



YOUR FINANCES

A monthly column by Guy McPhail of Zdenek Financial Planning

September 2006

Small Business Review Adds New Feature

The editors of Small Business Review are happy to announce the debut of a new feature in our newsletter and Web site. Your Finances provides expert advice on managing the business and personal financial challenges of the small business owner. The author, Guy McPhail, is both a CPA and a Certified Financial Planner and has run small businesses. He is president of Zdenek Financial Planning, LLC, a fee-only financial planning and financial investment advisory firm based in New Jersey and New York City, with clients in 13 states. Zdenek works exclusively with affluent individuals, business owners and senior executives. Guy McPhail's approach to financial planning for business owners is founded on the concept that business and personal wealth-creation strategies must work together.

Taking Control Of Your Financial Future

Like you, I'm a small business owner. As president at my financial planning and investment advisory firm I'm the co-equity owner of this small business. Small business owners also comprise a good part of our business, so over the years I've seen many of the financial management challenges you face both in running your business and with your own personal finances and wealth building.

In my column, I'm going to be sharing with you a variety of tips and strategies that may help make your business more profitable and enable you to build your personal wealth more quickly. I'm no expert in your specific industry, so my business-related counsel will have nothing to do with what you do. Instead, I'll be addressing how you make financial management-related decisions for your business.

Financial management: your second full-time job

One of the reasons you decided to start or buy a business was to have greater control over your own destiny. You wanted to be in a position where the decisions you make about running and growing your business have a direct impact on the lifestyle you create for yourself and your loved ones.

As you have undoubtedly learned, being a small business owner isn't easy. Most of us start out with great expertise in our professions or industries; we soon learn that we also need to become experts at managing a business's finances. Without this added skill, your business will never generate maximum returns, and your personal wealth will be limited as a result.

When you started your own business you probably drafted a business plan that stated what you would be selling, who you would be selling to and how you planned to attract and serve customers. Most likely, your plan also included a review of your start-up expenses and estimated operating costs for the first year or so. Having a feasible business plan gives the new small business owner — especially one who has never been in business before — credibility in the eyes of banks, vendors and customers.

But, when you drew up your business plan, were you also writing down how your business would help you achieve your personal financial goals? Did you establish some guidelines as to how you would manage your business's cash flow? For that matter, did you take the time and effort to determine just how much money you actually need to accumulate in order to achieve your personal wealth goals? If you answered no to these questions, you are not alone. All too many small business owners launch their businesses without paying attention to these important issues, which impact their future financial well-being.

It is not too late to take charge of your financial destiny — both through the financial management of your business and of your personal wealth building. For this, you first need to draw up a personal financial plan. Next, create or refine your business plan so that it incorporates its own financial plan regarding the financial management of the business.

The first questions you'll need to answer are: How much wealth do I need to accumulate for my personal financial goals? How much profit does my business need to generate in order for me to create the cash flow that I need to achieve my goals in a specific time period? What financial management actions can I take, at this stage in the life of my business, to hold on to more of the cash coming in and to minimize my operational expenses?

A financial planner who is also a CPA should be well equipped to help you run the numbers and establish the financial plans you need for yourself and your business. Think of it this way: The financial success of your business and your own personal financial success are as closely linked as two people bound together in a three-legged race. Unless you draw up and implement two financial plans — one for your personal finances and the other for your business — you may have trouble crossing the finish line, let alone winning the race.

Please look for the next installment of *Your Finances*, in which we will talk about the emotional obstacles that prevent many small business owners from doing the proper financial planning and keep them from achieving their business and personal goals.

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