



RISK AND ASSET
MANAGEMENT

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Small Business Financial Focus

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Tip of
the Month

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Determining Your Personal Return On Investment

Many entrepreneurs start their own businesses because they want to be their own bosses. But many sole proprietors aren't just their own bosses; they're also their own sales staff, secretaries, accountants, publicists, customer service departments, financial planners. Running your own small business means wearing many different hats Sometimes all during a single day!



But all the myriad tasks associated with running a business don't have equal value, especially if we look at them in terms of our personal Return On Investment (R.O.I.). Think of all the different business-related tasks you perform in a single week. List them if you need to, or look at your records to determine how much time you're spending on different types of tasks. For example, how much time did you spend bookkeeping or on marketing?

One way to determine your personal Return on Investment is to simply look at the bottom line. Tally the number of hours you spent in that particular week on bookkeeping tasks. Now think about how you make your profit. What do you charge to deliver the service you provide, or how much product would you sell in that time frame?

If I spent ten hours on bookkeeping tasks, and I charge my clients \$40 an hour to use my services, those ten hours on bookkeeping have "cost" me a potential \$400. Now extrapolate; how much does doing that particular task yourself cost you over the course of a month and a year? In this example, doing my own bookkeeping costs me \$1200 a month. The bottom line says that I can't afford to keep doing this!

Another way of determining our personal Return On Investment is to look at the "human" cost. How are those hours spent on the particular task affecting the things that are important to you, such as your family life, lifestyle, or even health? In the example I've presented here, are the hours a month I'm spending on bookkeeping chores cutting into the precious hours I could be spending with my family? Or preventing me from joining the cycling club? If I thought about it, would I ever make the mistake of thinking that bookkeeping was as "important" as any of the people or things that are truly important to me?

I spend a lot of time talking to business people. Some small business owners have told me, proudly, that they do their own income taxes every year, or that they've designed their own letterhead, or created their own web site. My question is always "Why?" Any small business person can do all these things, but should she? The answer depends upon how relevant the particular task is to his or her business and what he or she gets out of the task at hand. If you're a web designer, then it's important that you create and maintain your own web site; if you're a landscaper, it's not.

We don't need to do it all. And if we try to, some aspect of our businesses will suffer. Every small business owner will have a different comfort level and a different set of skills. It's not good enough to say that so-and-so does it that way, so you should, too; so-and-so may have a gift for gab or a talent for sales that you don't have. To succeed, you have to stay focused on, and spend time doing, what you do well. You can, for instance, design and run your own marketing campaign, but do you enjoy it and are you good at it? More importantly, how much time does it take you? Is it time that you resent spending on that particular task, because it takes time away from things you would rather be doing?

Many small business owners make the mistake of confusing running the show with performing the entire show. Are you managing your business or are you feeling frazzled and harassed because your business is managing you?

Managing your business means being able to delegate and appreciate that there are other performers who will do some of the many tasks that need to be done just as well as you could do them. Determining your personal Return On Investment can help you see which business-related tasks you could or should be delegating - and free some of your time to do more of the things that you find more profitable and enjoyable.

Regards, *Steve*

Remember our motto:

Complimentary Advice. Any Time. Just Ask.