first-time business owners. One way to learn how to market your business is to contact your local **SCORE** office, an organization of retired executives who volunteer to **mentor new business owners** in every aspect of starting and maintaining a business.

In the meantime, and "depending upon your skillset," says Joni Holderman, professional résumé writer and founder of **Thrive! Résumés**, "freelance sites like Upwork or Guru can help you land those first few clients."

## What Resources Are Available?

Some states, Ward says, offer **Self-Employment Assistance (SEA)** programs that encourage and enable unemployed workers to create their own jobs by starting small businesses.

To participate in SEA programs, you must be eligible for unemployment insurance. According to the U.S. Department of Labor's **SEA website**, "Individuals may even be eligible if they are engaged full time in self-employment activities—including entrepreneurial training, business counseling, and technical assistance."

**SEA** benefits equal the same weekly amounts as regular unemployment insurance benefits. The main difference is that you receive SEA benefits if you are working full time on starting a business instead of looking for a salaried job.

To file a SEA claim, contact your state's unemployment agency as soon as possible after becoming unemployed and ask whether a SEA operates in your state.

The only states currently participating in SEAs are:

- Delaware
- Mississippi
- New Hampshire
- New York
- Oregon

Another resource is your local Small Business Development Center (SBDC), which works in partnership with the U.S. Department of Labor's Small Business Administration.

Through **America's SBDC**, you can find a counselor to lead you through the steps of business planning.

Other free resources include:

- [U.S. Small Business Administration](#)
- [National Federation of Independent Business](#)
- [National Association for the Self-Employed](#)

Starting your new business won't be easy. It will take thought, money, and a lot of legwork, but if you use the free resources available to you, especially finding a mentor through SCORE, you could quickly become your own boss.

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About the Author

**Diane Faulkner**

Diane Faulkner is a ghostwriter, content marketing strategist, and editor based in Jacksonville, Florida. She specialize...

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