

THE FINANCIAL EDGE

May 2023



THE GIFT OF TIME

Personal comments by Mary

Today I received the gift of 24 hours. I started my day with a short bike ride. Stationary of course, living in WI the weather is not always conducive to riding outside. I get a cup of tea and then start journaling. I place my mind in a good spot by writing down 3 things I'm grateful for. Then I focus on my tasks for that day.

With each day I create my life one day at a time. I choose to work at an office. I choose who I spend time with and what I do. I can choose to mentally live in the past, the present or the future. Sometimes I have to wake up and remember to stay in the present. But each of those little choices lead to big progress. I am always amazed on how

time flies by. I learned if I do the little things, they lead to accomplishing big goals.

We just completed another tax season. I made some big choices like hiring a seasonal tax preparer and implementing new software, Liscio. Both were excellent choices! I also made little choices like using labels, templates and creating tax return quotes at the beginning of the season. All the choices created a very successful season this year.

How do you use your gift of time?

Happy May!

Mary Guldán-Lindstrom

"The bad news is time flies. The good news is you're the pilot." ~ Michael Altschuler

All we have to decide is what to do with the time that is given us." ~ M.R.R. Tolkien



"As a small business owner, I find that it is easy to get so caught up in the details of running the operations, collecting money and paying bills, that I forget to look at the bigger picture of profitability and whether or not we are growing as we should. Mary helps to anchor me in the thinking that I need be doing. She makes it "comfortable" to look at the big picture and to think of what it means to be a business person and not just an operator of a "process" that generates revenue."

Greg Robinson, *Prior Innkeeper/
Owner of a Bed & Breakfast*

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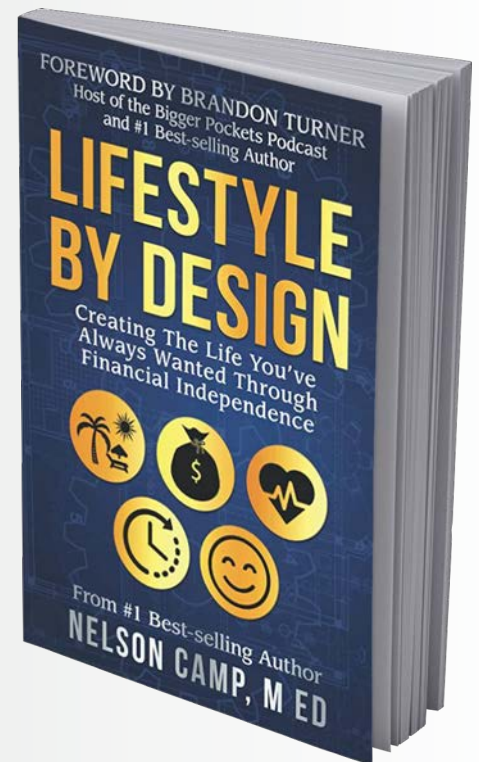


THE BOOK REVIEW

TITLE: Lifestyle by Design
AUTHOR: Nelson Camp, M ED
TOPIC: Entrepreneurship
EASY TO READ: \$\$\$\$ (4 out of 5 dollars)
APPLICABLE TO SMALL BUSINESS: \$\$\$\$ (4 out of 5 dollars)

Summary: The author provides a great game plan to create the life you want. He takes into account five areas or five F's – faith, fitness, family, finance and fun. Then covers financial resources outside of earning a wage, how to scale a business and offers a lifestyle blueprint.

My recommendation: I enjoyed the first part of the book. As a business it is easy to forget about the other 4 F's. I felt there was too much information in the book. I got what I was looking for in the first four chapters.



Pages: 173 | Published: 2021



IS IT A HOBBY OR A BUSINESS?

By Mary Guldán-Lindstrom CPA

It seems like everyone is starting a side job. The question we look at is when do you start treat it for tax purposes. If it is a hobby – the IRS wants you to pay taxes on your gross income. Due to current law – you do not get to write off your expenses. Thus, the determination for it being a hobby or business can greatly impact your tax liability.

So how can you decide if it's a hobby or business. These questions can help you decide whether you have a hobby or business:

- ✓ Do you carry out the activity in a businesslike manner and keep complete and accurate books and records?
- ✓ Does the time and effort you put into the activity show your intention to make a profit?
- ✓ Does the activity make a profit in some years – if so, how much profit does it make?
- ✓ Can you expect to make a future profit from the appreciation of the assets used in the activity?
- ✓ Do you depend on income from the activity for your livelihood?
- ✓ Are any losses due to circumstances beyond their control or are the losses normal for the startup phase of their type of business?
- ✓ Do you change your methods of operation to improve profitability?
- ✓ Do you and your advisors have the knowledge needed to carry out the activity as a successful business?

Whether taxpayers have a hobby or run a business, good record keeping is always key when it's time to file taxes.

From IRS materials



THE ONE MEASUREMENT THAT COUNTS

By Mary Guldán-Lindström CPA

I attended a business workshop and I was asked what the “Big One” was for me. They were looking for the one measurement that ensures financial success. I was asked this as a business owner, not an accountant. I immediately got lost in the detail. There are a lot of measurements available, created for a number of reasons. But I was asked what was the one that would make the greatest difference and give me a reality check on my business. Then the “ah ah” moment hit. It is sales divided by compensation. We are a service business. All sales are generated from the services that we provide.

A client called me in a panic. Cash was flowing out faster than it was coming in. He hadn’t closed a new customer in 4 months. The staff was busy. He was looking at how to decrease his expenses. Even before I looked at the numbers the “big one” came to mind. His sales to compensation ratio was upside down. I asked... How do you confirm that your staff is busy doing the right things? Is your pricing in line with your costs? are you working with the right clients? I recommended that the owner focus on one number – sales / compensation. Service businesses typically have a \$2 to \$1 or higher ratio. Within 30 days he right sided the business. The panic decreased and the fun was back.

Once he dug into operations he discovered a few things – the staffing wasn’t right. His financial numbers confirmed that his sales/compensation was upside down. They made some corrections and things improved. Upon

If you need assistance in redesigning or understanding what your statements are telling you please give us a call to meet with Mary to review your current situation and see how we can make your financial statements more meaningful.

further review he also realized that this time of year was slow, just never to this extent. Last I heard he had 11 proposals ready to close. His April financial results were much better than March.

Financial statements and ratios can confuse readers. They can offer too much detail and are typically not in any order that is helpful to make decisions. Most financial statements for small businesses are set up to meet tax requirements or they follow QuickBooks standard chart of accounts and are in alphabetical order.

I found it is much more helpful to break it down into 3 sections - sales, direct costs and overhead expenses. Sales less direct costs is the business’s gross margin. The higher the gross margin, the more available to cover overhead and end up as profit.

Each business has the “Big One”, that one ratio that ensures financial success. For all businesses that one ratio is Sales divided by Direct costs. With service business the direct cost is compensation, for product sales the direct costs consist of produce cost, packaging, manufacturing and delivery of the product. Once the “big One” is clearly defined and understood, other measurements can be determined for each department and down to each staff person.

My recommendation is to keep the financial statements as simple as possible and as meaningful to the reader as possible, otherwise the information will not be used.

SPECIAL OFFER

KNOW YOUR NUMBERS FINANCIAL REVIEW

Discover the key financial measurements that are critical to your business success. Through an interview process and financial review, we clarify those key operational activities that directly contribute to your financial success. Identifying and focusing on the 20% creates an awareness that will provide direction to reduce unproductive activity and increase profits.

Call our office, 920-351-4842, for a Know Your Numbers Financial Review. \$1,000 to review the last two years results, revise your statements, meeting to discuss and create action items to improve your results.

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A LITTLE HUMOR: WHAT’S YOUR REAL AGE?

My friend Emily and her mother bumped into an old family acquaintance on the street.

“Is this your daughter?” the woman asked. “I remember her when she was this high! How old is she now?”

Without pausing, Emily’s mom said, “24.” Emily, 35, nearly fainted on the spot. When the woman left, Emily asked her mom why she told such a whopper.

“Emily,” her mother replied, “I’ve been lying about my age for so long, it suddenly dawned on me that I’d have to start lying about yours too.” —Robert Lee Whitmire

From www.rd.com/list/funny-mom-stories

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