

THE FINANCIAL EDGE

August 2018



EVERY DAY COUNTS!

Personal comments by Mary

We are in the midst of summer; the days are warm and humid in Wisconsin. We just had a streak of 3 weeks where I stayed in the house and enjoyed the air conditioning. It was too hot for me to enjoy outdoors. I don't want to waste a day. It is time for me to adapt and make the most of it – for every day counts.

I recently attended a family party. People are getting older and more feeble each time I see them. Walkers and portable oxygen are becoming commonplace. I need to make sure that I am taking care of myself and making the most of my life. I need to eat right, exercise and take care of myself. Every day counts.

I still get the daily newspaper. Each day I read the obituaries. It is a good day if the majority who died are older than I am, for there are more and more listed that are younger than I am. It is a reminder that every day counts.

Every day counts is hitting home for me really hard. I have a birthday coming up. I am getting close to another decade. Questions weave through my mind. Have I accomplished all that I want? What experiences do I want before I die? We have but one life - am I living it to its fullest?

Mary Guldán-Lindström



They make running my business a lot easier for me. Mary and her team step in as a sort of CFO for my company and help me with so many areas of the business. Wouldn't be where I am today without them!

Chris Robinson,
Owner of Full Scope Creative



**YOUR REFERRALS ARE
APPRECIATED AND WILL BE
TREATED WITH UTMOST CARE!**

THE BOOK REVIEW

TITLE: Willpower Doesn't Work

AUTHOR: Benjamin Hardy

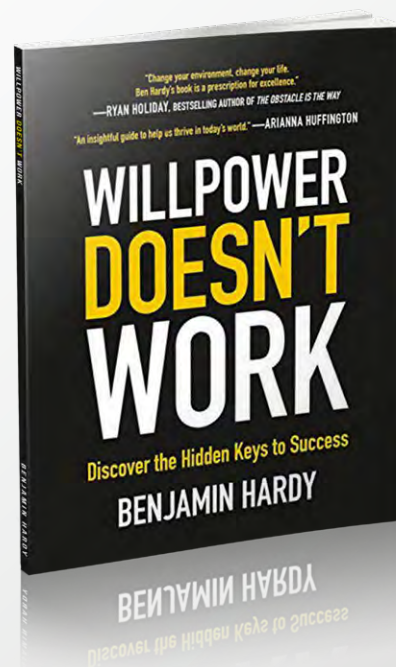
TOPIC: Personal Development

EASY TO READ: \$\$\$\$\$ (5 out of 5 dollars)

APPLICABLE TO SMALL BUSINESS: \$\$\$\$\$ (5 out of 5 dollars)

Summary: The author, Benjamin Hardy uncovers the futile attempts of changing through willpower. He presents ideas that will replace what we thought willpower would accomplish. By creating and controlling our environment, we can achieve what we desire.

My recommendation: Most business books I read usually provide a new perspective or tell the story a little different. This one presented a new concept to me. I have put in place what he shares - refrigerator with water to drink more water, using an iPod to be creative and calming work environment to limit distractions. I never considered using this instead of willpower. The book provides a perspective to use to achieve your goals.



Pages: 225 | Published: 2018

THE NEW TAX LAW — HOW DOES THAT IMPACT BUSINESS OWNERS

By Mary Guldán-Lindstrom CPA

Did you know that only 50% of taxpayers pay income taxes? That won't change with the new tax laws. However, there is good news for those 50% that do pay.

As we were preparing 2017 tax returns this year, our tax software provided a comparison of what our client's 2017 income will look like under the 2018 tax law. For those we serve - the majority found their tax liability would go down. However, it depends on your specific circumstances.

HERE ARE THE SITUATIONS IN WHICH TAXPAYERS LOSE:

- ✓ For those reporting itemized employees expenses – they will lose them in 2018
- ✓ For businesses that claim high entertainment expenses – they will lose the 50% tax deduction this year.
- ✓ For those who pay more than \$10,000 in state taxes -you will only be allowed to claim up to \$10,000 of real estate and state income taxes as itemized deductions.

HERE ARE SITUATIONS IN WHICH TAXPAYERS WILL WIN:

- ✓ Those who qualify for the 20% pass through business deduction. If you report business income on your personal income tax return, you may be able to reduce your taxable income by 20% of your business income. The calculation is complicated and each situation has different facts.
- ✓ Lower tax rates for those that were in the 15% bracket up. The new rates range from 10% to 37%.
- ✓ Fewer will pay Alternative Minimum Tax (AMT). They changed the rules.

AREAS THAT STILL NEED CLARIFICATION:

- ✓ A clearer definition as to what is a "service business".
- ✓ For rental property income will this be treated as business income.?
- ✓ Are the meals associated with entertainment still 50% tax deductible?

IF YOU WANT TO KNOW MORE ABOUT YOUR SPECIFIC SITUATION, WE OFFER TAX-PLANNING MEETINGS. CALL OUR OFFICE, 920-351-4842 TO LEARN MORE OR SCHEDULE YOUR APPOINTMENT.

CREATING A BUSINESS BUDGET BACKWARDS (SDRAWKCAB)

By Mary Guldán-Lindstrom CPA

The goal of a budget is to create a plan to get the end-result you desire. So why not start with the end and go backward?

Here are five steps to create your backward budget...

STEP 1. DEFINE YOUR DESIRED NET INCOME.

Add your desired business income to how much you need to reinvest to keep the business financially healthy. If that is too detailed - pick a number such as \$100,000 or 10 times more than last year.

STEP 2. IDENTIFY YOUR FIXED COSTS OR OVERHEAD EXPENSES. If you are already in business pull this information from your Income Statement or Profit and Loss statement. This includes the following types of expenses:

- ✓ General and administrative - costs you incur to run a business such as insurance, telephone, office supplies, software, tax and accounting needs, etc.
- ✓ Occupancy - rent for space, utilities, property taxes, etc.
- ✓ Sales and marketing - sales commissions, website, dues, marketing materials, etc.
- ✓ Supplies or shop expenses - this depends on the type of business. These are costs you have but are not directly related to the sale. Such as shop supplies, uniforms, tools, fuel, etc.
- ✓ People costs - wages, benefits, employee taxes, retirement plan, health insurance plan, training, etc. Be sure to include a fair wage for you, the business owner.

Divide this by 360 and that's your daily cost to be in business.

STEP 3. CALCULATE WHAT YOU NEED FOR GROSS PROFIT by adding your overhead and desired net income.

$$\text{NET INCOME} + \text{OVERHEAD COSTS} \\ = \text{GROSS PROFIT}$$

STEP 4. CALCULATE OPTIONS TO GENERATE THE GROSS PROFIT. Start with identifying your revenue sources such as product sales, service

sales, warranty income, etc. Create a list. You will want to know where your business income is coming from. Start with your history, if available.

For each revenue source, determine your direct costs on a percentage basis. If you are selling a product - what is the product cost and shipping you need to pay to earn that sale? If you are selling a service - what is the additional cost such as a subcontractor that you incur to earn that sale?

$$\text{GROSS PROFIT} = \text{SALES} - \text{DIRECT COSTS}$$

This GROSS PROFIT has to be equal or greater than the amount calculated in step 3 to achieve your desired results. This is where you need to be creative.

STEP 5. START WORKING YOUR SALES AND COST OF SALES TO ACHIEVE THE GROSS PROFIT YOU NEED. Best place to start is where you are at now. Then sit back and evaluate the results. There are a few choices to improve your results:

- ✓ Reduce your overhead. Review your expenses - do you really need it?
- ✓ Change your product mix. Some sales have a lower cost than others do. Focus on those type of sales that have a greater gross profit.
- ✓ Start developing other revenue sources that have a lower cost. For product sales, include a warranty plan or a service agreement.
- ✓ Increase your size of sale. Have an add-on, such as "do you want fries with that?"
- ✓ Raise your prices. Offer 3 options - good, better and best with the appropriate prices.
- ✓ Find more customers.

It is better to have the bad news before you live it. By creating a budget, you can take action to get better results.

At FOCUS CPA Inc. we can redesign your profit and loss statements to help you make better decisions. We also offer "strategy meetings" to find options to improve your results by focusing on your strengths. **Give us a call, 920-351-4842 to set up your appointment.**

Special Offer FIXED PRICE AGREEMENT

Tired of tax and accounting fee surprises or just want to have a budget - consider a fixed price agreement.

If you want to budget your tax and accounting fees for next year we do offer fixed price agreements with monthly payment plans.

We package it to include your tax returns, tax planning, other services that you need and unlimited emails and questions.

If you are interested contact Mary at

920-351-4841

-- or --

MARY@FOCUS-CPA.COM

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DID YOU KNOW... THE LAMBEAU LEAP

The Lambeau Leap is a cherished touchdown celebration in football. Did you know that an offensive player didn't start it? Even though former Packers wide receiver Robert Brooks made it popular with the Lambeau leap song, Safety LeRoy Butler was the first player to jump into the adoring arms of Packers fans in the end-zone stands, doing so after he scored a defensive touchdown in 1993.

The "Lambeau Leap" is the stuff of legends. The NFL grandfathered it into the new rules in 2000 that banned excessive celebrations. Some opposing players have tried to do the Lambeau Leap, but they're always shoved back. Green Bay fans know only a Packer is allowed to Leap.

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