



The Bottom Line

with Marilyn A. Parham, CPA

CPA in Your Corner, Episode 005 The Five Financial Stages of Online Business Growth

Jessica: What's up everybody?

This week we're walking through the five financial states of online business growth, where it's all about how you make the climb.

Undelay

Let's do this.

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 they earn.

Jessica: Undelay, huh Marilyn?

Marilyn: You bet!

Jessica: Alright! As you can see, we're back in the studio this week. I'm Jessica Stafford, online business coach for the Bottom Line with certified Public Accountant, Marilyn Parham.

We've come together today to talk about the five financial stages of online business growth.

What people need to understand and what we mean by this is that we have found working with businesses over the years, especially with online businesses, we wanted to have a really good way of communicating what stage of growth a business is in and what the areas of focus should be and what their business looks like at each stage.

Don't you find that people sometimes more often than not want to skip steps?



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Marilyn: Yeah, and if they skip steps they really miss the solid foundation they are trying to create through the climb.

Jessica: Just as people get into business and they go through and figure out what being in business is about and what it looks like, they have all these resources online now that they can go to. Instead of honing in on one or two people to attach to, they are saturated with information. All of a sudden it seems like they just want to - and I have this problem - you just want to start at the very top.

Marilyn: We've done it ourselves. We've seen where we ultimately want to go and have tried to skip the steps in between to get there. Therefore you get really discouraged because you don't see the results that you want as quick as you want them.

Jessica: More importantly, why it's relevant to us here on the podcast at CPA in Your Corner is that when you skip these steps and you're wanting to be at the top of this mountain, you're missing some real financial milestones of laying a proper foundation in your business.

I think that's one of the bigger things too is that you're really missing out financially or you're spending way more money than you should depending on where you're at in your business. How do you feel about that?

Marilyn: I think so too. If you lay a solid foundation, when times are tough, you're not going to see the drastic fall that you would otherwise. It's a much more stable environment.

Jessica: We've been talking about this and I don't know if all of you listening right now can visualize this, but obviously we're talking about making your online business climb and we compare it to a mountain. We have five different stages of growth that we talk about. You've probably heard of it if you've been with us any length of time. Marilyn, what are those five stages of business growth that we say owners are at? The visual that we're using, which will be available on the website is an illustration of a mountain, right?



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Marilyn: Right. It's related to a mountain climber and where they are on the mountain. There's your base level just where you're starting.

Jessica: This is where in mountain climbing terms - because I've never been mountain climbing, have you?

Marilyn: I have.

Jessica: Really?!

Marilyn: Yes, I've done a little mountain climbing.

Jessica: That whole andelay thing in the beginning. I didn't know what I was doing, that was just me following your lead there.

Marilyn: The base, you can attribute that to when your feet are on the ground. You're looking up the mountain. It's when you're chasing the pay check or you just want to earn some extra income or put this idea of yours into action.

Jessica: You just want to kind of see what it's all about.

Marilyn: Yeah, see what it's going to be.

Jessica: A lot of times, people start moonlighting.

Marilyn: Right. They've got a regular job and they want to do this to see if it works so they can hopefully ultimately quit that job and do something on their own.

Jessica: This is where your earnings are for a single financial focus and purpose at the base level of the mountain...

Marilyn: That's correct.



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Jessica: We're going to get into some of the finer details, but just really quickly, what's one good financial indicator that you're at the base level?

Marilyn: You're just earning a pay check. You have no real goals set.

Jessica: So in your business, how many transactions a month?

Marilyn: About 20 or less.

Jessica: OK, alright. That's one little indicator. We have several we're going to talk about but that's one little indicator. You're ready to climb, I guess, right?

Marilyn: You're starting to climb. You're going to move from the base and you go up to the anchor level.

Jessica: OK and what's that about?

Marilyn: The anchor level is laying a more solid foundation for your business. It's integrating things and processes into your business so that you can actually grow it.

Jessica: So this is kind of when you're like "OK, I'm going to try and make this a real thing and I need to get my stuff together and make some things happen so that I can be a serious business owner".

Marilyn: Yeah, you may have decided to quit that day job and make this thing that you're going after your main source of income, so there's a lot more riding on it. You have to invest in it a lot more.

Jessica: What's a good financial indicator that you're ready to move into the anchor stage?

Marilyn: You have more than 20 transactions but probably less than 100.

Jessica: And you definitely at this stage get an accounting system in place?



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Marilyn: You need an accounting system at this level. You can get one at the base level but it's not really necessary. At this level, we recommend at the bottom line that you definitely have a full integrated accounting system.

Jessica: We've gone from earning a pay check. At the base of the mountain, I'm now an anchor in my business and I'm ready to keep moving up that mountain, so where do I go next?

Marilyn: To go back, the anchor is one of those little things you insert in the mountain so that it's really secure. So from the anchor point, you're using it to ascend.

The next level is the ascend level.

Jessica: What does that look like to a business owner? What's their focus at that level?

Marilyn: You're building your business. You're making significant financial investments to build your brand and grow your business.

Jessica: So you're probably getting some help at this stage? You may have got a little bit of help at the anchor stage but you were really in total DIY mode before?

Marilyn: Right, you're doing it yourself in the anchor stage. Now you're ready at the ascend to get some outside help and surround yourself with people that can help you grow your business.

Jessica: What would be one financial indicator that you're ready to move into the ascend level and start getting support in your business so that you can work on it instead of in it?

Marilyn: Again, we'll go back to the amount of transactions you have. If you have more than 100 transactions but less than 350, that's a good indication of where you're at.



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Jessica: We really use that as a gauge because the more activity you have on your account, the more you have to deal with your books, right?

Marilyn: Right. The more integrated it is. If you have that many more transactions, hopefully you're making more money.

Jessica: And it's really important to capture all the transactions.

Marilyn: So that you can minimize your taxes.

Jessica: Yeah, and we're going to talk all about that too.

I'm ascending up my mountain. Where do I go next?

Marilyn: You're attaining the peak. You're getting up to the peak level.

Jessica: Oh my gosh, then this is an area where we kind of bounce around between the peak level and the next level. At the peak level, you're doing what?

Marilyn: You're sort of the master of your domain. You've gotten to where you envisioned. It's a cool place but now that you're there, you're looking around and you want to reach for something even higher.

Jessica: You're ready to make a new climb. It's really all about relationships at this level, probably?

Marilyn: Yes. All the relationships you started building at the ascend really start paying off at this level and you need to leverage those relationships to boost your revenue and increase your profits even further.

Jessica: What would be the financial indicator that you might be ready to move into this peak stage of your business?

Marilyn: Again, it's just a guide but if you've got over 350 transactions per month, or more, this is where you probably are, at the peak stage.



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Jessica: Another indicator, which we'll dive into, at the ascend stage you're getting help with your books. At the peak stage you're not even touching much of your accounting. You're wanting to outsource your accounting all together.

Marilyn: That's correct. Your time is better spent focussing on the things that you do best, which typically for an online entrepreneur is not the accounting.

Jessica: Getting into the relationship mode?

Marilyn: That's correct.

Jessica: So we're at the peak and we think that's the highest place we can go but we did find out that it's not the highest place we can go.

Marilyn: No, because just when you think you go there, there's something more.

Jessica: There's something more and we call that the what?

Marilyn: The summit.

Jessica: The summit, which is the highest point possible in your online business. What does that look like?

Marilyn: In your own mind and in your own goals you've attained it all. You're looking for not only help in your relationships (leveraging all your relationships), you're looking for someone to help you evaluate what to do with it.

Jessica: You're being way more strategic.

Marilyn: You're being way more strategic in your revenue and your profits.

Jessica: And at this point, it's not even about how many transactions you've got going on in your business, right?



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Marilyn: No, not at all.

Jessica: That's pretty much where it is at the peak level. This is all about making deep connections, making strategic decisions and being investment minded, right?

Marilyn: Yeah and to me it's about what your impact will be for the rest of your life and for generations to come.

Jessica: Base, anchor, ascend, peak, summit. Those are the five financial stages of online business growth.

That seems simple enough. That mountain wasn't so hard to climb.

Marilyn: Not if you take it in stages.

Jessica: Have you ever seen anybody at a base level or anchor level want to be a summit person?

Marilyn: Yes.

Jessica: Me?

[Both laugh]

Always. I'm a big dreamer.

That's always a big mistake.

Marilyn: It is because you're going to fail if you're reaching that high that quickly.

Jessica: There's no such thing as overnight successes for the most part. We've all got a journey or climb to make.

Marilyn: We've all got to climb.



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Jessica: That kind of gave us a quick overview of what the climb looks like for an online business.

This is where I would like to take a little short detour and add something new to our podcast.

Praise Party

What we're going to do now is we're going to break out into a praise party.

This is the part of the podcast where we're going to share some of the good stuff and the love that's been poured out to us about what we're doing and what people are saying about what we're doing.

Marilyn: It's very humbling and very appreciated.

Jessica: It is. It's amazing, the generosity that people have had and sharing what they think about what we're doing as we start this new podcast and this new online accounting business.

If I've heard it once I've heard it a million times, "Wow, there's nobody out there doing nothing like y'all are doing the way you all are doing it". Hopefully that's true.

The praise party. You want to share some praise that we've received?

Marilyn: This one comes from Rebecca. She's from professionalcontentcreation.com.

Jessica: We love Rebecca.

Marilyn: She's one of our friends and clients. We've been working with her quite a bit lately. She helps us with our blogs and podcasts.

Jessica: She's got a wicked mad business, writes a lot of eBooks and things like that. She's a good person to know. Professionalcontentcreation.com.



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Marilyn: We highly recommend her.

Jessica: What did Rebecca say about us?

Marilyn: Rebecca said this:

"First let me say, I love the new podcast. You ladies are doing fabulous. You are so natural together and information is great."

Jessica: That's a great praise. We thank Rebecca for being so kind to us and sharing her thoughts about the new podcast.

I have a praise from Amber Ludwig at amberludwig.com or insighfuldevelopment.com. Amber is an online marketing coach and she also does websites and web development, graphic design. She is an amazing person. She is a get-it-done girl. I coach with Amber and her team has just rocked it out so many times. I really enjoy working with her. What she had to say about our podcast is:

"Your podcast is awesome. It's a great format, funny, engaging and educational. You two are seriously so great together."

We're great, we're natural.

[Sings]

That was a good break for the praise party, right?

Marilyn: Yes, thank you all.

Jessica: Thank you Rebecca, thank you Amber. Thank you everyone who keeps encouraging us to keep doing what we're doing. We hope that it's helping you in your online business.

Marilyn: It's why we do it.



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Jessica: On to business. I said this a lot in the last podcast, I have this thing about unpacking stuff. I guess we're going to unpack the different stages of business and go through it as quickly as we can here and give the people some indicators of things that they can consider when working in their online business to determine what they look like.

Let's talk about the base level. We said that this was the part where you're earning the pay check, earning the second income, you have less than 20 transactions a month going on. We'd like to also indicate what your growth strategy should be at this phase and what your tax strategy should be at this phase.

I think that's the most important thing for us to pick up on because we have some slides where they can get some real nitty gritty detail.

I think these growth strategies and these tax strategies are cool.

Let's share one growth strategy with the people that they're focused on at the base stage.

Really it's all about that specific personal purpose or agenda as far as growth.

Marilyn: They're earning money for a specific personal purpose. Income for the household.

Jessica: There are several other indicators that we have, but that's traditionally what we find is the main thing. They're just trying to make money so they can stay self-employed.

At this point, your tax strategy is all about what?

Marilyn: It's all about reporting all of your transactions.

Jessica: It feels like we're a broken record with this, I think.



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Marilyn: We said that in our last podcast but you do need to report all your income, whether you got 1099's for that income or not.

Jessica: That's really your tax strategy to report all of your income.

I would like to add one more thing about the tax strategy at this level. Even though you're self-employed or you're an independent contractor, you may not have a formal accounting system, you may not have a CPA in your corner yet although you could very easily, it's important to understand all the deductions available to you.

Marilyn: I've said it before too. I've reviewed clients' tax returns that are at that stage, the base stage. Later on I'll go back and review their prior tax returns and a lot of them do not take advantage of certain things like the home office deduction, mileage deductions, some other deductions that they're due - self-employed health insurance deductions.

Jessica: I just had a conversation with a client today where her children are independent contractors and it seems to be the focus is largely on income for the most part. They think because they don't have an accounting system or they're not an official company, they don't have to pay attention to all those regular expenses going on.

Marilyn: They add up.

Jessica: It's really important at that base stage to get into that habit of that.

Those are two, so we gave you a bonus at the base level.

We're going to go on in to the anchor stage.

At the anchor stage we said that this is where you're all about laying a solid foundation for your business and this is all about making financial investments for processes and things like that.

Our growth strategy at this phase is all about...



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Marilyn: Balancing the income vs the expenses.

Jessica: OK. That's where we're going to hang our hat. We've got several other things but that's one of the main things to really focus on at this stage of the business.

Marilyn: You've got to understand that just because you have income, it doesn't mean that it's going to flow through to the bottom line. You do have to manage the income as well as the expenses.

Jessica: Right. You said managing the investment vs the expense. I think that's a mindset issue at this level. You're coming out of being a sole proprietor to being a business owner. A lot of the time, we find that because they've done so much out of a personal checking account with their personal ledgers, that they think about their money like they think about their personal money.

Marilyn: You can't do that, not to grow your business.

Jessica: Expenses are investments and you have to put "I'm a business owner" hat on. You have to weigh those pros and cons and manage that process.

I think that's a big tip to pay attention to, that you're really fostering a healthy money mindset thinking like a business owner at this stage.

What about tax strategy? What's a good tax strategy that they could walk away with at this level?

Marilyn: I think at this level you need to start considering not doing your own taxes. Get professional help.

Jessica: You're not being biased, are you?

Marilyn: Maybe a little but I do believe it.



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Jessica: There's something on our financial cheat sheet, we need to go look that up, there's 47,000 pages of tax code or something.

Marilyn: It's crazy.

Jessica: It's some astronomical five-digit number and people really think that they can do it alone.

Marilyn: If you want to see, just go to irs.gov and start looking around.

Jessica: There's stuff you don't know about. If you're going to get help at this level, consider letting it be that kind of help. Get an accounting system and get support for your taxes.

We move on into the ascend stage. I'm climbing my mountain. I'm working on my business instead of in my business and I'm really looking to leverage relationships so that I can boost my revenue and increase my profits.

I'm serious.

Marilyn: It's like "I can see it".

Jessica: It's kind of like when you're at the cliff where you're either going to fall off and die or you're just going to keep going.

Marilyn: Right.

Jessica: Seth Godin calls it the dip, stick it or quit it.

Marilyn: It's like looking over and saying "is this the brink or the cusp? Am I going forwards or backwards?"

Jessica: We're no different than all of you. We're business owners ourselves. We maneuver through all this kind of stuff ourselves as well. In terms of growth strategy,



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what should the growth strategy be at this stage? Out of the three that we evaluate, what should it be?

Marilyn: You're aggressively building sales. You're looking for ways to build sales.

Jessica: And we're not aggressively building sales at the other level?

Marilyn: You are but this is a more focused effort.

Jessica: You're starting to really put some energy behind the sales building process.

Marilyn: You're looking at different lines of business. You're looking at all your possibilities.

Jessica: Adding revenue streams, adding products. You're probably looking again at how you can nurture relationships. How can I start to get an affiliate relationship or a joint venture relationship. Really start to collaborate with other people to grow your reach.

Marilyn: And looking at what you have done to see what works and what doesn't work.

Jessica: You're probably doing a lot more paid advertising at this level because you're wanting to really grow and expand your audience at this level. You're allocating some money to do that.

What about the tax strategy? What kind of tax strategy should I be hanging my hat at, at the ascend stage?

Marilyn: You're forecasting the coming years' income and figuring out what you can do to lower your tax implications. For instance, minimizing your tax by outlaying capital for things that you need or putting money into retirement to lower those taxes. It benefits you and your business.



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Jessica: Your revenue is going and hopefully if you're working your online business the right way, your profits are starting to see a huge boost.

What we've found is the real huge challenge in online business is that your income potential is so huge and your overhead is so small. All these strategies are really important to an online business owner.

Marilyn: All of a sudden you think "I owe that much tax?"

It is important to understand that your goal is not to owe no tax, it's just to minimize it, to take advantage of everything you have.

Jessica: For an online business it's different. You own restaurants and we know historically a restaurant only generates 2-4% profit, which is not a lot because it has so much overhead in it. We just don't have that situation. You're seeing 75% and 80% profit in some situations for people who are earning six figures a month.

Marilyn: It's a beautiful thing.

Jessica: It's a beautiful thing but it's like "How am I going to spend it all?"

Marilyn: It's a good problem to have!

Jessica: It is! Our clients have said that and I'm like "Woohoo!" That's pretty awesome. Make some plans and get serious about how to keep being more strategic, because we're getting into the strategic phase.

OK, peak.

At this stage it's all about "I don't want to deal with anything on my business except for my business" so you're really outsourcing lots of pieces and you're ready to climb new heights. You're the grand master of it all in your space.

What would you say the growth strategy is all about at this phase?



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Marilyn: As we said before, you are leveraging relationships that you've built but you're also building and investing cash. We're figuring out all this cash that we're making. How do we use it to invest and build and grow? That's your focus.

Jessica: It's all about how to leverage the cash that you seem to have this awesome surplus of.

All of our online peeps are rolling in the Benjamins.

What about the tax strategy? What should be the one area that they should probably focus on or consider at this stage?

Marilyn: There are several but I like succession planning. How to pass this financial legacy on to the next generation.

Jessica: That's so important because we don't talk about when we move on enough.

Marilyn: Right. And we all move on. This is our legacy. What are we going to do with it?

Jessica: It bears the point of succession planning. I would almost venture to say that way up here isn't necessarily when you should start having this conversation about what happens in the event you move on.

You have those really basic conversations down in the base and the anchor and the ascend stage. At this stage, you have to...

Marilyn: It's more immediate concern.

Jessica: I've got to figure out - when I'm ready to move on, what this looks like - my exit strategy. I think that's very important and all the different ways they can structure their money. Is that what you're saying?



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Marilyn: You'll have to have professional advice on all of those but there are plenty of ways to structure that for yours and your descendants' benefits. You can do this in a manner that's as least tax effective as it can be.

Jessica: This puts up right up into the highest point possible, the summit.

At this level, it's not so much about your accounting and your book keeping as it is about being a very investment minded person and figuring out how you're going to stay on your game at this level.

As far as the growth strategy, what are you focused on at the summit level?

Marilyn: I think you've kind of hit on it with starting to focus on your exit strategy and how to get your top dollar if you want to sell or how to maybe pull in an investor to grow it even further.

Jessica: Something that just kind of clicked in my head when you said that about your exit strategy so that you get top dollar at a sale, a lot of times people should think when they start about how they want to finish. Some people want to build a family business. Some people want to build to sell. Some people want a hybrid of it. You should be having these conversations really early on in the business but at this stage, you could have as an online entrepreneur, a website or a business that's just way off the charts into the summit and you've got other websites that are hanging on the anchor or ascend stage. You could be spanning all levels of the climb depending on where you're at building different websites. You don't just have one website.

Marilyn: You may want to sell off that really successful website to have funds to do some of these other things that maybe you have more of an interest in at this point of your life...

Jessica: So that might be a growth strategy that you focus on.

What about the tax strategy?



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Marilyn: With the potential exit strategy and sale of things, you want to manage the impact of those capital gains and losses. You want company valuations, you want to figure out what you're going to do with it, how a merger or acquisition translates.

You really need professional involvement with that, a partnership to figure those things out.

Jessica: Company valuations are no joke. Your accounting is key to getting that right number. It's very important to understand that even if you're just making \$5 a month on one website and \$100 a month on another, keep track of each individual website as a revenue center.

Marilyn: You might not think it's important now but it will be important so you might as well start that habit now.

Jessica: Don't just lump it all on a pile and roll around in it!

You really need to separate it out and do so in the beginning. Your accountant will help guide you in that process of how to start well at the base and the anchor and the ascend stage of your business.

That wraps up the five financial stages of online business growth.

I think that was really interesting.

We've got more of that good stuff on our blog. We have a full slide presentation that talks about what your business looks like, what the objective is, way more information than we could ever talk about on this podcast.

It also has other growth strategies and tax strategies at each phase of your business as well.

This is very much what we walk our clients through and use as a guide with our clients about where to serve them.



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Marilyn: Our service packages are based on this information.

Jessica: They are kind of all based around that because all of our packages are anchor, ascend, peak and summit. We even have options for our base clients who are just getting started out.

It's got a lot of synergy going on in it. We get very familiar with those terms around here.

That is it folks when it comes to making the online business climb.

Conversations and Celebrations!

This take us right into conversations and celebrations. I love this part of the podcast where we celebrate some good stuff that's happened with a client, or a true story and talk about our services. I'm going to celebrate one of our clients right now.

He's an awesome guy, his name is David Couch. He is with Wade LLC and he's a web developer here in Knoxville, Tennessee and I had a great [discovery session](#) with Dave just last week. It was awesome, the time that we were able to spend together. He shared with me about his business and what he was up to.

He's at the anchor stage of his business and he's really trying to move things up in a different direction.

As you said earlier, sometimes when we're at the base or anchor stage, we just really want to go ahead and be at those other places. You get lonely on an island. You feel like that a lot.

We had a great discovery session. Anybody can contact us for a [discovery session](#) for free. We talk about your business and what's going on and figure out how we can help.

He emailed me afterwards and he shared that he had such a great time chatting with us about our accounting services! He went on to say - I really loved this part and for



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me this is my personal mission as an online business coach - he said that he walked away very inspired, motivated and reinvigorated about his business and more importantly he felt like he finally had direction.

It was an awesome call and an awesome conversation.

I just want to share with each person who has signed up for those sessions or for the person listening who's going to hit that "Let's Talk" button and sign up for a session, you think you're getting help, but you really help us way more sometimes than I feel like we help you. Your encouragement and hearing your stories and all that you're up to in the world, you are worth celebrating. That's what this celebration is all about.

Each one of you is worth celebrating, your mission and your vision and the impact that you're trying to make.

Thank you for all that you do. We celebrate you today and every day at the bottom line.

Marilyn: We do. Thank you.

Jessica: This puts us right into the wrap up section of our podcast which is...

The Power Play

Marilyn: The power play.

Jessica: This is basically the time where we give you one thing to focus on as you walk away today for the rest of the week until we meet again.

Marilyn: Yes.

Jessica: What's this week's power play Marilyn?

Marilyn: It's understanding the various stages of business, discovering where you are in it and making plans accordingly.



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Jessica: Getting into that growth strategy, getting into that tax strategy and having those conversations with your accountant.

Marilyn: That's correct.

Jessica: That's the one thing we leave with you folks. Figure out where you are and where you want to go and what you need to focus on as you make those plans for a great, awesome 2015.

Marilyn: It's going to be awesome.

Jessica: That's right.

This is all we've got on CPA in Your Corner. Have a great day!

Marilyn: Bye guys!