

THE FINANCIAL EDGE

December 2017



BELIEVE IN MAGIC

Personal comments by Mary

Beneath the stress and chaos of the holiday season you can find the magic. This is a time to rejoice and attend to matters of the heart. Here are my favorite ways to experience the holidays...

CHERISH THE GIFT OF FAMILY. We celebrated two weddings – one for Steve's youngest Amber and Zach and my youngest James and Lauren. This is a year of new beginnings for them. With children in Vermont, Phoenix, Minneapolis and Madison – they will all be in our hearts if not in person.

REVEL IN THE EXQUISITE BEAUTY OF COLD AND SNOW – I just got back from Phoenix. I missed the snow, the crispness of the air, the changing of the season. Remember to admire the sparkle, the uniqueness of every snowflake. Living in Wisconsin brings the snow. The snow refreshes the world. It covers it with a delicate white blanket, creating a clean slate with a crispness that demands our attention. Take a walk and catch a snowflake on your tongue.

SHARE THE WARMTH. Give a hug, one gesture translates into a thousand words. Sit around the fireplace and listen to the crackle of a fire. Share a warm hot meal with friends and family or bring Uncle Mike's cookies to your next gathering and savor the deliciousness.

GIVE A DONATION. Find a worthy charity and share what you have. There is always someone who is worse off than you; take action and improve someone's day.

REMEMBER TO SMILE - when you smile the whole world smiles back.

Take time to discover and absorb the magic. It could be as simple as a child's smile, the gentle touch of a grandparent, the laughter of your friends or the love of the cookies.

Have a Merry Christmas! Mary Guldán-Lindstrom



"I am a real estate broker of 21 years - I have had my share of CPAs during this time NONE of which even come close to Mary! The entire team at Focus CPA does an incredible job of keeping me on track. Excellent service. Highly recommend." Malinda Trimberger

Malinda Trimberger,
Realtor & Owner - Executive Realty

*Your referrals are appreciated and
will be treated with utmost care!*

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Share the **FINANCIAL EDGE** by...

- Forwarding your newsletter copy;
- Calling our office at 920-351-4842;
- Signing up at www.focus-cpa.com;
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THE BOOK REVIEW

Title: The One Thing
Author: Gary Keller with Jay Papasan
Topic: Success
Easy to Read: \$\$\$\$ (5 out of 5 dollars)
Applicable to Small Business: \$\$\$\$ (5 out of 5 dollars)

Summary: Every action we take leads us into a direction. Make each action count. If your first action is like a very small domino that hits a larger domino and it continues to create a domino effect. Great things can happen with a small step. By making it intentional, you can live a life with purpose and without regret.

My recommendation: If you want to achieve great things or live an exceptional life put "The One Thing" into action. This book is a great place to start, 18 chapters filled with ways to find your ONE thing, how to make decisions and ways to stay on track. Easy to read.



Pages: 223 | Published: 2013



GIVING TO OTHERS

By Mary Guldán Lindstrom. CPA

With the holidays around the corner, you may be donating to your favorite charity. However, come tax time, there are rules regarding donations to gain a tax benefit.

Did you donate to a Qualified Charity? Gifts to individuals, political organizations, or candidates are not deductible. To check the status of a qualified charity, taxpayers can use **Exempt Organizations Select Check** on IRS.gov.

Did you get something in return? If you receive items such as merchandise, meals, and event tickets, the entire amount is not tax deductible. You can only deduct the amount of the donation that exceeds the fair market value of the item they received.

Did you donate something other than cash? The donation amount is the price you would get if you sold the item on the open market. Note that used clothing and household items must be in good condition. Keep receipts, list of items donated and pictures. An additional tax form is required for donations over \$500. If the value exceeds \$5,000, the IRS requires an appraisal. Special rules apply to certain types of property donations, such as cars and boats.

Charitable mileage. Keep track of your miles. The IRS allows 14 cents per mile.

Stock donations. The donor can claim the fair market value and not report the capital gain income.

Proper documentation? If you donate \$250 or more in cash or goods, you must have a written receipt from the charity. The statement must show: amount, whether you received any goods or services in exchange for your gift. If you did receive dinner or such, the charity must provide a good faith estimate of the value of those goods or services.

Will you reduce your taxes? If the amount was donated to a qualified charity, you have documentation, your itemized deductions exceed \$6,050 for singles or \$12,500 for those married and the amount donated is less than 50% of your income; then yes most likely you will reduce your taxes.

If you are still confused or need to know more – give Jimmy a call at 920-351-4842 or use the Interactive Tax Assistant, [Can I Deduct my Charitable Contributions?](#) at www.irs.gov.

WILL THIS CHRISTMAS BE A FEAST OR FAMINE

A YEAREND FINANCIAL REVIEW QUICK GUIDE

By Mary Guldán-Lindstrom, CPA

Christmas is here, just before the end of the year. Time to gather your information and you're your taxes. It is also a great time for business owners to take a deep dive into their financial results and make a plan for next year. Your statements can provide clues as to what is working and what isn't. Here's a quick guide to discover your story:

COMPANY'S ABILITY TO GENERATE A PROFIT. Pull out that Profit & Loss or Income Statement.

- ✳ Sales. Did you meet your goal? Did you exceed last year?
- ✳ Gross margin will tell you how much of the sale covers overhead. Is it what you were expecting? Improving over last year or trending down? Are you selling the right things?
- ✳ Overhead expenses. Are they reasonable? Is it what you expected? More or less than last year?
- ✳ Net Income. Is it what you expected? More or less than last year? If not ask why?

WHERE CAN YOU IMPROVE?

- ✳ Sales. Review a month-to-month comparison. Do sales fluctuate? How much do you need to breakeven each month? What can you do to meet breakeven every month?
- ✳ Direct costs by product or service. How can you improve the profitability on each type of sale?
- ✳ Sales by customer. Review profitability on each customer. How can you improve the profit? Do you need to raise prices? Or fire them?
- ✳ Overhead expenses. Review a month-to-month comparison. Are the costs consistent? Are you maximizing the expenses to generate additional sales?
- ✳ Staffing costs can make up a large portion of overhead. Now is a great time to review annual wages – pull out those W2's. Is the company getting full value? Would you rehire each employee?

Every financial statement tells a story. Was this a year to celebrate and feast or a year of losing weight and applying yourself to improvement. By understanding your story, you can rewrite the ending. Use your financial statement as a tool to verify what you think is happening and to use it as a guideline to improve the results. Identify one thing that you can do today to enjoy next year's feast!

For most small business owners the financial statements are written in another language. Being a small business owner and a CPA we understand that language. Our experience creates a deep insight to the business activities that are behind the numbers. At FOCUS CPA we can provide the financial perspective. We can improve the accuracy of your statements, redesign your statements so you can use them more efficiently, make observations and recommendations and help you use them to improve. Give us a call at 920-351-4842 to learn more about how we can help.

HOW FINANCIALLY STABLE IS THE COMPANY? Let's take a look at the Balance Sheet.

- ✳ Equity section. This is the "Book Value." The higher the value the more resilient the business is. The less you need to rely on banks and the better your chance to withstand a downturn.
- ✳ Calculate Working Capital. This is the excess of the current assets over the current liabilities. Again the higher the better.
 - I. How much cash is available? Are the receivables being collected? Can you improve the customer payment terms?
 - II. How many times during the year will the company sell their entire inventory? The more times the inventory turns the more profit the business can earn.
- ✳ Debt. How leveraged is the business? What is the debt to equity ratio? The lower it is the greater stake the owners have in the company as compared to creditors or bank.

NOW LET'S TAKE A LOOK AT CASH FLOW.

Turn to the statement of cash flows to determine where the cash is coming from and where it is going.

- ✳ Business always want cash provided by operations. Did receivables increase? Did inventory go up? How can we improve the situation?
- ✳ Did the business invest in new equipment?
- ✳ Review new loans taken or old loans repaid.

IT'S ALMOST TAX TIME!

ANOTHER YEAR IS ENDING...

One could do **NOTHING** and see what happens or do **SOMETHING** productive and **GAIN CONTROL**.

Taxes are a game with rules. As the stakes grow, it pays to be more knowledgeable.

We can reduce the pain with education, providing options, assessing risks and getting it done. We do more than just prepare returns! We take an in-depth look at your personal and business situation looking for opportunities to reduce taxes, protect you and avoid tax risks. Our mission – improve the lives of small business owners.

We are still accepting a few new tax clients for next year!

However to reserve your place – contact us by December 29.

Please call Jodi at 920-351-4842 to setup a discovery meeting.

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A CHRISTMAS POEM

There's more, much more to **Christmas**
Than just **candle lights and cheer**
It's the spirit of **sweet friendship**
That **brightens** all the **years**.
It is **thoughtfulness** and **kindness**,
It is **hope** that is **reborn** again.
For peace, for understanding,
And **goodwill** for all of mankind.

Merry Christmas!

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