



**RISK AND ASSET
MANAGEMENT**

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8 Winning Tips To Make Your Financial Plan Profitable

A curious thing happens to entrepreneurs in the spring of every year. You wake up one day and realize you had better figure out how much money was made last year in order to pay your taxes. But wait, shouldn't a business owner already know how much money he or she made last year, last quarter, or last month? Don't wait. Develop your financial plan today.

If you don't keep track of how much money you're making, you have no idea whether your business is successful or not. You can't tell how well your marketing is working. You need to know what your net profit is. If you don't, there's no way you can know how to increase it.

To be successful in business, you need to make a financial plan and check it against the facts on a monthly basis, then take immediate action to correct any problems. Here are 8 steps you should take:

Create a Financial Plan: Estimate how much revenue you expect to bring in each month, and project what your expenses will be. If you need it, get help from business planning books, software, or an accountant.

Review the Plan Monthly: Even if time is taken to prepare a financial plan with profit and loss projections, it often sits in a desk drawer. It's not enough to have a plan -- you have to review it regularly.

Lost Profits Can't be Recovered: When comparing your projections to reality and finding earnings too low or expenses too high, the conclusion often is, "I'll make it up later." The problem is that you really can't make it up later; every month profits are too low is a month that is gone forever.

Make Adjustments Right Away: If revenues are lower than expected, increase efforts in sales and marketing or look for ways to increase your rates. If overhead costs are too high, find ways to cut back. There are other businesses like yours around. What is their secret for operating profitably?

Think Before you Spend: When considering any new business expense, including marketing and sales activities, evaluate the increased earnings you expect to bring in against its cost before you proceed to make a purchase. You can often increase your profitability simply by delaying expenses to a later month, quarter, or year.

Don't be Afraid to Hire: Retailers and restaurateurs wouldn't consider operating without employees, but many service businesses limit themselves by being understaffed. Almost any business can benefit from hired or contracted help. You can better use your talents for generating revenue than for running errands and filing.

Pay Yourself a Salary: If you are incorporated, you may already be doing this. If not, allocate an amount to owner's compensation on a monthly basis. Each month that your business meets its profitability goal, pay yourself the full amount. When you miss your target, dock your "pay" and when you exceed it, pay yourself a "bonus." Writing yourself a monthly paycheck will give you a strong incentive to keep your business profitable.

It's About Profit, Not Revenue: It doesn't matter how many thousands of dollars you are bringing in each month if your expenses are almost as high, or higher. Many high-revenue businesses have gone under for this very reason -- don't be one of them.

Regards, *Steve*

Remember our motto:

Complimentary Advice. Any Time. Just Ask.