SMART MONEY MANAGEMENT

Smart Money Management
HOW TO MAKE AND KEEP MORE!

WENDY CASSERA
Session 5: Smart Money Management

Pat: Up to this point we've been talking a lot about how you can structure your business, manage your mindset, set goals and work on potentially delegating information or tasks to other people. Tonight Wendy's going to talk about some of the practical things that we all need to know as business owners.

I have to say that in my business experience my husband has always managed the money part. It has made me realize how little I know and how much I need to know. I'm working with a coach now who has asked me to create a budget for the year, project expenses and income, so it means digging into all corners and figuring out what my monthly expenses are. I'm particularly interested in hearing what Wendy has to say about managing money. It's something that you as a business owner need to be paying very close attention to. I don't recommend what I've done over the last 25 years of having a spouse manage it all because you really do need to understand where the money is going, what's coming in and types of deductions that you are entitled to take. So with that, I will turn this over to Wendy.

Wendy: Thank you very much, Pat.

As Pat said my name is Wendy Cassara and I'm the owner of "Taxpectations Incorporated". I deal with people's money. My company does bookkeeping, accounting and taxes, as you see my tagline "Because All Roads Lead to Taxes". I always do the bookkeeping and accounting with the taxes in mind. When discussing money matters, I also use that as kind of a pathway to managing the money.
I've been doing bookkeeping, accounting and taxes for over 30 years all over the United States and in Canada. I work with small to mid-size businesses, so some of them are solo entrepreneurs doing it all on their own up to mid, medium sized businesses. I also have a talk show on Blog Talk Radio. I'm on the Money and More Network I've created and I go on every Saturday, but my shows are archived so you can listen to them anytime. Sometimes they talk about taxes. Sometimes they talk about success in different forms, budgeting and all kinds of things, including what we're going to go over tonight.

[Slide 2]

My talk this evening is going to be on "Smart Money Management: How to Make and Keep More". One of the big tools is having simple and easy ways to manage and understand your money. We're going to create some tools that are going to help you to grow your money and therefore your business.

[Slide 3]

One of the other things that I talk about a lot is that these techniques that I'm going to talk about for your business can also be used in your personal life and your personal finances. They all have to work together in order to accomplish your goals. You can't have one without the other. If you can work them together it's going to make it so much easier for you to get to where you want to go, especially those of us who are entrepreneurs, running a business and living our personal life all at the same time.

[Slide 4]

We're going to learn tonight how to identify and choose a simple and easy way to track your money and set a budget. You're going to get
some tips and tricks to understanding your money, how to refine your financial goals and use powerful techniques to achieve them.

[Slide 5]

Right now let's "Identify and Choose" a simple and easy way to track your money and set budgets.

How do we make it simple?

That's a really interesting question because a lot of people freeze up when they hear money, taxes, budgets or any of those things.

• We need to make it simple and easy so that you'll do it.

That is something that you will actually do. If I go out and tell you to get a complicated accounting program, keep track of everything and in this format do double-entry systems with an accounting system you're all going to sit there with your mouth open and go "What?" Not to mention that if you don't speak at all because you're speechless you're probably not going to do what needs to be done, so we need to find simple and easy.

• Since all of us have different personalities your personality has to play a part in it.

I had an engineer who came into my office with a very complex, complete Excel spreadsheet that was absolutely beautiful and we'll talk about that later. That was what she liked and she understood. She was freaking out because somebody told her that she had to use accounting software and couldn't use the spreadsheets anymore, which is not true but that fit with her personality.

The second thing that we're going to take in to consideration are the organizational type factors.
There are some of those that are personal organization, like how you have your desk arranged and where you put your receipts because that's a very important part of it. I talk on my show about a program called Money Monday's where you have an inbox for all of your receipts and paperwork that come in the door. All the mail and everything get put in there for when you sit down to have your Money Date. (You should all have a date with your money. Money loves to be paid attention to.) You can sit down with that stack that's right at your left hand or right hand or wherever you put it and you have it right there to come in and out of. Organizational Type also means "Business Type".

- Do you have a sole proprietor?
- Are you in a partnership?
- Are you going with a corporation or a non-profit?

Those things need to be taken into consideration. I know that a lot of people listening are smaller businesses, but non-profit bookkeeping has to be done slightly a little bit different than a for-profit business. Those are both organizational and I should've specified on the slide - both personal organizational type and of course what kind of business your company is.

- Again, let's stress that it needs to definitely be something that you will actually do, so it has to be easy for you.

[Slide 6]

There are lots of different methods of tracking and I'm going to kind of review those. The first is obvious:

- Accounting Software
There are programs like QuickBooks which they have in various versions. QuickBooks Online so that you can access it anywhere online from anywhere or you have QuickBooks desktop which is a little bit more comprehensive. It allows you to do just a little bit more and there are ways that you can share that with a different computer, with your accountant or whatever it is you're doing.

There are other accounting programs like Wave Accounting, Xero and Freshbooks. Those are just different accounting software programs. Wave I understand is a free software program that allows you to do invoicing and such. Xero and Freshbooks both are a monthly subscription, but again you’re putting all of this stuff in yourself. If you were at the point where your organizational skills and your personality say that an accounting software makes much more sense for you, then that is a really good method of tracking for you.

[Slide 7]

- Another one is "Spreadsheets".

I talked about the Excel spreadsheet the engineer had. Hers were way bigger, stronger and longer than they needed to be. But I've also seen some other Excel spreadsheets where somebody just made a row at the top that said postage and she'd put in every time she spent postage so that it would add itself at the bottom of the page, which will be by category or each month had its own tab so she can put all of the expenses. She would put down the left-hand side each category and how much she spent by month. Of course you can also do it business and personal. You can put all twelve months in various columns, January thru December and categories down the left side.
There are a lot of different ways to do that and a spreadsheet allows you flexibility. You could put those spreadsheets in something like a Google Doc or one of those so you can access it from other computers, your tablets and wherever else you are. That kind of makes that a little bit easy if that's something that trips your trigger and actually works for you then that would be important and you can do it that way.

[Slide 8]

• Another is a "Calendar".

I know that this one is a very simplified method, but it is very effective. I put "Franklin Covey" on the first tab here. I have a client and she is a fitness instructor. She goes no one in the world without her Franklin Covey. She writes all of her appointments in this calendar. She writes everything down. When I sat down with her because she was saying I need a method of bookkeeping and doesn't do a lot with computers. She's out and about. She does classes, goes to The Y and has different fitness areas that she works out of. She's also a personal trainer so she goes to people's homes. We took her Franklin Covey and up in the left-hand side we made a square on every page. At the top of the square she writes in her income for that day, so how many personal trainer accounts did she get and how much money did she make from personal training.

Did she go to The Y and teach a class? How many dollars did she get for that day?

It's whatever she did for that day and then she has a line across the middle and then she writes down that she went to Office Depot and spent $12 on paper. She went to the U. S. Post Office and spent $7.50 on postage. It's whatever she did that day. Now of course on the other side is the calendar itself so she's writing down all
of her appointments so she knows that every Wednesday she goes to The Y. She does here bookkeeping once a month. I suggested more often and we'll talk about timing in a bit, but taking her calendar she can then go on to Google Maps or MapQuest or something and say "Okay, The Y is here, here's my house and this is how many miles it is to The Y." She writes down 11 miles and she knows that you get back and forth. When I go to do her tax return, I take her Franklin Covey and it’s even got the millage written in there because that is a wonderful tax deduction.

I will sidebar for a moment and say that is one of the most important tax deductions that any entrepreneur or sole-entrepreneur can take. It's a very good one, especially for those of us who are in service industries. Make sure that you keep track of your millage and find a way that works for you, a mileage log, or record car repairs. Once a month write down the mileage.

Use a Day Planner and your electronic calendar. I keep an electronic calendar on my phone. I use Google Calendars. It syncs up with my computer at my house on my desktop in my office or whichever way that you want to do it. Even desk calendars, the big ones that you keep on your desk or you keep in your purse can work.

Calendars are a great way to keep track of a lot of things. If you decide that you want to do your bookkeeping by other means - for instance - back to the accounting software or your Excel spreadsheet or whatever, calendars also can work just for the mileage in and of itself. But certainly if you're traveling outside of your area you need to know how many days you were gone and where you went because one of the other deductions can be per diem for instance for travel. It's very important to keep one and you can keep a lot of information.
The next thing is a "Money Log" and a "Revenue Log". These are simplified and if you notice I went from the complicated bookkeeping accounting software all the way down. On my website there are some pages that you can download onto your computer or printer. A money log, a revenue log and it's basically using Notebook, Tablet and paper. Your money log is where you're going to track your finances and we're going to talk about the tracking of it in a little bit. "Money Log" is just the expenses.

What did you spend your money on? That is very important as Pat was talking about earlier, knowing where your money is and where it went.

The "Revenue Log" is "Where did it come from?"

I used the example of the fitness instructor. She has revenue coming in from several places. She is a rep for one of those supplement companies and sells some of their supplements and gets money from that. When you're doing your tracking you need to make sure that when you're doing it that you track it all.

The money that's coming in, is it from your husband's job or your job or is it from this service or that service?

For instance, I have bookkeeping, accounting, financial, consulting and tax services. I keep track of where in those four sections that my money comes from. That also helps you because it lets you know how you are making your money, what's making the most money and do you want to keep doing that. We'll go a little bit further into there.

Pat, I think we are ready for the very first polling question then.
[Polling Question 1]

**Pat:** Okay, perfect. So this shows on your screen and we’re asking you “Which is not a factor when making your money tracking simple?”

There are three choices there. Please select the factor that you think is not applicable and while people are voting, Wendy, I had a question and maybe you'll go into this in terms of per diem methods of capturing expenses when you're traveling. Could you just explain that a little bit?

**Wendy:** Bigger companies will tell their people they have, for instance, a $50 a day allowance to pay for their meals and such. The United States government has an allowance if you're gone over a certain length away from your primary place of business and you're going there for a business purpose. Say for instance I decide to come visit you, Pat, to go over your books with you and talk about taxes and that sort of thing and I end up being there for three days. Because I'm away from my home the government allows me a certain amount for travel, for hotels and for food.

On the IRS website is actually a spot where you can look up per diem and it will tell you how much you're allotted or allowed for that. Now you have to be able to prove, of course, that you've gone there, but each state and each country has a different rate. It is a tax deductible expense. Now you can take the expense that is the actual expense, so it is actually what you spent on food, actually what you spend at the hotel and what you spent on essentials while you were there. You do have the option of checking on the IRS website what the per diem rate is in that state for that amount of time. So for instance if I went there for three days and two nights, I could take the per diem for the two nights because you only get the nightly thing. I don't
know why they don't do the full day. They assume you would be home the next day to eat, but I will then take and look up your state and the per diem rate. I could put that on my tax return as a tax deduction instead of taking the actual lunch receipt that I ate at McDonald's or the hotel receipt.

Does that answer your question?

**Pat:** Yes, it does. Thank you.

I'm going to close the poll now and share the results. We have 11% who said personality, 22% who said type of organization and 67% who said type of industry.

**Wendy:** Okay so the type of industry is the correct answer. The type of industry doesn't make a difference when you're attempting to actually track your money. We use personality and organizational type because that is a way to make things simple and easy for you using factors built into those. So the question was, "What is not one of those?"

**Pat:** Correct.

All right, let's continue.

[Slide 10]

**Wendy:** I put "Of Note" on here simply because I thought it would stand out half a little bit.

- Tracking your money is a key to success for any business or for any goal,

As Pat stated when she started, her coach and most every business coach (and if they don't you need a different one) will tell you that in order to reach your goals you have to know where you are. You
have to know what your income is and you have to know what your expenses are. You also talked, Pat, about a budget which we are going to talk about a little bit this evening. Without knowing where you are in the scheme of everything, it's very hard to know where you're going. Again, if you're getting in your car, you're going down the road and you're going on a trip you don't just put stuff in your car and say "Okay, we're going on vacation now" and start driving down the road with no destination in mind.

Did you pack clothes for the beach or did you pack clothes for the mountains? Where are you going?

If you're going to have a goal you have to know where you started from in order to create that map. I recommend you do your tracking. I'm going to use the example of the "Money Log" and the "Revenue Log" because they're simplified methods of doing this. However you do it, you should probably go back 30 to 45 days and track. The reason that I marked it as 45 days instead of just 30 is because there's always bills that you pay. For instance, you pay your rent on the first but last month you actually paid it on the 28th of the month before, so if you went back 30 days you would have missed that and it won't be part of your plan. You need a full month's worth of expenses so you know exactly where you are.

This part is probably the most important part. Find out where you are. Put down on that "Money Log" every single penny you spent and what you spent it on. For instance you're on your way to see a client. Your stomach is grumbling. You stop at the gas station and you spent $4.37 on a soda and a candy bar. You need to put that down on your "Money Log". Be specific and be honest with yourself when you're tracking your money. Find out where it's going. Part of the tools and part of keeping your money
and making more is knowing where it's at. You will be very surprised if you tracked your money for 40 to 45 days where it is.

Where did you spend it? The first time I did this I've been doing bookkeeping for a long time and I did it on bookkeeping and accounting software. I was doing that and a few years ago I broke off and started doing things a little bit differently, the mainstream accounting.

I decided I was going to use my sister for a guinea pig. She lives in Southern California and she's very high up in a very large corporation. I said "Okay, you're always complaining that you don't have money. Let's find out where it went." We went to her bank statement. We printed out the bank statement for last month, gathered up all of her receipts because she's like me and keeps everything. You should always keep everything. We gathered everything, her debit cards, credit cards and every penny for the entire month. We made this spreadsheet on this money log and we put down every time she went out for anything, a pack of gum, it didn't make any difference.

We discovered that one of her vices was going to Starbucks and getting a cup of coffee and a scone. Over the course of the month she spent almost $225 at Starbucks and she had no idea. If you're only spending $3 or $4 it's only like $3 or $4 it's no big deal, but if you add all of that stuff up it makes a really big difference. Go back 30 to 45 days and track every penny. Gather every piece of paper and find out where your money is.

Where are you spending your money? Take that "Money Log" by the day or however you do it that makes it easy for you and literally put Day 1 thru 30 down the side. When you look at the "Revenue Log" and the "Money Log" both if you download them off my site it will have days 1 thru 30 down the side, so write
everything you spend it on each and every day and then you can go back through them, the money log especially, and add up all the gas station visits, all the Starbucks visits.

How many times did you grab something to eat out of McDonald's instead of taking leftovers from home from last night? Find out where your money is. It's really, really super important.

Pat: Wendy, we have a question about how you manage or make allowances for bills that are paid quarterly instead of monthly?

Wendy: One of the things I recommend with that is if you know it's something, like for instance a lot of people will pay their car insurance three months or six months at a time. If you paid $300 for three months’ worth of insurance you should put $100 in that month because technically you're spending it for that 30 days just so you can have a clean, clear idea of what you spend. That's the best thing, is to average it out over the length of time so if it's a bill you pay every six months, divide it by six and use that amount.

Does that help?

Pat: Yes, it does. Thank you.

Wendy: You're welcome. Thank you.

[Slide 11]

- Bank statements
- Credit card statements
- Cash receipts
Make sure that you have "Personal and Business" because chances are, especially for sole entrepreneurs and some of our small business owners we mix and we really shouldn’t. That’s a whole meeting for a whole nother day, but don’t mix your business and personal finances together. And the reason is, is because if you don’t treat your business like a business the IRS doesn’t have to. Also, when you're tracking everything make sure that you track money that your spouse or significant other and dependents are spending. Because what you're doing right now is you're attempting to determine where every penny is going.

When I created a budget for my fitness instructor - she's got a beautiful little girl - we have a line on her budget that says the money that she spends on her little girl. We took in consideration her dance lessons and some of the other things that her daughter likes to do. She does the envelope system, again that's a side track but her daughter is 8 years old and she now knows that when the money in the envelope is gone for the month that's all she gets to spend, so it's kind of cute. But when you're counting your money make sure that you're including the money that your spouse, dependants and other household members are spending.

[Slide 12]

- Go forward 30 to 45 days and track.

So after you've done this, after you've written everything down and you know what you did the last 30 to 45 days you kind of have a good idea of what you're spending and what kind of adjustments you want to make. Now that's not complete, but you kind of have an idea. Again, take the next 30 to 45 days, go forward and track it again.
Every penny coming in and going out, what is your money and where is your money? “What is your money” is more of a revenue question. If you look at the “Revenue Log” you’re going to have days 1 thru 30. Day 1 can be your husband’s paycheck and the $5.67 interest that you got for the previous month on your bank account or a refund you got at Target. Whatever it is, it needs to go on that revenue tracking system. For entrepreneurs it's really cool to use that sheet.

I'm a corporation now and I still use that revenue tracking sheet. The reason why is because there are days where there's nothing on the line. Day 4 of the month comes up and that line is blank, it's a contest within myself to see if I can fill that line every single month. I'm working on every month having money on every single line. It helps you and it's a good motivator. As soon as you're done and you know where you are, now you're going to go forward and track those as well. We're going to talk about that a little bit more when we talk about budgets.

[Slide 13]

Keep these things in mind:

- It needs to be something that you'll use regularly, something that you'll definitely use
  - Something that's simple for you
  - Not time consuming

I don't know how many times I've heard people going, "I spend two or three hours every evening doing this." If you're spending that much time, you're not doing it right. The bottom line is there is no right or wrong. However you're doing it is going to be right for you. If it just means taking out a yellow lined tablet and
writing it all on there every single day until your tablet is full and you have to buy another one, that's okay. If you're using accounting software or you're just using your calendar, whatever it is find something that works for you because it's the only thing that's going to work. If it doesn't work for you and if it's not easy to use and if it takes two, three or four hours every single day then you need to find something else. We're going to talk about that a little bit later when we get to revisions and checking what we're doing.

- It must be understandable and financially inclusive.

Pat, do we want to go on with the next polling question then please?

Pat: Why don't you continue on Wendy? I have to change my view to be able to show those questions.

Wendy: No problem at all.

[Slide 14]

"Budgets"

I put a lot of information on here. It's just a little bit of information on "Budgets".

The definition: "Budgets are the mechanism by which management control of an organization is possible."

That was one of the quotes that I got when I was looking up the definition of budgets. Budgets mean a lot of things to a lot of different people. There are different types of budgets.

- Revenue and Sales Budgets
You're budgeting what money is coming in and by what area it is - for instance "Products and Services". You can even break down the types of service and I'll use me as an example. I have bookkeeping, accounting, consulting and taxes. Those would all be different services, so I could take my budget and break it down. We're going to see in a little while a worksheet that I'm going to use to help you do that will break down those services and how much income and revenue come in from each of those services.

- There are budgets that are strictly for the "Purchases of your Cost of Goods"

For instance say you're the owner of a bike shop and you need to find out how much it costs for all the parts for the bikes and that kind of thing. For service businesses "Cost of Goods Budgets" are things like I use my tax software, my accountant software and different things like that. I use a lot of paper. I still print a lot of things. But different kinds of things like that are considered "Cost of Goods" and that is a long section in itself. "Cost of Goods" can be very confusing to some people, but it's basically what it takes to make your product or make your service work.

- Operating Expenses Budgets

What does it cost to keep your business running?

That's things like the rent, the payroll, insurance, advertising and all those things. Those go under "Operating Expenses".

Now most of us here today on this call are smaller businesses, so you're probably going to combine all of your budgets together in one workbook. You're not going to really break them out as a lot of companies do, but they are all these different types of things.
They are important for the overall plan when you're talking about "Budgets", so I wanted to share a little bit about that with you.

[Polling Question 2]

**Pat:** Okay and what I will do is launch this poll. This is a quick review. "How many days' income and expenses should you track to start?"

You got some choices there in terms of timeframes. Please select the answer that you think is correct based on what Wendy has been sharing with you. I see, Wendy, that we have complete comprehension on this one. Let's look at the results.

The results are 100% of the people selected 30 to 45 days.

**Wendy:** Yea I like it! Very, very good!

That tracking of that 30 to 45 days - you're going to be amazed. I look forward to hearing from anyone who has some success with that or questions with that later as you go along.

[Slide 15]

Tracking up to budgets and we're going to jump back on to budgets here.

"Tips and Tricks for your Budgets"

This is really for the whole thing, for tracking your money and for all of this. I put it into this time because we're kind of narrowing things down and we're focusing in more.

- Make sure that you're flexible.

Life happens when you're making other plans. I'm quite certain that there's not one person on the line that doesn't understand that, so
make sure that you can be flexible with your budget and your money as you go along.

- Review that it is consistent with your goals.

For instance you are attempting to grow your business by 100% but you're deciding to go from no employees to 10 employees overnight, you're not going to get a whole lot of profit out of that. That's an exaggerated example, but just make sure that when you are creating your budget and you're dealing with your budget that it is consistent with the goals that you are creating.

- There are certain types of goals and budgets that you need to set. Start with the "Short Term" which is this year only and then when it's running smoothly advance to "Medium Term" which is 1 to 5 years and then on to "Long Term" 5+ years

For the first year or two you're probably going to be revising your budget quite a bit, so keep going with that "Short Term" until you get to the point where it is running smoothly. You may stop depending on your coach or depending on what you're looking at. You say, "Okay, in 10 years I plan to be a million dollar business" and you may be adjusting that first year or that "Medium Term" a bit to get there, but make sure before you get too involved in whether or not you're meeting your "Medium or Long Term" goals that your "Short Term" are running smoothly.

- Knowing where you are is key.

Find out where you are and we're going to talk a little bit about changes to that shortly.

[Slide 16]
You need to account for seasonality and trends.

For instance I recently did a tax return for a lady who sells Christmas ornaments. She works October, November and December, so putting the same amount of budget in February and March is not going to work for her. Most of her expenses, most of her cost and most of her income comes in during the last three months of the year. When I'm doing her budget with her, we have to account for the fact that January thru June she makes very little money but still needs to keep her business running.

How do we account for that and make those kinds of adjustments for seasonality and trends? That goes along with just about anything. November and December as an accountant and tax person are pretty much dead for me. I have to account for that when I'm doing my budget and understanding money coming in and expenses going out because I can't just not pay any bills for two months. The electric company doesn't like it when you do that, so those are the kinds of things that you have to keep an eye on.

Plan for performance, also how you're doing, how well you're doing, how well the system's doing.

Performance includes things like the economy and all those other things. You don't want to make it too complicated. I know I'm kind of making it sound like it is, but it's really not.

Take into consideration employees and team members.

These are all parts of things that happen as life go on every single day, so they're important that you take them into consideration when you're planning your budget.
The last line is very important because to me it really is. It is amazing the number of people who create a budget and don't account for the value of their time - time with family, friends, colleagues, events, birthdays, anniversaries, holidays, Bar Mitzvahs, graduation from high school or whatever the case may be, these are all family things and friend things that you need to make a part of your life so they need to be a part of your budget.

We're going to talk more about different kinds of things that you're going to budget for. I didn't want to get a whole lot into goals, but events can include the trip to Disneyland with your kids and with your family. Part of your goal and part of your budget is setting aside money to be able to do those kinds of things. I put down "the Value of your Time" because one of the things you also have to account for is, is this something that you absolutely have to do or is this something that you can delegate to someone else?

For instance I know that you guys have heard and talked to Marianne Costello and she has The VA Collaborative, which are virtual assistants who can help you with things and the importance of being able to delegate that. I'm sure she talked about it as well, when you're budgeting for the value of your time. When we talked earlier about tracking and about actually putting all of your accounting stuff together, if you're spending four or five hours doing this because you actually do have four or five hours of work because you've grown that big, then it's time to think about getting a bookkeeper, getting an outside service or bringing someone in-house depending upon your needs. Value your time. You need to spend that time with your family, friends and doing your thing.
**Pat:** Wendy, one of the things that affects our audience of legal nurse consultants is the cash flow issues that come up when we invoice attorneys for the work that we've performed for them and then we wait for payment. Sometimes we wait and wait and wait for a payment. It can be delayed as much as a year in some occasions or longer. If we work for the defense attorneys, the insurance companies may have their own method of paying their bills. They may, for example, choose to pay their bill quarterly and it depends upon where they are in that cycle in terms of how long the legal nurse consultant has to wait for payment. Our financial performance can be caught up in this continual cycle of trying to collect.

One of the ways that I have gotten around this in my business is to require retainers that have to be replenished once three-quarters of the retainer is used up. The attorney needs to send another retainer in order for the work to continue and that has dramatically decreased the cycle of collections. But there are some attorneys and some insurance companies that don't want to adhere to that plan, which then keeps the company in this continual cycle of chasing money.

**Wendy:** That would be a very difficult process. I know some of the things that I recommend in some cases like that as well is if you have a contract with an attorney and you know he's going to pay 60, 90 or even 120 days out or more, that makes it even more important to do the budget. You need to know that I'm going to work for 40 hours right now and I'm not going to get the money until May 1st for instance, so that on your budget you're actually taking that money you made this week and putting it as income in May. Even though May hasn't happened yet, when you're doing your expenses then you know that money is coming in, in May and there may or may not be several instances of that. For instance, you got money coming in April that you've earned in January or last November.
Do they for the most part at least have a cycle, like they say they pay in 90 days? I know with government contracts, because I've done some government work, they'll tell me it's sometimes six months, but I know that in six months I'm getting that money.

Does that happen for you guys in that way?

**Pat:** I don't know that attorneys necessarily will project that way and say I'll pay you in 30 or 60 days. Sometimes the plaintiff attorneys won't pay their bills until they settle a case and they are flush with money. They'll get caught up on all the cases in which they owed their vendors money, so it's the unpredictability that makes it very difficult for some legal nurse consultants whose audience has that type of a cash flow issue. There could be judges ...for example in our state there were vacancies on the benches and there was a political issue going on with our governor who wasn't putting judges on those benches. The plaintiff attorneys couldn't try cases and therefore they didn't have the cash flow to be able to pay for cases that they already had in the pipeline. That set back a whole group of attorneys in our state for about a year. It's variables like that that can be very challenging when you talk about trying to project revenue and you've got fixed expenses but then you got clients who are not paying their bills. You can threaten them with 1½% interest per month and sometimes they pay the interest along with the invoice and sometimes they leave off the interest and they pay the bill.

I know it's not confined to legal nurse consulting, but it's one of the challenges of being in a small business is having that cash flow be such a prime issue. If you are not working full time or if this is your sole source of income, then cash flow becomes very, very important. Maybe that helps to govern which clients you'll work with and some people you'll choose simply not to take their work because they have a history of being a poor payer.
Wendy: Right and that's very true. One of the good things about doing what we're doing as far as tracking and budgeting is you knowing how much money you have. I know that next week I have $1,500 worth of bills going out. I have to make $1,500 next week. I have to find a way one way or the other. If it's selling the cat on Amazon, I've got to but I wouldn't do that.

Pat: Wow, is your cat worth that much money, $1500?

Wendy: No. I don't have a cat. I already sold it on Amazon.

That's also part of the beauty of doing this 'Tracking and Budgeting' because it gives you finite numbers. It helps relieve the stress knowing even if you're in the red or even if you're in the 'Oh my God there's no way'. If you know what's going to happen, taking the fear of guessing and stressing out makes a lot of difference. It's going to let you know how much money you have to make so that you can decide whether or not to take on those clients or how many of those kinds of clients you can take on so that your cash flow continues. I have occasionally needed to take a part time bartending job in my past during November and December to keep up with that little bit of time when I don't get very much money from anyone. Those are my low months, so that's part of what that helps with.

[Slide 17]

Again, "Setting these Milestones":

- Monthly
- Quarterly
- Annually
You're going to stop and you're going to say "Okay, what does it look like and is this working for me? Is this flow working? Is the revenue that's coming in, is it actually what I projected it to be? Are the expenses remaining or staying kind of around the same area that I thought they were going to be?"

You need to do this monthly, quarterly and annually. Your budgets, your goals and all of that should be reviewed on that regular basis.

[Slide 18]

When you're doing this review you're going to compare your actual finances to the budget that you set. It's going to be able to help you answer those questions like you said your flow is not as good as you would like it to be. It doesn't come in as fast as you thought it was going to be.

What do you need to do? You need to find a remedy. What can we change? For instance your entertainment budget, can you lessen your entertainment budget this month? Can you turn off the cable a couple of months so you can get caught back up?

What remedy do you need to find to get your budget back on track if your revenue is low or if your expenses are not quite what you thought they would be?

For instance, your landlord decides to raise the rent or you decided to budget $1,000 for advertising and it turns out you spent $200 and it got you all the clients you need and you don't need the rest, so you have that extra $800.

Yes, it does happen. We find extra money sometimes too.

Where can we put it, that it would do the most good so that we can reach the goals that we're hoping to attain?
[Slide 19]

Where can the revisions be made? Which sections in the income and the expenses?

Ask yourself what is the cause of the adjustment needed?

- What caused it to go this way?
  - Do you need to permanently adjust or is it a temporary adjustment that's needed?
  - What kind of adjustment needs to go and where does it need to go into your overall plan?

[Slide 20]

Your financial goals need to include where you see yourself in your business in 3 months, 6 months and a year.

- What's it going to take to get there?
  - How much income?
  - What sources, including what percentages and the amount of them?
  - How many sales do you have to make to make that amount per month, per week and per day?

We're going to look at that in a second. Pat, would you like to do the last polling question before we get started on that?

[Polling Question 3]

**Pat:** All right here is the question. "How often do you review and revise your goals?"
We're talking about your financial goes here: the choices are monthly, quarterly, annually and "I don't have goals." This is not how often *should* you review them, but how often *do* you review them and revise your goals. This is really focused on what you're really doing as opposed to what Wendy has just told you that you should be doing.

That's a great question, Wendy. It certainly highlights the importance of careful scrutiny. I think if I had been doing that I wouldn't have spent thousands of dollars on educational programs because I would've had a budget that would have told me how many dollars I could spend that month. That's really an important concept.

**Wendy:** It is amazing when you discover what you've been spending your money on and what you can get away with spending your money on. It's also very empowering because if the Yellow Page's guy calls and says, “Place an ad” and he's attempting to pressure you, you can say "I apologize but my budget for my advertising this month has already been spent. I can no longer put any more money into it." Put it off on your budget. Put it off of your accountant. Your accountant set you with a budget, this is all you have and it's spent. "Thank you very much and have a nice day. Stop bothering me."

It also helps you with coworkers, colleagues and sometimes even the spouse. "You know what we've got all these bills due next week and this is the money that's coming in next week. We can't go to Disneyland or to the prime steakhouse tonight because this is what we have." It makes answering all those kinds of questions easier for you. It saves you money in the long run.

**Pat:** Let's look at the results. Monthly was picked by 33% of the people, quarterly by 44%, annually 11% and I don't have goals 11%. 
Terrific! Thank you for your honesty.

**Wendy:** Yes, it's very nice. It is kind of interesting to see. As we said at the very beginning personalizing all of this is very important, so it's kind of nice to see that the monthly and the quarterly especially in there.

For those of you that answered that you don't have goals, I think it's really kind of important and we're going to be talking about that here in a little bit. It's really hard to go on vacation if you just get in your car and start driving if you don't know where you're headed for.

Finding a goal and knowing where you want to go is half the battle. There are people of all ages that spend a lot of time going "What do I want to be when I grow up" and that is subject to change. That's one of the very surefire ways with things in life. Change is inevitable, so you might want to change that. As you grow in your business, as you grow as a person you're going to want to change your goals: your financial goals, your business goals and your personal goals because as we change we want changes also. I do encourage you to take some time on a regular basis either monthly or quarterly and review your goals and figure out where you want to go.

We're going to look at a really neat sheet and I broke it up over two slides because it got a little bit of some calculations to it. Yes, there's math involved, so let me show you this sheet.

[Slide 21]

This is really great for figuring out your revenue goals. If you take the first top part and you say "Okay, I have service revenue so I have my bookkeeping. Last year I put $25,000 on that line and then I
had product sales revenue, so last year I sold all of my eBooks and it made me $10,000."

These three are just kind of made up. You put in there what you need and what applies to you.

Consulting/Coaching Revenue, say I got another $15,000 so my total annual goal is $50,000.

Now I start this by saying "How did I do it last year?" I take this sheet and I say "Last year I had $25,000 in service, $10,000 in product sales and $15,000 in consulting, so last year I had $50,000 which equals 100%.

\[ \begin{align*}
\text{-} & \quad \text{50% of it came from "Service Revenue" because $25,000 came from there} \\
& \quad \text{10% came from "Product Sales" and 15% came from "Consulting"}
\end{align*} \]

What you basically want to do is you want to take your revenues and break them over the type of revenues and how much of a percent of each of those revenues that you have.

If you want "Product Sales", if you want 25% of your revenue to come from your books, then that's what you need to put. If you want 25% of your revenue to come from the "Consulting/Coaching", then that's what you put and then 15% from the "Service Revenue". That gives you an idea of how much of your revenue you were bringing in so you can help identify your goals. That's just kind of a break down of creating your goals. I would use last year's information or last month's information and compare it so that you know percentage wise where your money is coming from. Change it if that's what you want to do. If you want more book sales, you're going to do a book tour this year then change that.
Now we go down to the next step and it's the "Number of Sales", so for instance the "Average Price of Service Revenue". One of my services is bookkeeping and my average monthly fee for that is $300. I know that I said that I wanted $25,000 in "Service Revenue", so I'm going to take the $25,000 divided by the $300 and I know that I need to make 83.33 sales in order to make my "Service Revenue". So the "Average Price of Service Revenue" is $300 and the number of sales needed is 83.33. You take your "Service Revenue Goal" divided by the "Average Price of the Service Revenue" and that's the number of sales.

You're going to do this for each of your revenue income streams whatever those may be. For instance I stated that I have taxes, bookkeeping and accounting. I don't have an eBook out but I'm going to. That's one of my goals for this coming year is to get my eBook out and get some sales from that, so whatever you think that's going to be. Now keep in mind that we have the "Average Price of Service Revenue" and the "Number of Sales Needed". You're going to need that number for the next slide.

[Slide 22]

"Conversion Rate"

The "Conversion Rate" is how many calls does it take to make a sale. You're going to call 20 attorneys and one of them is going to say yes, so that conversion rate is one out of 20. It's a 5% conversion rate.

Your average "Conversion Rate" is how many calls does it take to make a sale and that's your average percent. They say that one out of every 10 people is going to buy something, so you could put down that your conversion rate is like 10%.
If you know that in order to make a sale, you need to convert how many people?

Again, go to the next line which is "Calls and Leads Needed", how many calls are needed for your goal. If your average conversion rate is one out of every 10 and you know that you need to make 83 sales you know that you're going to need to make 83 x 10 or 830 calls. You don’t have to do that many. Keep in mind that this is an example.

You know that you need to make 830 calls so that 83 will say yes and that will get you the number of sales that you need for your goal. 830 is a lot, but let's break it down.

We have 830 and we're going to go "How many calls does that mean that I have to do per month?"

So 830 divided by 12 months for instance, that's 70 calls a month. Take it down further and we're going to divide it by how many days. There are 20 working days in a month, so that means you only need to make three calls a day. So you went from 830 and OMG that's really big and a lot. That's just overwhelming. Break it down. Its three calls a day. If you get up and do your three calls a day and then go on about the rest of your day all you have to do is make those three calls every single day and you're going to hit your goal. It's a numbers game and that's just based on a 1 out of 10 "Conversion Rate". For most people that's a lot more. That is a very low figure, so make it easy.

Again, we're talking about "Simple and Easy". I know that this sheet looks a little bit more complicated than it actually is and at the end of the presentation you guys will have my contact information. If you want these two slides all on one sheet feel free to contact me if that's okay with Pat and I will get you the sheet. This is a really super, easy simple way to figure out how you are going
to get to your financial goals. Notice that we broke it down that with even only 1 out of every 10 people saying yes we broke it down to only needing to do 3½ calls a day, so keep that in mind. It’s really, really good. This is a nice way to know how to get to each of those goals. You can use this over and over again for different products, services or whatever you want to do.

[Slide 23]

"Financial Goals"

There’s another part to financial goals that is really kind of important. When you're creating your financial goals what are you going to spend that money on? What's it for?

Just as important as what is coming in is what is going out and to what or who. If you just say "I want to make a million dollars" and you don't have any idea what you're going to spend it on you probably aren’t going to get there simply because you’re out there spending it willy-nilly on whatever comes along. You get an extra $500 in your pocket that you weren't expecting. You go to Disneyland. You go shopping. You go eat out and you go do all those other things. If you have a goal in mind because you're looking to buy a new piece of equipment or a new car or really if it is to take that trip to Disneyland or whatever it is, know what you're going to spend your income on. It helps you to stay focused on those financial goals and get you to where you want to go. Tie your income into your goals.

[Slide 24]

Even just as important, when you reach your goal what's your next goal? Don't just reach your goal, have a big party celebration and then not keep going. I should backtrack by saying when you reach your goal you better have a big party and celebration
because that's absolutely awesome. Do party, do celebrate and do have a good time because you deserve it after reaching your goals.

[Slide 25]

I was going to ask Pat if there are any other questions from anyone.

**Pat:** All right let me check to see if there are any questions that have come in. This is an opportunity to ask Wendy anything that's on your mind after listening to her. Why don't you continue Wendy while people are thinking about that and then we'll see if there's any questions by the time we're ready to wrap it up.

[Slide 26]

**Wendy:** Okay.

The "Money Log", "Revenue Log" and "Budget Sheets" are available on my website on the resources page for download at no charge.

[Slide 27]

This last slide is just where you can contact me for any questions or go to my website [www.taxpectations.com](http://www.taxpectations.com). As I stated it's on the resource page itself, those sheets for download. I know that I've given you guys a lot of information. I wanted to cover a lot and it's a lot to take in, but a lot of this is very important. It's a really big important piece of your business to manage your money properly so that you can make more. If you use these tools, you're going to be able to make more money in your business, keep more of your money and be smarter about where it is coming from and where it's going to.

**Pat:** We do have a question, Wendy.
"How much of your income should be set aside for taxes if you're a sole proprietor?"

**Wendy:** That depends on a lot of things. Number one, if you're a sole proprietor and you're a solo member you're looking at anywhere from 13 to 28% because it depends upon your amount of expenses and all of that sort of thing. I encourage people to put 15% aside for federal and 10% aside for state as a general rule. When you get to the part of your business where you are needing to pay estimated taxes your tax preparer should be able to give you an estimated worksheet based on your previous tax return.

Each year when I prepare taxes for business owners no matter their size, I give them an estimated tax worksheet that says what they should be putting aside or sending in each quarter and that will give you a better idea of what to put aside. Starting out, you're not aware of what those numbers are. That's kind of good for service-based businesses - a flat rate to consider. But again, it really depends on the kinds of income and expenses that you have for your business and what your tax liability was the previous year.

**Pat:** All right, any other questions? This is the time to catch Wendy and please be sure to take advantage of downloading the forms from Wendy's website. She has a lot of good information on her website that I think you will find useful.

I'm not seeing anything, Wendy, additional.

**Wendy:** Okay. I am also available if any of your listeners would like to have a consultation. I do the first consultation free, so if anyone wants to contact me and setup an appointment they are welcome to do that as well.

**Pat:** Terrific.
Wendy: I appreciate you having me on here and everyone listening. I hope that I've helped you and if you have any questions please feel free to contact me.

Pat: Wendy, I have to compliment you because you made something that has always been very mysterious to me much simpler. I'm hoping that other people who have listened to you in this program have the same reaction that I do. I really appreciate your low-key way of providing information on something that can be incredibly complicated but comes down to some core principles that I think you've shared very effectively.

Wendy: Well, thank you very much Pat and I'm really glad I have this opportunity. Thank you for letting me talk to all of your listeners and I hope to talk to some of them all soon and of course talk to you again very soon.

Pat: Terrific.

All right, thank you so much everybody for being part of this program tonight. We will have our final session next week, one night from tonight, in which I will talk about "Content Marketing" and how you can share your expertise with your audience in different forms, leading to more business and more money.

Thank you everybody for being part of the program and goodnight.
This material is copyrighted by Patricia Iyer 2015 ©
Having simple and easy ways to manage and understand your money will create tools that helps you to grow your money and therefore your business.

These techniques can be carried forward into your personal life and finances.

Personal and Business can work together smoothly to accomplish Your goals.
Today you will learn how to:

- Identify and Choose a Simple and Easy way to track your Money and set a Budget
- Get some tips and tricks to Understanding your Money
- Refine your Financial Goals and use Powerful Techniques to Achieve them

Identify and Choose a Simple and Easy Way to Track your Money and Set Budgets

- How do we find a simple way to make it easy for you?
  - Personality Factors play a part
  - Organizational Type Factors
  - Something that you will actually do

Methods of Tracking

- Accounting Software
  - Quickbooks
  - Wave Accounting
  - Xero
  - Freshbooks
Spreadsheets
- Excel / Open Office
  - By Category
  - By Month
  - By Business / Personal

Calendar
- Franklin Covey
- Day Planners
- Electronic Calendars
- Desk Calendars

Money Log / Revenue Log
- Money Log
- Revenue Log
- Notebook / Tablet / Paper
OF NOTE:

• Tracking Your Money is the Key to Success in any Business or for ANY Goal

• Go back 30 - 45 days and Track

Bank Statements
• Credit Card Statements
• Cash Receipts
• Personal / Business
• Spouse/Significant Other AND Dependents

• Go forward 30 – 45 days and Track

• Keep track of every penny ... coming in and going out ... WHAT is your Money? WHERE is your Money?
Important Considerations:

- It must be something that you will use and use regularly ...
- It must be simple for you ...
- It must not be time consuming ...
- It must be understandable and financially inclusive ...

Set Budgets

- Budgets are the mechanism by which Management Control of an Organization is Possible
- Different types of budgets ... all an important part of the overall plan
  - Revenue / Sales Budgets: Include all forms of revenue and income
  - Product / Services Breakdown: Types of Services
  - Purchases / Cost of Goods Budgets: What does it take to make your product
  - Operating Expense Budgets: What does it cost to keep your business running

For Smaller Operations, I suggest combining all the budgets together in One Workbook.

Tips and Tricks

- Be Flexible
- Review that is consistent with your goals
- Start Short Term - this year only - then when it is running smoothly, advance to Medium Term (1 - 5 years) then onto Long Term (5+ Years)
- Knowing where you are is key
Tips and Tricks

- Account for seasonality and trends
- Plan for performance
- Take into consideration employees and Team Members
- Very important to account for the value of your time / time with family, friends, colleagues, events

Set Milestones

- Monthly
- Quarterly
- Annually

Review Results

- Compare Actual To Budget
- Find a Remedy
Revise

- Where can the revisions be made?
- Income
- Expenses
  - What is cause of the adjustment needed

Your Financial Goals

- Where do you see yourself/your business in 3 months? 6 months? 1 year?
- What will it take to get there? How much income?
- What sources... what percentage/amount?
  - How many sales do you have to make to make that amount?
  - Per month? Per week? Per day?

ANNUAL REVENUE GOALS

Revenue Goals:
- Service Revenue: $________________________ %
- Product Sales Revenue: $___________________ %
- Consulting/Coaching Revenue: $______________ %

TOTAL ANNUAL GOAL: %__________

Sales:
- Average price of Service Revenue $__________ # sales needed
- Average price of Product Sales $____________ # sales needed
- Average price of Cons/Coach Revenue $__________ # sales needed
Conversion Rates: (how many calls does it take to make a sale)

<table>
<thead>
<tr>
<th></th>
<th>Service Revenue</th>
<th>Product Sales</th>
<th>Cons/Coaching</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Conversion Rate</td>
<td>_______</td>
<td>_______</td>
<td>_______</td>
</tr>
</tbody>
</table>

Calls / Leads Needed: (based on conversion rate)

- How many calls needed for Service Revenue goals: _______
- How many calls needed for Product Sales goals: _______
- How many calls needed for Cons/Coaching goals: _______

Divide calls needed by month (#/21): _______
Divide calls needed by day (#/20): _______
Total number of calls to make each DAY _______

Your Financial Goals

- What will you spend your income on? What is it for?
- Just as important as what is coming in, what is going out and to what/who.
- Tie the income into your goals …

When you reach your goal

.....
What is your next financial goal?
QUESTIONS?

Money Log, Revenue Log, Budget Sheets are available on my website on the Resources Page for download at no charge.

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