

Hello everyone, and welcome to episode two of the Sink Handle podcast. This is Kelly Reynolds and today we are talking finances. Oh, I know a lot of you just panicked, but it's going to be okay. We don't panic here. So finances, it's a lot, right? Most people freak out or just ignore all of it completely. It is very charged emotionally, finances and it's one of the things that usually freaks people out the most in business. But the reason we get into business is to make money, right? If we worked all day every day for free, that would be awful, number one. But it would be a hobby. The reason that it's a business is that we make money. That's the, that's the idea anyway. And I think that a lot of people are scared to look at their numbers. They don't want to know what's going on. And right now, especially in a situation where the world is so uncertain, you really need to know those numbers. You really need to know what's going on so you can make good decisions. So today I want to talk about some basic stuff that you maybe know, maybe don't know. So that we can get a little bit better organized and you can know what's going on in your business.

First of all, we need a business bank account. There is no way around this. You need a separate account for your business. It is so, so important. You do not buy groceries with this account. You do not buy shoes with this account. This is just for your business expenses. So that way you can keep everything separate. That makes all of the reporting and all that kind of stuff way easier, especially if you're not a bookkeeper, which leads me to the next thing.

Accounting software. You need this. This will make your life so much easier. And I'm not talking about an Excel spreadsheet. This is QuickBooks or Xero or Wave is a good one that's a free option. These are tools where you would set up your bank account information, there's like a feed that comes in, all the transactions just come in and then you just approve them and then miraculously, boom, all the reports happen. In Excel, you'd have to like move things around and it's hard to reconcile everything and way easier to do with accounting software. And you can have a bookkeeper, if this is not your gig, do this all virtually.

There's tons of great bookkeepers out there that can have this all set up for you, keep it up to date and then all you have to do is go in and look at the numbers, which is really a big part of this. You have to actually look at them and if that means you have to pour yourself a drink, then pour yourself a drink and then face reality and then move on. Figure out what those numbers say, how much money you got, what you have to spend, that kind of thing and then move on. Finances can be so emotionally charged. You don't want to look at those numbers cause they'll say you're failing that, you know, you're not making any money, it's going to freak you out. Blah blah, blah blah. And you get all wound up. Numbers are just facts. They don't mean you're a failure. They don't mean anything. That's what you are saying they mean. So just look at them as facts and say, okay, I'm going to be \$300 short for that thing, and then you can make a decision from that. Like, Oh, I'm going to be \$300 short. Well I guess I might have to sell something to cover that. If you don't look and see that you're \$300 short, then you're \$300 short still. Just because you don't know it doesn't make it any less true. So the first number you're going to probably look at and the number of most people know is your revenue. It's the income that comes into your business. Most people can say that number, especially online businesses because everything is wrapped around seven figure businesses, six figure businesses and, and how that is, the sign that you've made it as some kind of level there.

So the revenue is just what comes in. Someone buys something for \$3,000, that's the revenue right at the top line. So the revenue is an important number to know because you know what's coming into your business, but that is not what you can spend. Taking that \$3,000 and then going to spend it on things, right away or taking it as your paycheck is not the way it go. You have things that have to come out of their taxes, expenses, those kinds of things. Um, and that is why having accounting software so you can see where your money is going is really, really important. A lot of people I know clients, past future, I'm

sure, they see money come in and they say, Oh, I have \$3,000. I get to spend that \$3,000 and then quarterly tax time comes and they have no money for that or they can't pay their people and it becomes a huge problem. And then the guilt and the snowballing of all of this. So we're going to stop doing any of that. When you bring money in, you're going to have to break it up. It's not all just to spend.

So revenue and then taking expenses out of that in a very basic way is what your profit would be. Now you are also an expense. You're going to pay yourself. We're talking about that in a minute. So we have the revenue, we have profit, which is really important to know. If you, you have a launch or something like that and you make a \$100,000, but that launch costs you \$105,000, you have lost money. So even if you are a six figure business, if you're losing money, it doesn't matter if you're a \$30,000 business and you only have expenses that are \$5,000, you've made a ton of money. And a lot more than a lot of those six figure businesses and a lot more than those six figure businesses. And I think that is a huge mess.

I hate talking about revenue as a measuring stick because so many of those high ticket offers and those big numbers, they come with an enormous amount of expenses. The profit number is the one you're looking for. What did you make? What, what do you get to bring into the business and then take home, things like that. Out of that revenue number, we are going to have to take taxes. This is very important. The government will take their money. They always get their money in the end. So we are going to put away money out of our \$3,000 that we're talking about, we're going to put away a certain percentage of that revenue, usually about 25 to 35%. It's a big chunk. It's a big, big chunk. We're going to put that away in a separate account so that you, so that you have that money ready for you. Um, and then when tax time comes, you can just write a check or whatever you wanna do, but you just send them the money. It's already right there. You don't have to freak out. So when that \$3,000 comes in, whatever your accountant says you should be putting away whatever percentage, every time when he comes in, whatever that percentage is, 25%, whatever, you put that away into a separate account that you don't touch, except for taxes. You don't borrow from it. You don't pay people out of it. That's it. It's for taxes because they will be due.

And then you are going to look at your expenses. People think, Oh, well we'll just expense it through the business. But you still have to pay for things. So even if it is a business expense and it comes out like it makes your tax liability less, it's still, you have to still pay for things. What I suggest is to go and take all of your expenses. If you have accounting software, this is going to be real easy because the it will list everything out on your P&L. So I want you to write down all of your expenses. What are all the things that you had to pay for in your business? Maybe the last month, the last two months. And then pullout anything that's a fixed expense, the same things that happen every month or so rent, if there's a phone bill or whatever, all of those things are exactly the same every month. Put them in one column. Then all the other expenses that are variable maybe you have expenses that are only one month or your contractors are always different rates, things like that. Those will be the variable expenses. And then you can start looking at what you're spending and how much of your revenue is going to expenses.

Like my example earlier, if you are bringing in a \$100,000 and you're paying out \$105,000 and you never even pay yourself, why are we doing this? That's an enormous amount of work for nothing. So look at our expenses and a lot of times there's so many things we can cut in there, especially when we're all worried about money right now and the whole world is a little unstable. Looking at your expenses and being able to cut the things that you don't need. I have done this exercise with every client and when you go through and you look at their expenses and you're like, you're paying for three scheduling softwares and you don't even use any of them, like that's an enormous expense over the whole year. So going through and giving yourself like a financial audit, just giving yourself an expense audit put together. Are all your expenses really valid? Well, great. Now do you make enough money to cover all those expenses and pay taxes and pay yourself? If not, you need to make some more money. So looking at this and saying, okay, well this is the money I'm coming in. This is what I'm paying out. All of these

things. And then taking a really good look at it and being able to make some decisions from there, from a place of knowledge is so important. And then we need to pay ourselves. This is not a hobby. We work really hard as small business owners. We need to pay ourselves,

Let's recap here. Business account for all of our business expenses. A separate tax account to put our taxes away so we will not spend it on anything else, but taxes. We're going to get accounting software if we don't already have it. So we have everything set up and ready, so at a moment's notice, we can look in there and make good decisions. If this is not your jam, get a bookkeeper. You can have a virtual bookkeeper come into your business, check in maybe once a week, once a month, if you've got very little going on. Uh, transaction wise, I'm sure you have lots going on business wise. But they can help. They can come in at an organized, so you're just really looking at what the numbers are, but you're not actually doing any of the transactions.

Then we're going to pay attention to profit, not revenue as a goal. We want to make a profit. We want to make money. We don't want to just bring money in and then put it right back out. We're going to put away money every time we take in money, we're going to put away money for taxes so we don't get screwed when the quarter comes. And you have to pay that out and you got nothing. Like so many times that happens. So many times people don't have the tax money and then they freak out because now they have to scramble. Don't be that person. Then look at your expenses. We're going to do a finance audit of your expenses where we really look at what we're paying out. Do we need it? Could we lower it? Could we get a better version or a different version?

Then we're going to pay ourselves. We're going to pay ourselves. It's so important. I do it on a bimonthly, so the first and the 15th I move it over. I should just have it set up as an automation. That would be, if it was one of my clients, I probably would have done it, but it's for myself, so I had to do it. So whenever money comes in, I put away money for myself, my expenses, my taxes and then for profit as well so there is money in those categories so I can go pay myself, pay my people, pay my bills. And I can pay my taxes.

If all of these terms are a little scary to you, revenue and profit and things like that I have a free terms sheet on my website. I'll put it in the show notes so that you can see it. It will tell you what everything is. I know sometimes these words get thrown around and you're like I don't really know what that is. So I've put together a list of a bunch of the things that I think are important for you to understand what's going on.

And then if you want a little bit more help, I have the Know Your Numbers Tools is right on my website as well. That is three tools that I use constantly in my business and my clients' businesses. So there's a business decision tool in there where you can put all your expenses that we were talking about, the fixed expenses, the variable expenses, and then it will break out how much taxes, how much you're paying yourself, all of that. And it kind of lays out all of the things that I was just talking about. The revenue, the profit, the taxes, all that kinda stuff. It just lays it out all in one place. And there's these pretty formulas at work and because I love a pretty spreadsheet and so all of that works. So when you pop your numbers and it will calculate it for you. There's also a cash forecast in there so you can figure out if you're, you know, especially these uncertain times you can pop all of your stuff in there and what you think you're going to make, what expenses do you think you're going to have and you can kind of forecast over the next couple of months of what you think you'll have. And if you think you'll be able to pay things Which right now is, you know, pretty important to know. And then the last thing in the tools is a goal tracker. This is my biggest, biggest thing in my business. I use it every day. I go in every day put in the income I brought in, the revenue brought in and how close that brings me to my goals. So I know I want to bring in a certain amount of money every month. I break it out by day. I have to bring in this much money a day. How much, how far am I from my goal? And if I'm a little further than I should be

because I know I need to cover those taxes and my people and me, then uh, I better start making some money. So those are the three tools. If you need more help and want to get this stuff mapped out a little easier and have all the formulas done for you, that will be on the website at www.reynoldsobm.com as well. And uh, I guess, and I just, I just want to remind you that numbers are just facts. They're not scary. They just are. So please, especially now when everything in the world is a little bit crazy, we are not going to panic. We are going to make a decisions because we look at our numbers, even if it's scary in your head to look at them, look at them. It's really important because if you know where you are, you know what you've got to do and then you can do it and then your business will be in a way better position coming out of this. Being on solid fitting financial wise is, is the key to all of this. It's also the key to sleeping. And, uh, that's all I got for you guys today. So go look at your numbers. Go look at your numbers. Go look at your numbers. Just going to keep saying it over and over again. It's really important. Do it. I'll see you next week. Bye.