

Sink Handle Episode 48

Hello, everyone, and welcome to Episode 48. So today, I want to talk about something that drives me insane. Something that drives me crazy in the online and small business world in general. And that is the idea that your revenue number is the thing that makes you cool that you are a quote six figure business or seven figure business. And that means that you have attained some level of whatever success, coolness, whatever it is. The fact that so much of our content and marketing is based around these phrases of six figure business drives me mad. And it is not because I don't want people to be successful I do I want you all to be successful, so successful. What bothers me is that it really doesn't matter how much you have coming in. If it all goes right back out. I've mentioned this before, you know that I'm a huge stickler for knowing your numbers. And when people don't know their numbers, or their business model just doesn't support whatever they're doing, you can have 100 grand come in the door, and then you have to pay 110 grand out and bills, you are 10 grand in the hole. It has so that revenue. So that revenue number that six figure income means nothing, if you do not have a good sustainable business model that can keep some of that money in the house. So today, I want to talk about that I want to talk about how revenue is not the thing that you should be focusing on. It is profit, it is what is left over, after all the things are paid. That is the important thing. If you cannot pay yourself as a business, you are not successful. Unless you're unless that's for a reason. Right? Like if you're deciding to not take any money to reinvest into the business in the beginning, that's a decision fine. If you're working 60 hour weeks, and you are barely covering your bills, and you cannot pay yourself, that is not a successful business. And I can't even tell you how many times that I run into that. There have been businesses that I've come into that have said to me, I am at a multiple or I am at multi six figures. And I am ready for a DOO or an OBM or whatever they come to me for. And they think well I've hit this threshold in revenue. And that means I'm successful. So now I get to hire someone to run my business. And then I get there and find out that they can't pay themselves. They can't pay the cable bill. Because they have no profit. There's no money there. They could be working for \$100 a week, or \$1,000 a week or \$100,000 a week, if it all goes right back out, it doesn't matter. You end up with the same \$2 at the end of the day, it doesn't matter. You're just working harder to give someone else all your money. So that is why I want you to know your numbers. Now what do I mean by that? Every time money comes into your business, you need to do something with it. You need to save taxes because let's say \$100 comes into your business. And depending on your tax rate, I am not an accountant. And I cannot tell you what your tax rate is. But let's say you have to put aside 25% of whatever comes in for taxes. Well, now you have \$75 left. And you have overhead meaning you have these fixed expenses every month. You have software that you need to pay for. You have subscriptions, maybe certification, you have to pay for that. The upkeep of whatever the thing is you do and that costs \$50. Well, now you're down to \$25 that you have left. And then you might want to help and then you've hired someone to help you with something and they cost \$25 That's it, you're done. You have no money left and you haven't paid yourself. So the thing is that when people see \$100 come into their business, they say I have \$100 to spend. No, you don't you do not have \$100 to said what you have is \$100 to cover a whole bunch of little buckets. If you launch a product a course you go into big launch mode, you sell a course. So many people don't look at how much it cost to get those sales you bring in, I'm using round numbers here, just so it's easier. Because, you know, after having a child, apparently I can't do math in my head

anymore. So if you have you made \$100,000. In your launch, it's a quote, six figure launch. It's inherently successful, right? Ever, you can tell everyone how big of a deal you are. And you spent \$98,000, on ads on Facebook, you didn't make any money, you actually probably owe people because there's a graphic person who's got an invoice or something else, and you didn't pay yourself. I will say this 1000 times in this podcast, if you work 60 hours a week, and never get paid? Wouldn't it be easier just to go to the beach instead? Why are you working so hard for nothing. Especially if you're not investing yourself, if you are not pulling anything out of the business, because you're reinvesting, like I said earlier, like that's a different thing. That is a conscious, intentional decision to grow the business in a certain way. But that's not what most people do.

Most people think I can just write off all of these expenses, and then I won't have to pay for things. You pay for them, you just get them off of your tax bill, it's a totally different thing, they still come out of your bank account. Every one of the things you spend, you spend every one of those things that you're spending money on comes out of your bank account. It just goes to your tax liability on paper one day. And I know when you're in the middle of this you want. You want to be able to spend money to make money, right? That old classic old phrase, so you're like, Okay, well, if I spend this much in ads, then I'll make this much money in this and then, but no one remembers all of little things. So I really want you to do this exercise, I want you to write out all the things you spend money on in your business. Now, whether you're doing this for a specific launch or a project, or just for your business as a whole, I want you to see how the money flows through your business. How much is coming in, and then write out on a piece of paper, whatever, you can buy my know your numbers, tools on my website, and it will break it down. It'll do all the math for you. If you put the revenue in, and then list all of the things you have to pay out, including taxes, and paying yourself are you profitable? Is there any money leftover and you should not be the last in line? You should not be the thing that's only gets paid if there's money left over. Now there's a long conversation about the book profit first with Mike Michalowicz. It's a great, great way to go here. That's a whole another conversation. The point is you should be getting paid first, and your expenses, and there should be money leftover. If there is not enough money to pay you, and cover the expenses, it is not a viable business plan. You're just working for no reason. And I see so many people do this. I've been brought into businesses. And I thought, oh, okay, you're making you're successful. You're making enough money, you can, you know, afford this level of of service. And I get into there and I see their numbers. And I'm like, Oh my god, you can't pay your cable bill. Right? Like we won't, we might not have internet next week and the office. That's a crappy way to live. Right? Like we left corporate so that we could make our own decisions. We left corporate so that we can make our own decisions that we could do it better, right. And we wanted to be our own bosses.

The problem is that now form our own boss, we have to do the things that our bosses did. We have to look at the numbers and figure out if we have a budget, if we can afford this. Do we need all these things? So looking at your numbers to be able to see if you are making any money is vital, vital. It's a hobby, if you're not making money. The only difference between a hobby and a business is the business makes money. That's it. And there's so much pressure out there to say oh well I need to make 100 grand, I need to make six figures I need to whatever the term is, you will hear it constantly. What I want you to remember is that there are numbers behind that, that matter. And you need to figure out what you actually need for your own life, not what someone else is telling you as a goalpost. Now, I live in New Jersey, it's really expensive here. So I probably need to make more money to pay all of our bills

in the house than someone who might live in a different place. That is the important thing to know here. So finding out. So the first thing you need to do is to figure out one, what you need to take home as a person, what is your paycheck have to be? What are your bills at home? What is the money that you need to come in with? Maybe it's just you, maybe it's a spouse? What do you What's your point? What's, what's your like part of the household expenses that you need to bring in? And that's going to be that good? goal. That's the minimum. Now, can you pay yourself that from your business? How do you know? Now we're going to write it down, we're going to look at how much revenue is coming in, we're going to take away a percentage for taxes. If you don't know start with 25%. It's a good just general starting point. Put that away to the side. Now take away your salary that you need to bring home every month. put that to the side. What's leftover? If there's money leftover? Great. How much are your expenses? What are your fixed expenses? Meaning the ones that are every month like rent? Or the cable bill or whatever it is now? It's like cable anymore? There's a cable? Yeah, this is the internet bill? What is that? Like all of those fixed expenses? And then the variable things like what do you have to do? Like? Do you have help? Do you need to pay contractors? Do your payroll, things like that? Like whatever? Those are all the expenses? If you take revenue, minus taxes, minus your paycheck, minus your expenses? Can you cover all those things? Have you ever looked at if you can cover all those things? This seems silly. And I know you're thinking but of course this all makes sense. Kelly, this is basic math. Well, for the ones that have you that are still listening, because you found out this is a finance episode, and you didn't want to hear it. So you're thinking, Well, of course, this all makes sense. But so many people do not look at the actual numbers. Because when you sit down, you're like, wait, that's all I got. Like, how could I not make more money like I'm bringing in \$10,000 a month, you do not get to bring home \$10,000 a month, revenue is not take home. Maybe you bring 5000 home, and maybe that's good because you after taxes, you're very low expenses. If you're something that doesn't have if your business is something that has a lot of expenses, or it doesn't have a lot of profit on the the like the profit margin on the product, whatever that is to not be tactical. But if your business has if your business if I have no idea what I just left off, if you have that \$10,000 a month, and you take out 25% for taxes, now we're down to 7500. You've got to pay yourself, your expenses, and all your people from that money. Can you make it happen?

And so many people want to just ignore it. And look at one thing. I hear this over and over again. Well, the money's in my bank account. But that money's not all yours. that money's not all yours. You have to pay bills, you have to pay taxes. Revenue is not taken home. And I don't want you to get into that mode. Have you looked in your business bank account and you think well, I have a grand in there? I get to spend a grand you don't. Because the IRS always comes they always come and they find you and they want your money. And then you're gonna have to I don't know go sell platelets or something to go finance that. And there's this feast and famine mode that people get into. Don't do it. Don't get stuck. into this revenue model is all that matters on Instagram, right? You see so many things on Instagram about six figures and seven figures. And most of those will not tell you how much their profit margin is. Some Well, there's some really great entrepreneurs out there who will give you a complete breakdown of everything. And I really respect how they explain that. Denise Titi is great lucky bitch. Julie Stone does it sometimes I think Emily Hirsch does it. Where they really break down what it looks like in your business. And when you look at the numbers, you're like, Oh, my God, they really don't make that much money. And they're really good at it. And I don't say this to scare you, I say this so that you can get your head out of the sand. I've run into a lot of people lately that are spending too much money in their

businesses, and they're screwing themselves. And it makes me so sad. And I want to help them, and I want to help you.

So revenue is not taking hold. I'm gonna say 1000 times. So revenue is our take home. You need to know what you need for you. You need to know that minimum goal of what you need to bring home and then see if you can cover that. And then you may find out from your numbers and your business that you can pay yourself way more than that, like your better goal can be covered by where you are in business right now. Or maybe you're almost at your crazy goals. But you don't know until you look at your numbers. So if you are not one who likes to talk numbers, or even deal with numbers, or even though anything, if those like numbers exist, I implore you please, please take a look at your numbers. This is how we're going to make really great decisions. This is how we're going to go and say, Oh, I'm going to decide to spend the money on these three things and not this other thing. Or I'm going to decide to reinvest something in my company or invest in something else. But I need you to look at your numbers, and not be just sucked into. If I make six figures, it will be fine.

Success is all different ways and for different people. Figure out what you need, figure out how to get there. And if you don't like doing the math, you go to reynoldsobm.com and look at my no your numbers tool. I'll put the link in the show notes. It has a whole breakdown of how to do all this because I see it constantly. And I want to be able to help people who don't know how to add because I don't know how to add in my head anymore. But I look at your numbers, figure out what you need, and then figure out how to totally crush your goals. Only can do that if you have a great decision. You can only do that if you are making great decisions because you know what's going on. Alright, I will talk to you guys next week. Alright guys, I will talk to you next week. Go look at your numbers.