

THE FINANCIAL EDGE

July 2022



RAISING MY STANDARDS

Personal comments by Mary

I recently came across a life satisfaction survey. There was a list of questions about my life and about my business. I was asked to rate myself in the different areas. They gave me the following scale to use:

VERY SATISFIED - I'm more than happy. My expectations have surpassed. Wow!

SATISFIED - Its fine the way it is. I have no complaints.

SLIGHTLY DISSATISFIED - It's not too shabby, but could be better.

HIGHLY DISSATISFIED - This is a real problem area.

This stopped me in my tracks. They didn't give me just the choice of being "very satisfied". They wanted me to feel more than happy, that my expectations were surpassed. WOW! After reading that - why would I want to accept anything less than WOW?

I had to give those choices some thought.

Sometimes my goal is just to survive. I get tired, disappointed, frustrated and just don't care anymore. When I feel that way I settle for "satisfied". But I want a life worth living. A life filled with WOW and wonder.

I took the survey. I uncovered some areas I want to work on. I also found some that I do feel WOW about. Overall, I discovered that I want to raise my standards and expect to be more than happy. I want to think about exceeding my expectations and experience the WOW in more areas of my life. I want to choose abundance verses scarcity.

I've scheduled to take that survey again in three months. I want to see improvement and most of all I am going to open my mind to look for those wonder moments.

Mary
Guldán-
Lindstrom



☞ My wife and I are most grateful for Focus CPA's help in teaching us the proper uses of QuickBooks and to make our company grow and become more efficient and hopefully more profitable too. There is soooooo much to learn about starting and running a new business. Professional guidance is a blessing. 99

William Crouse,
Chief Designer and Founder of
Protech Pattern & Design LLC

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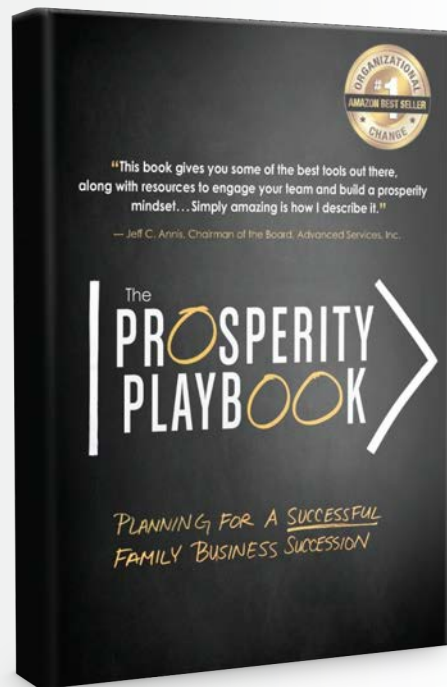
THE BOOK REVIEW

TITLE: The Prosperity Playbook
AUTHOR: Mackey McNeill
TOPIC: Business Finance
EASY TO READ: \$\$\$\$\$ (5 out of 5 dollars)
APPLICABLE TO SMALL BUSINESS: \$\$\$\$\$ (5 out of 5 dollars)

Summary: The book provided a holistic approach to achieving success in a business. The Author provided tools to put the business owner in the right mindset for success, along with tools to achieve that success.

My recommendation: I loved the book. It took me longer to read than other books. I took a plethora of notes. My favorite tool was "The Satisfaction Survey". It helped me clarify what I wanted and gave me an idea of where I was at holistically.

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EVALUATING REAL ESTATE INVESTMENTS

BY MARY GULDAN-LINDSTROM CPA

Many invest in real estate to increase their personal net worth. While stocks can fluctuate suddenly and drastically, real estate holds their value. Your personal residence is not typically treated as an investment. In many cases it does increase in value, however it may not be easy to sell and you still need to live someplace. I am referring to residential and commercial properties that are purchased as investments.

As a tax advisor we look at the tax aspect, which can be misleading when evaluating the financial results of an investment. Taxes focus on at the bottom line and not the potential of a property. As an investor here are some professional methods to value your investment real estate properties...

CAPITALIZATION RATE: Known as "cap rate," it is equal to Net Operating Income (NOI) divided by the property's value. This can be viewed as the rate of return on a property you purchase in all cash. For example, if you pay \$1 million for a property with an NOI of \$100,000, then the cap rate is

10%. The higher the cap rate, the larger the return on your investment. A cap rate between 8% and 12% is considered good for a rental property in most areas.

PROPERTY VALUE: Real estate appraisers can use the income capitalization rate to determine the property value. This is net operating income divided by cap rate. Depending on the situation comparable sales can be used, along with the cost for new buildings.

DEBT SERVICE COVERAGE RATIO: The bank becomes very interested in the debt service coverage ratio. The larger the ratio, the more cash cushion you have to make your payments. This ratio is Net Operating Income divided by annual loan payments.

As an investor, knowing where you are now and the potential of your investment can provide a peace of mind. If you would like assistance in evaluating your real estate investments - reach out to Ricardo at ricardo@focus-cpa.com or 920-351-4842.



WHAT ARE YOU WORTH? FINANCIALLY SPEAKING.

BY MARY GULDAN-LINDSTROM CPA

If you have a business loan with the bank, chances are you have been asked to update your personal financial statement. Did you ever consider tying this exercise into your financial goals? If it's important for the bank to know, maybe it's important for you to know. After you get your tax return done, is a great time to evaluate your progress toward building your personal net worth.

DISCOVER AND GATHER

Every day we are surrounded by our stuff. We fill and empty our bank accounts. We use our credit card, Pay Pal account, Venmo and sometimes, even cash. Rarely do we stop our daily activity and pull together a list of the financial resources we have at hand. I recommend that you start with the good stuff and then include the bad stuff.

The GOOD STUFF. Pull together your most recent bank and investment statements. Look for titles of vehicles, boats, toys, etc. Gather your real estate bills to find an estimated fair market value for real estate you own. If you own a business, print the most recent Balance Sheet and obtain a current depreciation schedule. Create a list of everything that you own.

Now THE BAD STUFF. Next, discover and gather your debt. Gather your most recent credit card statements, school loan statements, car loan statement and find your mortgage balance. Another option is to pull a credit report.

How did you do? Are you satisfied with the results or does it push you to do better?

If you are interested in more information, request our free checklist to create your own personal financial statement. We can help pull the numbers together, along with providing a financial perspective and brainstorm with you ideas to improve your net worth. Please contact Mary, at Mary@focus-cpa.com or 920-351-4842.

DETERMINE THE VALUE

Cash and investments are easiest to measure, just look at your statements. Vehicles values can be obtained from KBB.com. The challenge is measuring the value of your business or rental properties. These measurements are not an exact science, but they are formulas using cash returns that will provide a sound financial basis. I don't recommend you use this value to establish a sales price, but it is great to provide a discussion of how to increase the value.

CALCULATE AND EVALUATE

Total the value of your assets and then reduce the value by your debts. The amount left is your personal net worth. According to Dr. Thomas Stanley, author of the Millionaire Next Door, your expected net value should equal 1/10 of your age times your annual realized income. For example, if you are 50 years old and earn \$50,000 a year, your expected net worth should be \$250,000.

BUILD

Once you created this list, you can use it to set your goals. Evaluate the financial return of your current resources, work to improve the results and monitor your personal net worth.

PROTECT

Once you have identified where your net worth is, the next step is to protect it. It may be insurance, or estate planning or business succession.

SPECIAL OFFER

IS THE AMERICAN DREAM OF OWNING YOUR OWN BUSINESS **NOT** LIVING UP TO YOUR EXPECTATIONS?

Most entrepreneurs do what has to be done to survive. Many times those habits destroy the business. We end up with working with people that take away our passion, doing things we aren't good at, not taking vacations and struggling to keep the cash flowing. That is not my idea of an American dream.

Work with us to change your story. Let's discuss your goals, determine where your business is at now and a game plan to get where you want to be. We will help you recall why you started your business and work to recapture that passion and reduce the stress.

Schedule a "Strategy Meeting":

920-351-4842

- OR -

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A LITTLE BIT OF HUMOR: FROM THE MOUTHS OF BABES

A little girl was talking to her teacher about whales.

The teacher said it was physically impossible for a whale to swallow a human because even though it was a very large mammal its throat was very small.

The little girl stated that Jonah was swallowed by a whale.

Irritated, the teacher reiterated that a whale could not swallow a human; it was physically impossible.

The little girl said, 'When I get to heaven, I will ask Jonah'.

The teacher asked, 'What if Jonah went to hell?'

The little girl replied, 'Then you ask him'.

A Kindergarten teacher was observing her classroom of children while they were drawing. She would occasionally walk around to see each child's work.

As she got to one little girl who was working diligently, she asked what the drawing was.

The girl replied, 'I'm drawing God.'

The teacher paused and said, 'But no one knows what God looks like.'

Without missing a beat, or looking up from her drawing, the girl replied, 'They will in a minute.'

A Sunday school teacher was discussing the Ten Commandments with her five- and six-year-olds.

After explaining the commandment to 'honor' thy Father and thy Mother, she asked,

'Is there a commandment that teaches us how to treat our brothers and sisters?'

From the back, one little boy (the oldest of a family) answered, 'Thou shall not kill.'