

# THE FINANCIAL EDGE

July 2019



## THE UNDERDOG

Personal comments by Mary

The definition of an underdog is “a competitor thought to have little chance of winning a fight or contest.” A person starting a new business is a perfect example of an underdog. Statistics show that a new business has a 50% chance of survival. Fifteen years ago, I started Focus CPA. My passion for what we do and my vision has carried me through the years. We have encountered many challenges: too much or too little work, over staffed or under staffed, struggled to comply with regulations and not enough cash at times. It is like riding a roller coaster with all its ups and downs and swerves, some more gut wrenching than others. It is a constant challenge, challenges that engage the heart. Despite the challenges, I love what I do.

This month I read the book “Shoe Dog” by Phil Knight. It was a reminder of the journey we take as business Founders.

I wanted to help small business owners bring their dreams to life, earn enough to enjoy life and do business my way. My business has been all that. Recently I have had the opportunity to help a business go from almost being released by his bank to selling for just under \$2 million. One more success for small business! We will be losing a key client, but we helped them cash out and move forward.

Everyday my heart is engaged, we are a success. This underdog is still going. Happy summer!

PS My current challenge is finding a passionate tax person that wants to make a difference. Please share. Go to our website [www.focus-cpa.com](http://www.focus-cpa.com) to learn more.

Mary Guldán-Lindstrom



“I have worked with institutional accountants in the past. Without exception, they were so focused on their specialty, that they didn’t even realize there were other opportunities to help their client, whether that be personal, planning, etc. It seemed as though their job was to do what was asked and get out the door to work with the next client, instead of offering a full suite of services. Mary has a much more broad skill set that covers far more ground and does that with a personal and friendly approach.”

Greg Lake,  
President - Lake Companies, Inc

**YOUR REFERRALS ARE  
APPRECIATED AND WILL BE  
TREATED WITH UTMOST CARE!**

## THE BOOK REVIEW

**TITLE:** Shoe Dog

**AUTHOR:** Phil Knight

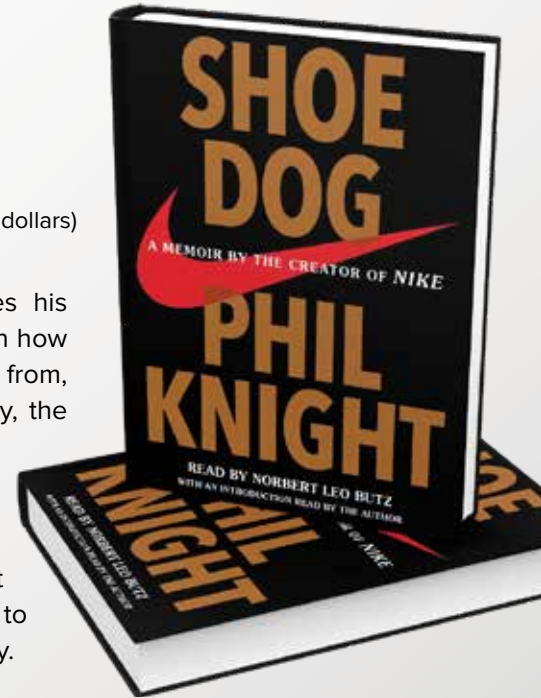
**TOPIC:** Biography

**EASY TO READ:** \$\$\$\$\$ (5 out of 5 dollars)

**APPLICABLE TO SMALL BUSINESS:** \$\$\$\$\$ (5 out of 5 dollars)

**Summary:** The creator of Nike, Phil knight, shares his stories starting from 1962. He tells an amazing tale on how the business came to be, where his passion came from, the characters that contributed and built Nike's story, the business environment they lived in and the struggles they faced. The good, bad and ugly parts of achieving business success

**My recommendation:** I couldn't put it down. Great storytelling. Amazed at his fortitude and persistence to keep the business alive. Every business has their story.



Pages: 383 | Published: 2016



## WHY SMALL BUSINESSES FAIL AND 2 STEPS TO AVOID IT

By Mary Guldán-Lindström CPA

Each year, thousands of ambitious entrepreneurs start new businesses. These entrepreneurs feel bright and full of hope. It is estimated that by the end of four years more than half of them will be gone.

So what challenges get the best of them? Based on multiple sources here are the top 10 causes of small business failure:

- |                               |  |
|-------------------------------|--|
| 1. No market need: 42%        | 6. User un-friendly product: 17%         |
| 2. Ran out of cash: 29%       | 7. Product without a business model: 17% |
| 3. Not the right team: 23%    | 8. Poor marketing: 14%                   |
| 4. Got outcompeted: 19%       | 9. Ignore customers: 14%                 |
| 5. Pricing / Cost issues: 18% | 10. Product mistimed: 13%                |

Personally I have found that starting and keeping a business going is an art that takes knowledge, determination and a bit of luck. Luck is being prepared to change and take advantage of an opportunity.

To prepare you and your business from these risks I recommend two critical steps.

**STEP 1.** Have a written business plan with at least one successful ending that can create a path before starting. Include a profit and loss statement by month, assumptions made, marketing plan, backup plan for cash needs, market research and a list of risks and opportunities, along with a list of the business management's strengths and weaknesses.

**STEP 2.** Once a business is started then compare the actual results to the business plan. Review the assumptions made, update the backup plan for cash and focus on the strengths. This process will give an early warning or avoid disaster.

*Business statistics from [www.smallbiztrends.com](http://www.smallbiztrends.com)*

**“The biggest risk is not taking any risk... In a world that is changing really quickly, the only strategy that is guaranteed to fail is not taking risks.”** Mark Zuckerberg



## HOW TO AVOID A TAX DISASTER WITH HOBBY INCOME

By Mary Guldán-Lindstrom CPA

For many people hobbies are a source of income. From crafts, eBay sales, soap making, playing in a band to selling Mary Kay, these activities can be sources of both fun and finances. It is a great way to test your ideas and determine if you have a business opportunity.

Whether you have a hobby or business, the IRS wants you to report that income. The new tax laws that went into effect in 2018 has created a tax disaster. It will cost you even more now in taxes. As of January 1 2018, you can no longer report the expenses associated with your hobby. Higher taxable income – higher taxes. In addition to income taxes, your income will most likely be subject to self-employment taxes. This could result in a tax rate of 18% to 47% of the gross income.

Based on this potential negative outcome it is best to avoid being defined as a “hobby” and know the rules. The IRS uses nine factors to determine if your activity is a hobby or business. No one factor alone is decisive.

### HERE ARE THE NINE FACTORS:

1. Do you carry on the activity in a businesslike manner and maintain complete and accurate books and records?
2. Is the time and effort you put into the activity indicate you intend to make it profitable?
3. Do you depend on income from the activity for your livelihood?
4. Are your losses due to circumstances beyond your control (or are they normal in the startup phase of your type of business)?
5. Do you change your methods of operation in an attempt to improve profitability?
6. Do you or your advisors have the knowledge needed to carry on the activity as a successful business?
7. Were you successful in making a profit in similar activities in the past?
8. Will the activity make a profit in some years and how much profit will it make?
9. Do you expect to make a future profit from the appreciation of the assets used in the activity?

### IF YOU ARE GOING TO PARTAKE IN A POTENTIAL HOBBY, IT IS CRITICAL TO TAKE THE FOLLOWING STEPS:

- **Treat the cash as a business** – have a separate checkbook and maintain a set of financial records.
- **Write a business plan** that determines how and when you will make a profit. For example - you have a product you are developing, plan how you will bring it to the market and make a profit on it. If you have planted trees for a Christmas tree farm, note the activity for each year, your investments and the sale.
- **Learn more** about how to make a profit - hire advisors, subscribe to magazines, attend a seminar, etc.
- **Document your time** and actions to generate a profit.

Last but not least the IRS has a “safe harbor” method. To meet the safe harbor, an activity must generate a profit in at least three of five years ending with the tax year in question. At that point, the IRS has to prove that there is no intent to make a profit.

Starting a business part time is a great way to test your idea. However to avoid a tax disaster and to minimize your taxes be aware of the rules. Having a proactive accountant will keep the cash flowing and help you develop your hobby into a full fledged business opportunity. **Happy dreams...**

“Improving the lives of small business owners” **FOCUS\$CPA** Inc

## Special Offer

CAN'T SEEM TO GET AHEAD?  
DO YOU WANT TO IMPROVE  
YOUR FINANCIAL RESULTS?

**SCHEDULE A STRATEGY  
BUSINESS REVIEW - NOW**

Let us help find your unique strengths and advantages to increase your sales and your satisfaction in your business. We will translate your financial numbers and provide some clarity.

Then together create a 90-day action plan. Let's improve your bottom line!

Before the summer slips away and you miss the chance to make improvements this year - call us now:

**920-351-4842**

to set up a Business Model Strategy Review!

# July 2019

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## DID YOU KNOW? FUN FACTS OF SUMMER

- The first modern Olympic Games were held in the summer in 1896 in Athens, Greece.
- Watermelon is one of summer's best summer treats. Did you know that watermelons are not a fruit, but a vegetable instead? They belong to the cucumber family of vegetables.
- The Eiffel tower actually grows in the heat of the summer. Due to the iron expanding, the tower grows about 6 inches every summer.
- If you love ice cream, the summer season should be your favorite. July is national ice cream month.
- Television shows used to only be reruns during the summer months. The idea being that everyone was outside enjoying the weather.
- June is named after the Roman goddess Juno.
- The first women's bathing suit was created in the 1800's. It came with a pair of bloomers.
- The "dog days of summer" refer to the dates from July 3rd to August 11th. Named after the Sirius the Dog Star. This star is located in the constellation of Canis Major.
- Frisbees, invented in the 1870's as a pie plate, but in the 1940's, college students began throwing them around. They have since stopped being used for pie plates and are now a summertime staple.
- Roman general Marc Antony named the month of July after Julius Caesar.
- July is national blueberry month.
- Mosquitos have been on earth for more than 30 million years.
- August is named after Julius Caesar's nephew. He had received the title of "Augustus" which means "reverend".
- Ice pops were invented in 1905 by an 11-year-old boy.

Enjoy your summer....

Facts are from [blog.vitalchek.com/vital-records/20-fun-facts-about-summer/](http://blog.vitalchek.com/vital-records/20-fun-facts-about-summer/)

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