The Bottom Line

with Marilyn A. Parham, CPA

CPA in Your Corner, Episode 002
Leveraging the Most Profitable Time of The Year

Jessica: Hey everybody! This week's podcast is all about leveraging the most profitable time of the year for your online business.

[Theme plays]

Jessica: Welcome to CPA in Your Corner. We're your hosts, certified public accountant, Marilyn Parham, and online business coach, Jessica Stafford.

Join us each week as we help online entrepreneurs fix their finances and keep more of the money there.

[theme ends]

Jessica: Hey guys, Jessica Stafford here, online business coach for The Bottom Line. I'm in the studio today with CPA and founder, Marilyn Parham.

Marilyn: Hi guys!

Jessica: And Marilyn, today we've come together to talk about leveraging the most profitable time of the year for online business. It's all about how to maximize your earnings this buying season, so you can save big as you ready yourself for tax season.

And we've talked about this quite a bit actually throughout the year and very much so these last few months of the year. This is really just a conversation about what steps people need to take to end their year well, so that they can create a rock-solid start for their New Year.

Many people start talking about planning for the New Year, I mean there's all this stuff that's going on. Best Year Ever, Plan for your New Year, 90 Day Year, there's just tons of stuff going on about how to plan your year and there's actually a lot that goes into ending your year that maybe most people don't think about or realize because of all the "plan your New Year" stuff.

And this is pretty important to you, so as a CPA, why is working on ending your year so important?

Marilyn: I'm glad you asked. I believe that ending your year and wrapping it up and knowing what you did for the year that's just behind you is very important in planning for the year that's in front of you. You don't know where to go unless you know where you've been. You don't want unrealistic expectations. You don't want to shoot too low, either. So you really need to have that 30,000 foot view, so to say.

You've got to wrap up your books to see where you are. That's vital to knowing where you're going to go in the New Year.

Jessica: And that's just really about getting yourself ready for tax season because you truly don't get behind your "this year" until your tax returns are filed, right?

Marilyn: Really. That's your priority right now, and a lot of people don't like thinking about the whole tax season, but it's necessary to get that out of the way before you head into the next year.

Jessica: So, kind of, just kind of walk us through what a process like that for ending the year well for an online business owner might look like. What would you say the first thing you need to focus on is for ending the New Year well?

Marilyn: Well, the first thing you need to do is get your books caught up. Every online entrepreneur and every other business owner I know gets behind in their books. It's so important to your year, especially at the end of the year with all the holidays that are upon us. So you need to get your books caught up.

And getting your books caught up, you need to be really confident that you've reported everything properly. The right accounts. So, only after that can you take advantage of your tax saving opportunities.

Jessica: And wouldn't you say part of recording things properly is also making sure that all the documentation and the backup for that recording and that transaction is in place as well?

Marilyn: Absolutely. Because you know, if you get audited down the road, it's just really important that you have the documentation to back up your expenses.

Jessica: And we talked about that audit last week, on that scary tax story!

Marilyn: We did.

Jessica: And because, you know, he was able to pull together what he had combined with your experience, he was able to save $100,000 in that 3-year audit.

Marilyn: That's correct.

Jessica: And documentation was the winner in that, right.

Marilyn: That was the winner! Had we not had that documentation, they wouldn't have accepted anything.

Jessica: And so, you know, in addition to her recording things properly there's some advantages you can take as result of that effort. So what does that look like?

Marilyn: That in particular, things that you can take advantage of for tax opportunities, but also you don't over-report. Let me give you some examples.

If you have, for instance, we've talked about this is the time for giving and gift giving, and we mentioned other places on our website that--the IRS only allows $25 limit for your gifts to your client.

Jessica: That's not very big amount!

Marilyn: Yeah, it's not very big. Most gifts you give probably will surpass that. But because you're limited to the $25 per gift, you need to segregate those gifts into its own account, so that anything above that you don't take as a tax deduction. Because again, if the IRS comes back and audits you, they're not only going to disallow that, they're going to penalize you for not doing it properly.

Jessica: And of course, documentation is key here.

Marilyn: Is key! Also a couple of other things you should be aware of are meals and entertainment. You need to make sure meals and entertainment are in a separate category, because they're only 50% deductible on your taxes.

Jessica: Right.

Marilyn: Now, travel is 100% deductible, so you don't need to co-mingle those things. You need to separate auto expense into its own category, because there are rules there for mileage, versus actual expenses. You only take one or the other. So you need to be real clear about what your expenses are.

Jessica: And there are things like client relations, and employee relations, which are a little different than meals and entertainment, which is some of that gift giving and it may be parties, and there's just a lot that goes on with that, right?

Marilyn: That's correct.

Jessica: And so that's where a relationship with the right accountant would come into play within this.

Marilyn: Sure, because it's hard to keep up with all this little different rules for different things.

Jessica: Right. And hopefully, they're coaching you on how best to set up your chart of accounts so you capture that stuff well.

Marilyn: Exactly.

Jessica: So, get your books caught up. Usually they fall behind. This is one of the busiest seasons of the year. It's a known fact that 30% of a client's revenue, according to the small business administration, is actually generated in the last two months of the year, so it's like everything's flying everywhere. It's just, like, CRAZY busy!

Marilyn: Right. Very chaotic!

Jessica: Yeah. And so things falling through the cracks, it's easy to happen. Falling behind, it's easy to happen. So, it's really important to kind of get a plan in place to take care of that.

Marilyn: Correct.

Jessica: And if you find yourself overwhelmed or you can't do that, that's where talking to your accountant about it, they can probably help you with that, right?

Marilyn: Oh, yes.

Jessica: So many of the things that we kind of had here in terms of your books, we've got managing accounts receivable, and account payable. So real quickly, what would you say about those two areas of your business?

Marilyn: Let me start by saying most online entrepreneurs and small business owners are cash-basis taxpayers. So, on the accounts payable side of things, you will only get a tax deduction if you actually pay those bills before 12/31. So if you got any old accounts payable or accounts paper sitting on or you just haven't gotten around to it, you need to sit down and make sure you get those bills paid prior to 12/31.

Jessica: And one of the activities we've done in some of our businesses is actually just take a list of all of our vendors and maybe you'd send a letter by email or make a quick phone call to say "can you give us a statement? Let us know what our balance due is so we can reconcile those accounts and get them all squared away before 12/31, right?"

Marilyn: That's correct. It's good to start with a clean set of books, anyway.

Jessica: Okay, so we've got accounts payable covered, so what do you say about AR?

Marilyn: Accounts receivable, that's important for two reasons.

One is, we tend not to follow up sometimes on who owes us money. And that's something you really should get cleaned up prior to the end of the year.

Jessica: Sure.

Marilyn: The longer you wait to get paid on your invoices, the more likely you probably won't get paid on your invoices. You need to address those and get those in prior to the end of the year. If you determine that something's not going to be paid, you'll never collect it--well, if you've already reported it as income, you can take it off. You can report a bad debt for that. So, that basically will lower your income because you're not going to get paid for that.

Jessica: And basically, you know, that kind of situation is where you just really have attempted to collect, and to collect funds from a client for a period of time, and they're just not being responsive.

Marilyn: correct.

Jessica: And you really don't want to go through any more hassle or maybe you want to sell off that part of your books, or whatever, and just be done with it. So you can either sell it off to get collected, or just write it off as bad debt.

Marilyn: Right. And if for some reason you end up getting the money later, you can always record it as income when you actually collect it.

Jessica: And one way that you could actually figure that out too in terms of how to manage that process, the same way we talked about payables, just kind of draft a nice little letter to your clients with their statement, year to date statement, that says you're trying to get things wrapped up for the New Year and you want to have a fresh start going into the new year, and to just--start a conversation with you about how to get that account caught up, right?

Marilyn: Absolutely.

Jessica: Yeah.

So, those are two really important things to think about. So, like we started in our conversation, this is actually the most profitable time of the year for businesses. Because they're generating a big portion of their cash usually, they have plans in place to generate cash and people are in kind of spending mode this time of year, as well. So talk to us about minimizing your tax liability with all this new revenue coming into play, and how you can kind of deal with this influx of cash, if you will.

Marilyn: Sure. If you've got your books caught up prior to the end of the year, which I would hope everybody does, you kind of know what kind of net income you have, let alone what kind of cash you have. So if you've got net income, there's ways that you could increase that for tax purposes.

For instance, you can actually invest in whatever capital improvements you need, that means equipment that you've been wanting or needing. You can go ahead and purchase it. You deduct it on this year's taxes, rather than waiting until January and it'll be a whole 'nother year before you get that benefit.

Jessica: What would be a good threshold, what you would consider a capital investment amount, anything over what amount?

Marilyn: It kind of depends on the size of your business, but I always tend to think $1000 is a good rule of thumb, as being a capital improvement.

Jessica: Sure.

Marilyn: So--

Jessica: For an online business, it might be a new mic for their podcast, or a new laptop or whatever. So, um, anything over that $1000 threshold could get put into equipment and be a capital investment, and it has depreciation attached to it, correct?

Marilyn: Well, and that's the thing, if you HAVE income, you can actually write off the whole amount. It's called 179 expense. It's kind of a tax term, but, you can basically take the whole expense.

Jessica: And that's good to know! So, we talked about making capital investments in equipment and other assets for your business, so, what other things might a person consider spending their surplus on or their cash on?

Marilyn: Well, you can start purchasing your education and training. As online entrepreneurs, you're always looking for opportunities to learn and grow.

Jessica: Yes we are!!

Marilyn: Jessica, you know a lot about this subject!

Jessica: I have a list, you all. It's a wish list.

Marilyn: That's right!

Jessica: And your courses are probably on my wish list, so when you see me come through, just give me a shout-out, okay?

Marilyn: And there's--the course may not come up until March, but you can go ahead and pay for that course by 12/31 and deduct it in this year's taxes.

Jessica: And what a great way for an online business who's promoting a course in the New Year to raise some cash at the end of 12/31, allowing people to pay early for that training course!

Marilyn: That's right. So that can be on both sides of the aisle.

Jessica: Yeah, it really could. So what else would you say?

Marilyn: Well, there's--of course you can go ahead and bonus out people or give them incentives if you plan on doing that anyway, reward your contractors or employees for a good year's work. And if you do that by 12/31, you save not only--you get the expense, so you save on your taxable income, but your employees, depending on how much they get paid, they could possibly already be pretty close to their cap for Medicare taxes. So, if the income puts them over that limit, you're basically giving that income for less tax deductions.

Jessica: Which, that's important to know, because this time of year people are very giving, and it's great that they are, and we're going to talk about that later in the show, but when you do the bonuses and things like that, it's important to report those as income for your contractors and your employees as well, right?

Marilyn: Oh yes. Really, as employees, any bonuses you give out should be counted as wages and taxes taken out of that.

Jessica: So, kind of talking about that, and to kind of wrap up this segment about other ways that they can spend their cash, what is the other way that they can spend their cash?

Marilyn: Retirement!

Jessica: RETIREMENT! We're getting into savings, but maybe, just really, just a quick detour, because I know we're going to get into some of that savings aspect here, is debt reduction. That's not really a spend, but I think it's worthy of a conversation just real quick.

Marilyn: Sure, and there's two sides to this, but long term it's always good to pay off your debt if you've got extra cash on hand and you don't think you're going to need it. It's an investment, too, because even though you will be decreasing your expenses next year on interest, you'll be freeing yourself up to do other things.

Jessica: To make other investments!

Marilyn: To make other investments. If you've got something you want to do and invest in and need the capital in which to do that, it's a lot more likely you'll get it done if you don't already have a loan on the books.

Jessica: And really, the good thing to--a good rule of thumb for us, and this is what we do during financial revue meetings with our clients is, what is the best fit for the client this time with the cash that they have? What is their plan, how does it fit, how does it look? Because every single situation is different.

Marilyn: That's correct.

Jessica: So let's talk about retirement, then. You say that--so what about retirement? Spending that cash.

Marilyn: There's different vehicles for retirement savings. The one that I like for small business owners, online entrepreneurs, is a simplified employee pension plan.

I like it for various reasons. The first and foremost is the amount that you can contribute is larger than most other vehicles like IRAs or something like that. You can contribute up to 25% of the net income of your business, or $52,000 for 2014.

Jessica: Right.

Marilyn: Whichever is less.

Jessica: And that changes, so depending on when the person's listening to this podcast, you know, staying in step with your accountant is where they can really help that out right?

Marilyn: Yes.

Jessica: And then, you know, it's not just retirement contributions for the owner itself, but if the owner has employees, this is the time to make those?

Marilyn: Yes. If the entrepreneur has employees, you have to contribute to their plans as well as yours, but it's a great incentive for your employees.

Another reason I like the SEP plan is that you don't have to have a minimum in order to open it.

Jessica: We say on our no-fail financial cheat sheet is a strategy that you could start saving smart with only a dollar, and this is the tool to do that, right?

Marilyn: That is correct.

Jessica: Yeah.

Marilyn: So, that won't--you won't be postponing it until you have enough money to do it.

Jessica: Right.

Marilyn: Getting started is always a good idea.

Jessica: And saving is a principal of a financially successful and truly wealthy entrepreneur. And we talk about the principle of saving and giving often. We're going to talk about it in our CPA in Your Corner online business financial boot camp that's coming out in February in 2015, depending on when you're listening to this. And so those two aspects are very important, and we're going to touch on both of them in a little more detail later on in the show.

So, in terms of retirement, I know that it kind of segues into the next section of our conversation that, okay, we've got our 30,000 ft. view, our books are caught up, we're paying our bills, we're managing our receivables, we're leveraging our cash, we're having conversations with the accountant about what to do and what's a better fit for us and our business and our goals and our future. So, now it comes time to ready yourself for tax season and be in the midst of tax season, so what are some things that people should not forget before they file their tax returns?

Marilyn: Here's the top one, and I get this all the time.

Jessica: Yes, we do!

Marilyn: Basically, you need to report all the income you get.

Jessica: Repeat that, please.

Marilyn: You need to report ALL the income that you get.

Jessica: Regardless of whether somebody said you earned it or not, right?

Marilyn: That's correct. If--and here's the story I typically get. "Well, if I didn't get a 1099 saying I earned this income, do I need to report it?" And the answer is unequivocally YES.

Jessica: Yes, it is.

Marilyn: It's your responsibility as a tax payer to report all the income you get, whether it's reported by somebody else to the government or not.

Jessica: And here's the thing, a good accounting system will help you capture all that detail, for one. But for two, you know, everybody knows what goes on in your bank account these days.

Marilyn: Yes.

Jessica: So, deposits come in, and if they're not accounted for, in the event of an audit they're going to be looked at.

Marilyn: Absolutely. The IRS would come in and look at your deposits and say all of that is income. So, you know, just don't try to work the game.

Jessica: Right.

Marilyn: Report all the income you earn.

Jessica: And so, reporting all of your income is important, and even if somebody did send you something, anything could happen, it couldn't show up in the mail, I mean I've had situations where, you know, this 401k loan, or you know, anything could happen. If you got any kind of cash throughout the year, it's important to report it.

So, um, the next thing we get into is something that people fear and we talk about this kind of on our No-Fail Financial Cheat Sheet as well, so what is it?

Marilyn: It's the home office deduction.

Jessica: Mmhmm.

Marilyn: Don't forget to take the home office deduction!

Jessica: And what have you typically found in working with online entrepreneurs as first time clients?

Marilyn: Typically, sometimes I'll have, they'll have me go back and look back at their prior tax returns.

Jessica: Right.

Marilyn: To see if there's any opportunity for things they missed.

Jessica: Sure.

Marilyn: And inevitably, typically, there's no home office deduction.

Jessica: And why do you think that is, for two reasons?

Marilyn: Well, first, I think the tax payer, as online entrepreneurs, we may not really know enough about it. So we're not asking the questions.

Jessica: And we've probably done our own taxes.

Marilyn: And we've probably done our own taxes. If we have a tax preparer, one firm that has a lot of tax preparers, they might not be asking that question.

Jessica: Maybe not. It just depends.

Marilyn: It depends. And typically in the past the government has been really strict on the home office deduction and who can take it. Those rules have changed to benefit the small business owner. Online entrepreneurs, everybody has a home office. EVERYBODY! There's not one online entrepreneur that doesn't have a home office.

Jessica: Right.

Marilyn: You've got your studio set-up, your book work place set-up, so take it.

Jessica: It's not just a matter of "do you have clients coming in and out" anymore.

Marilyn: No, not anymore.

Jessica: Which was a big huge thing before.

Marilyn: That's correct.

Jessica: And so it's important to take that home office deduction, with guidance, by the way, because there are things that do apply and don't apply and there's probably things like home improvements and stuff like that you would never even DREAM to try and take a home office deduction on, correct.

Marilyn: That's correct. It's part of your home, even if you make a roof repair. A portion of that is attributable to your home office, and you can take that on your home office deduction.

Jessica: And there are a couple of ways to calculate home office deduction and every accountant is different, but you personally err on the side of what?

Marilyn: I like to use the traditional percentage of your home office space to your whole home.

Jessica: Right.

Marilyn: The IRS has recently allowed you to just take a flat $5 per square foot just so you don't have to provide the documentation to substantiate that, but I think you get more bang for your buck if you do the traditional calculations.

Jessica: So take the home office deduction and if they haven't took it in prior years past, can they go back and get it?

Marilyn: Amend, yes.

Jessica: Absolutely!

Marilyn: You have 3 years in which to go back and amend.

Jessica: Amend your tax return; your accountant can help you do that.

Marilyn: And don't be scared of it.

Jessica: Right.

Marilyn: You've got the paperwork; you've got the viability to substantiate, so please do so.

Jessica: So the next thing we get into is--talk about this, because this is a big issue.

Marilyn: This is mileage.

Jessica: Uh-huh.

Marilyn: And depreciation--your vehicle expense.

Jessica: Mmhmm.

Marilyn: I guess the first thing I should say is you can only take one or the other. You can only take a mileage deduction or actual expenses. You have to decide this on the vehicle the first year you have it in the business.

Jessica: Okay.

Marilyn: So if you bought a vehicle, this is your first year, and you're trying to determine what to do, you can run the numbers and either take mileage or actual, but next year you have to do whatever you did this year, okay, for the life of that vehicle.

Jessica: Okay.

Marilyn: Okay? The mileage deduction, it changes every year, so be sure you get the update, but it's 56 cents, about, a mile.

Jessica: And it does change every year, the IRS has a rate that it issues on its website for that that we all go by.

And there's mileage apps now that we highly recommend. I know one is Trip Log at triplogmileage.com. It's GPS enabled, and it actually does personal versus business use, which is important, right?

Marilyn: Yes, it is. You shouldn't be mixing your personal into your business. You'll have both, you just need to find a way to separate them.

Jessica: And again, we talk about that--I hate to keep bringing it up, but our No-Fail Financial Strategies cheat sheet is just chock-full of good information in there. And we talk about claiming 100% of your vehicle as a business expense is your way to a big nice juicy audit.

Marilyn: That's right, and penalties.

Jessica: And penalties! So don't do that. So, Trip Log is a good mileage app. Mile Bug is one that we've tried out. And then there's just good 'ol fashioned pen and paper if you're down with that.

But the point is, when you hit the road, log it. No matter what! Even if it's just a mile. Because little things add up, right, because we're getting ready to get into that conversation about how little things do add up.

Marilyn: Right and it's important, you know, it sort of was something I realized not too far into my online entrepreneur world, is that most online entrepreneurs don't have that many business miles.

Jessica: Right.

Marilyn: So it is for those circumstances especially if you bought a new car, to go ahead and take the actual expenses. The gas, the depreciation on the vehicle, the repairs, the insurance. But again you need to separate some personal use of that vehicle from the business.

Jessica: And then there's always issues which we're going to have on an upcoming podcast about insurance and how to insure it and how the asset of that vehicle is factored. There's just a lot of moving parts that you must again take with guidance by having a conversation with your accountant.

Speaking of little things adding up to big savings, as an online business owner, we're going to kind of step right back into that retirement conversation about the SEP plans, the self-employed pension plan that you talked about, because part of preparing to file your tax return, getting it done early is actually a huge advantage for you, instead of waiting until April 15th, right?

Marilyn: Oh, absolutely. As we said before, if you have employees, you have to contribute to their SEP before 12/31.

You can contribute to your own, as a self-employed person, up until the day you file your tax return, so therefore it can be your extended day. Taxes are due on April 15th. If you file on April 15th, you can contribute to your SEP up until April 15th.

Jessica: So for example, I do my tax return, I try to get it done pretty quickly, like at the end of January, first of February or whatever, and I have a tax liability. For one, I have some time to figure out how to cover that tax liability. I can either raise cash to pay for it, I can figure out how to save myself some money, keep more of the money I earn, and this is one of the vehicles you highly recommend to do so.

Marilyn: That's right. And let me give you an example because I think that helps people understand what I'm saying. If you've gotten your books all caught up and it turns out you have a $50,000 net income for your business, well you calculate the tax on that $50,000.

But what you could do is you could contribute 25% of that $50,000 into a SEP. If I remember correctly, that turns out to be a little over $12,000. You could contribute $12,000 into your SEP. That would save you $3,000 in tax. So you would really only be out of pocket $9000, but you'd still have the $12,000 you put into retirement. So the $12,000's really yours.

So, that's one way to really think about how this benefits you. As long as you've got the cash flow to put over there, it benefits you in the future, but it also saves you money now.

Jessica: And you really can only make those strategic financial decisions when your books are caught up, you know what your financial picture looks like, you're in a relationship with the right accountant talking about you and your business and your goals and what's going to work best for you come tax time.

Marilyn: And I tell you, there's two sides of this issue of waiting until April 1st to get your information together for your taxes. On one hand, I have a lot of clients that have really stressed out about their tax bill. They think they're going to owe a lot of money and they don't even want to deal with it.

Well, come to the time they HAVE to file their tax return and a lot of them extend because they still don't want to deal with it.

So we're in October, they're just figuring out what their tax bill is, and what do you know? They're actually getting a refund!

Jessica: Right! We even had that happen!

Marilyn: Yeah! I've had it happen quite a few times!

Jessica: Yeah, way more times. And they just stress, stress, stress, like "I'm going to pay all of this tax" and they end up getting whatever they thought they were going to pay in a tax back as a refund.

Marilyn: Right, and the government's had to use their money this whole time.

Jessica: So now they have more wrinkles and they have more stress and they have more anxiety that they didn't have to take because they just didn't do some of the things that we talked about.

Marilyn: And on the other side, I've had clients that just wait because they just don't like taxes and then I figure out what their tax bill is and it's $20,000 or $30,000 and they're surprised because they weren't expecting that. But they also don't have any time in which to raise that money now.

Jessica: To make a payment.

Marilyn: To make a payment.

Jessica: And so you know, that's all about readying yourself for tax season, making strategic decisions at tax season, things to not forget at tax season, and just in speaking of the savings aspect, just one more little quip on it.

One more little quip on it is talking about every penny counts, so maybe you don't have $12,000 to contribute. Maybe you only have $1000. And you might not do that. But you say what?

Marilyn: Whatever you can afford to contribute, please do so. It's a mindset. It's a habit of saving, so you should--whatever you have to contribute, you should do so.

Jessica: Even if it's just a dollar a week, that money compounded over time adds up to big dollars in the end.

Marilyn: Right.

Jessica: So, there's some dates to think about when it comes to tax season and year end and things like that. So what are some of those dates that people need to put on their calendar to remember?

Marilyn: Real quickly, there's January 15th, which is the due-date of your fourth quarter estimated tax payment.

January 31st is when your W2s and 1099s are due to the recipient. That's also the date that you need to file your federal employment taxes, 940, 941, and your state unemployment tax return.

Jessica: Okay.

Marilyn: February 28th is when you have to remit those W2s and 1099s to the Government. You have a month between when you give them to the recipients and when you give it to the government. That's so that you get feedback from people if their address has changed or the social security number's wrong, those changes you might need to make.

Jessica: Sure.

Marilyn: And then of course, the all anticipated April 15th, Tax Day.

Jessica: DUN DUN DUNNNN.

Marilyn: But, if you're all caught up, you're not dreading that anymore because you actually know what you're going to owe back in January.

Jessica: Right. And you know, I think what happens is we like to focus on sexy parts of our business instead of the parts that we need to pay attention to.

And I know that this particular podcast is actually going a little long today, folks, but it's very important that we discuss the issues that we're dealing with today, because this is all about leveraging the most profitable time of your year in online business. We're actually going to turn this into an online course, but just decided to give it away for free here in our podcast.

So just hang with us for another couple of minutes, because I promise it's going to be worth your time.

The next thing we get into is making time to plan your new year. Now that we've kinda got everything done for ending our year well, we did all that in an effort to have a rock-solid new year. So it's important to take time to plan your new year. So what's some things you might suggest to people to put into their New Year plan?

Marilyn: Well, the big thing about putting into your New Year plan is setting a goal. Many of us set revenue goals.

Jessica: Yeah, we set those sexy goals.

Marilyn: oh yeah, that's the fun part. The creative part.

Jessica: It's time for a launch!! And this is my new programs! And this is my new process and this is when I'm going to do it and this is when my joint venture's going to come in and this is my affiliate revenue!! You can tell I get really excited about this, right?

Marilyn: Oh yeah, because it's sexy!

Jessica: It's sexy! I'm creating things and not really having to focus on myself!

Marilyn: No, but the other side of that is not many people look at their financial goals. What do I want to put aside for taxes? Because you have your estimated tax payments that are coming due. How do I set that aside? How do I invest? How do I set aside my giving goals? How do I decrease some of the expenses that are getting out of control?

Jessica: Yeah, because in the way we kind of look at that financially is, you know, money in, money out, pay my taxes. And wash, rinse and repeat. Money in, money out, pay my taxes. And there is just so much more to the conversation than just that.

Marilyn: Absolutely, and it's interesting to me because in the online world we talk about those seven figure earners. And that sounds really cool. That sounds like they're making a TON of money!

Jessica: And we've used that same thing, folks.

Marilyn: Yes, we've used that same terminology. But the reality is, that has nothing to do with the bottom line. It has nothing to do what the earnings are.

Jessica: Right. And that's important!

Marilyn: You know, so it's important not to only watch the top line, it's to watch the bottom line.

Jessica: Watch the bottom line and be able to boost and grow that bottom line as we say.

And you know some other things that a person could consider is, you know, your personal goals, financially and your business goals financially are separate, and how they look are separate, but some other things that they could consider, you mentioned taxes so you should ideally, when you file taxes, get these coupons for estimated tax payments as the year goes on, right?

Marilyn: That's correct. 4 equal installments and it's based on your prior year's tax liability.

Jessica: But you can't just hang your hat there, because if you're having a rocking year, which we know every single person listening to the podcast is, because we're putting all of the good thoughts out to you, is if you have an increase or a bond you've got to take a look at that estimated tax payment.

Marilyn: Yes. Every quarter, if not every month, every quarter you should look at how you are doing and calculate the taxes for that quarter. Don't just rely on the coupons that are given you.

Jessica: And then some other things that you might need to consider is, you know, evaluating the legal structure of your business.

Marilyn: Absolutely. You may be a sole proprietorship, which a lot of us start out as, but we're growing and we're growing and we're reaching people and we have more legal exposure, and we may want to change our legal structure from a sole proprietorship to an LLC or an S-CORP or any number of different--

Jessica: Or you might be an LLC. You might need to be an S-CORP!

Marilyn: Yes!

Jessica: Who knows? Or you might be a for-profit business and you just are like "You know, I really need to be non-profit."

Marilyn: Right.

Jessica: So you, only you, can evaluate that--every single person's situation is different, and where you are in your business matters in terms of your growth and your tax strategies and what you're focusing on in that stage of business is very important. We talk about that quite a bit, right?

Marilyn: Yes, we do. And you don't want to have too big of goals based on where you're at.

Jessica: Because we say there's like 5 stages of growth for a business like climbing a mountain, and it's the base level, the anchor level, the ascend level, the peak level and then the summit level, and in each of those levels you have something that you're focusing on and your business is going to look like something.

Marilyn: At The Bottom Line, that's just what we structure our services around.

Jessica: and you can't go base to peak overnight!

Marilyn: No.

Jessica: That doesn't happen. And so that makes your goals smart and realistic and things like that.

And what it all boils down to, we talked about this on the last podcast, I don't think we'll ever stop talking about it, is just all about having a relationship with your accountant.

Marilyn: Absolutely! You can't do it all yourself. You can't know it all.

Jessica: Right.

Marilyn: So you know, partner with people that are smarter than you in finances and taxes and legalese and you know, all the arenas, but in particular in what we're talking about--partner with an accountant.

Jessica: Right. And we make it easy for you to have a conversation. We have a free 20 minute discovery session that anybody can tap us for and schedule right on our website, so we really just want to start having conversations with people so that they can make the right choice for the accountant that fits them best.

Alright! We're in wrap-up time. It's my most favorite section of our podcast, right here at the end of our time together, Marilyn. And I'm always so super-psyched about this second, so what is it? Let the people know!

Conversations and Celebrations!

Marilyn: It's Conversations and Celebrations!!

Jessica: YES! I love Conversations and Celebrations! This is the part of the podcast where we focus on a true story and an issue that is full of lessons learned and just good stuff to talk about. And our conversations and celebrations today is going to be centered around the principal of giving, which is ALSO my favorite principal!

Marilyn: Yes, it is. We love to give.

Jessica: We do! We love giving! It's just so awesome and we have financial proof of what giving can do in so many ways.

So Marilyn, what do you want to share about this principal of giving? What is the story that you have to share with us today about giving?

Marilyn: Well this IS the season for giving.

Jessica: It is.

Marilyn: We know that. So in saying that, I guess I want to pack up to just what the charitable organizations in our area and in our world are facing today. You can look at any statistics around and it's obvious that the amount of money going to charitable organizations is far less than it has ever been.

I believe it is part of the culture in which we are in now.

Jessica: Sure, because I don't think we're a less giving society.

Marilyn: We're a less disciplined society. The generation before us was much more disciplined in contributing. They gave off the top of their earnings. It's been, you know, what I've seen is--I am the treasurer in my church as well--is that our generation and the generation below us, we give off the bottom. We give off what is left, and therefore there's less to go around.

So, it really is important to me, and I think it's an educational thing for everyone to learn how to contribute off the top.

Jessica: And you actually had a story inside your very own congregation about giving.

Marilyn: yes. I have this story on several fronts but the one I'm going to talk about today is a gentleman who's actually a little bit older than me that didn't grow up in church. But he came into church later and he was giving off the bottom. Meaning that you have your money that comes in--he's an electrician--you have your money that comes in, you pay your mortgage, you pay your food, you pay your gas, you pay your entertainment, and then whatever's left over, that's where you give from.

Jessica: Right.

Marilyn: And if there's none left over, you can't give anything.

Jessica: Right.

Marilyn: And he went through the process of trying to change that mentality, and he did.

Jessica: And it puts you in a financial cycle, too.

Marilyn: Yeah, it puts you in a bad place, really. Mentally you're always behind.

And so what he started doing is paying off the top. So, he'd get his money in for the month, and he'd actually contribute right off the top. Whatever he decided, whether it's ten percent or more, frankly, give it off of the top, and he found that he had more money left over at the end of the month doing it that way.

He knew that he had to watch his finances a little more, so he paid attention to what he was paying out, and then he had money leftover that he never did before.

Jessica: Absolutely.

Marilyn: And it put him in more of a giving spirit, and a better mood.

Jessica: And it's really no different, a lot of people say start your day out well, spend some time with yourself, maybe you pray, maybe you meditate, maybe you do yoga. Whatever you do, whether you call it giving, whether you call it tithing, that doesn't matter. It's the principal that matters, and the discipline of making that principal a big part of your life that matters.

And people that do that kind of stuff early on the day, it's proven that they seem to miraculously have more time to do more stuff! And they get more done. And the same holds true with giving.

And we talk about the principal of saving and the principal of giving inside of our CPA In Your Corner online business financial boot camp, and there are plenty of resources out there to back that up, too. I mean, I've read *Rich Dad, Poor Dad*, and then there's this awesome PHD study called *The Millionaire Next Door* --people who are trying to strive for financial success and to be truly wealthy people on the inside and out, these are principals that are in place for them, right?

Marilyn: That's correct.

Jessica: You've seen it over and over.

Marilyn: Over and over.

Jessica: And so that's a conversation we're celebrating, that this guy really honed in on "this is what I value, and this is important and I'm going to trust this process and it's not going to be easy but it's worth doing and I'm going to do it" and look at the result!

Marilyn: That's right. And you know, all of the online entrepreneurs that I've run across with want to make an impact in their world. And this is such an easy way to do it, it just takes a little discipline.

Jessica: Right, exactly.

And putting that into your financial plan, a giving plan, is very important.

Marilyn: Yes, it's very important. It's not going to happen unless you put it into your plan.

Jessica: And your plan for the New Year is to identify your priorities. I mean, that is really a--the bottom line is, is once you take a step back and take a look at that plan, your priorities are going to be crystal clear.

And so anyways, that's just a great part of our podcast and I truly do love that part of our podcast, and that guides us right in to...

The Power Play!

Marilyn: The Power Play!

Jessica: I know, this is a good section because this is where we ask our listeners and our online entrepreneurs to take action on the one thing that can make a huge difference in their business and their life, frankly. So today, what do you say that The Power Play should be this week?

Marilyn: I believe it is make a plan for giving.

Jessica: Mmhmm.

Marilyn: Put it into your strategies and do it.

Jessica: Right. And work that into your plan. And you know, ten percent is always a good rule of thumb, but you know, you have to seek who you are and what you want, and how that looks for you, because it's different for everybody else. It's no different than saving.

Marilyn: No, it's up to you and up to what your priorities are.

Jessica: Because I may say "I want to save 50% of my income." Well, I can't start out there, probably.

Marilyn: No, probably not.

Jessica: So, you know, it's all about the process and taking baby steps, but it's the discipline and the principal of giving that gets you to where you want to go, right?

Marilyn: That is correct.

Jessica: And so just start somewhere, but make a plan to make it a priority.

Marilyn: Yes. Make it a plan!

Jessica: Yeah, make it a plan! We love planning!

And have a conversation with your accountant about it.

Marilyn: Absolutely!

Jessica: And again, what we said is you'll be surprised what you can afford when you implement the principals of saving and giving.

Alright, well that wraps us up for this week folks. We hope you've had a great time! We've shared lots of tidbits on how to leverage the most profitable time of the year for your online business. So go out and make an impact in the world. Don't forget to give along the way.

Marilyn: Amen!

Jessica: [laughs] Amen! And we could say "And all the people said..."

Marilyn: Amen!

Jessica: Because that's how we roll, folks, here on CPA in Your Corner. Thanks, have a great day.

Marilyn: **Bye!**