



It is a fact that after 3-4 years 90 out of 100 new businesses have failed. Bank Managers will tell you the reason is because they don't manage their finances properly. After 10 years, only one out of 100 new business will remain. Why? Lack of financial control.

7 STEPS FOR MAINTAINING FINANCIAL CONTROL

- 1 Create Budgets [on a personal and professional basis]
- 2 Create Monthly Management Accounts
- 3 Look at your Financial Results
- 4 Make Course Corrections
- 5 Get your Prices Right
- 6 Reduce Debt
- 7 Create Reserves

The benefits to incorporating these new habits are:

- Increased sense of control
- Increased self-esteem and self-confidence
- Significant drop in stress levels

What is YOUR definition of Success?

This may not necessarily be in terms of how much money you make. For many people, 'success' is doing what you want to do - with people you want to do it with - when you want to do it. Take a few moments to consider your own definition of Success and write your thoughts down here.

My definition of Success is:




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Step 1 CREATE BUDGETS

- Do you have budgets established a year in advance for your business?*
- Do you have budgets established a year in advance for your personal life?*

It is imperative to get into the habit of doing this - either yourself or by delegation to a good, proactive accountant, book-keeper or team member.

START NOW! Create a 12-month spreadsheet. You can use a spreadsheet, do it on paper, or any other method you wish. Use Don Sardella's example in the workbook as a guide. Enter every item of income and expenditure estimated for the year ahead. Every month replace the budgeted amounts with the actual amounts. As new, unexpected purchases come along - products, resources, people - enter them into your budget.

It's YOUR CHOICE - would you rather:

- a] Work like crazy for 364 days and then look in the till at the end of the year to see what's left? or
- b] Decide, in advance, what you want your pre-tax income to be and then spend the next 364 days making it happen?

*Are you Planning to Succeed, or are you Planning to avoid Failure?*

CFA REMINDER

Your budgets will be LIVING DOCUMENTS [see Strategy One]. They are not set in stone and will change constantly.



## Step 2 PREPARE MONTHLY MANAGEMENT ACCOUNTS

Your Management Accounts measure your profitability. By preparing these on a monthly basis you can quickly check whether you've made a profit or a loss. Reference this against your budget spreadsheet.

## Step 3 LOOK AT YOUR FINANCIAL RESULTS

In Strategy Two we looked at Free, Focus and Buffer days.

Buffer Days = business development days = days on which you consider financial results.

It is imperative to schedule time each month to evaluate your financial results, review management accounts, compare them with your budgets and then make course corrections as needed. Make it an agenda item at the Monthly Board Meeting (see suggested outline in strategy Two).

*Who should be present at the Monthly Board Meetings?*

If your business is a one-man band, make an appointment with yourself to do this.

Small business - yourself and the branch manager.

Larger business - yourself and all partners, directors, financial managers, sales, personnel, marketing, etc.

*What should I do now?*

If you have not already scheduled all your Board Meetings a year in advance [see chart outline in Strategy Two], then it is highly recommended that you do so NOW.

Create your own Personal Board of Directors. Your Personal Board of Directors is made up of those people you know and trust [eg: your accountant, practice manager, business or personal coach], who can keep you on track. Who do you know who would be willing to be part of your continued success?

## Step 4 MAKE COURSE CORRECTIONS

*The Sailing Metaphor:*

When you're sailing by the wind you don't take a positional reading once a year. You take a positional reading once every 30-60 minutes. You're constantly tacking from one side to another in order to compensate for external factors like the wind or the current and internal factors such as the trim of the vessel and the sails.

It's exactly the same in a business. The external factors include the costs of your materials, number and type of clients, market conditions. The internal factors include resources, production costs, personnel, you, your products/services and prices. They are CONSTANTLY CHANGING. That's why it is essential to take time out at least monthly to monitor ANY 'course deviations'.

By producing your budgets, you've already started by plotting a course and a destination. Your monthly meetings are the framework you will use to change course as needed as your financial position changes.

**CONSIDER - DECIDE - ACT**

*What needs to happen to get the vessel back on course, or change direction completely?*

- Look at the current cash flow situation - consider how to accelerate cash flow into the business
- Review the current pricing strategy to reflect increasing costs of business.

**MORE CONTROL = LESS STRESS = MORE CONFIDENCE!**

### TIP!

If at all possible, delegate this function to a book-keeper. It will save you many hours' work, which you can use far more profitably doing other things.



## Step 5 GET YOUR PRICES RIGHT

The Simple Scientific Method for setting your prices:

First, decide at the start of the year what your total sales need to be to cover your projected business expenses and lifestyle - then follow the simple steps below to calculate your pricing structure:

Gross Turnover Target	\$ _____
Divide by number of <i>Focus Days</i> you want to work	_____
= Daily Rate	\$ _____
Gross Turnover Target	\$ _____
Divide by number of <i>Clients</i>	_____
= Price per Client	\$ _____
Gross Turnover Target	\$ _____
Divide by <i>Unit Sales</i>	_____
= Price per Unit	\$ _____

### The QUALITY-PRICE-TIME triangle

If a business tries to deliver all three of these to the client the business will fail.  
Which two out of the three do you intend to deliver?



## Step 6 REDUCE DEBT

Normal Debt = Investment or Business debt = non-speculative debt, secured against assets (property) the objective of which is to put money to work - medium and long term debt  
 Stupid Debt = Consumer debt = any debt designed to finance the purchase of a consumable, not secured against assets, eg: credit card, bank loans, overdraft, asset finance - short term debt

To gain complete financial control, you need to eliminate Stupid Debt, both personal and professional. Make a list below of any and all stupid debts you currently have.

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*'It is unwise to pay too much, but it's worse to pay too little. When you pay too much, you lose a little money, that's all. When you pay too little you sometimes lose everything, because the thing you bought is incapable of doing the thing it was bought to do. The common law of business balance prohibits paying a little and getting a lot - it can't be done. If you deal with the lowest bidder, it is well to add something for the risk you run. And if you do that, you will have enough to pay for something better.'*

John Ruskin [circa 1890]



What steps do you need to take to eliminate these Stupid Debts?	Target Date
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

### Step 7 BUILD RESERVES

How would it feel to have MUCH more than enough  
Money / Energy / Time / Love / Space / Support / Skill / Nourishing relationships

One of the characteristics of successful people is that they have reserves. One of the greatest benefits of having reserves is the ability to say 'NO'. It gives you freedom and it gives you choice. You no longer make decisions based on 'need'. In terms of FINANCES - Why have 'just enough'? Develop an ABUNDANCE mentality.

Want to make \$100,000+ next year? Why not make it \$200,000? When you go for it - guess what - it happens!

Write down your gross turnover target for this year \$ \_\_\_\_\_

Is there any reason why you shouldn't double it? What steps would you need to take to achieve this?

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*Why have just enough?  
Develop an ABUNDANCE mentality!*

**TIP!**

**WHAT TO DO WITH BAD PAYERS?**

- Be sure to include payment terms in your business literature
- Repeat your payment terms in any project plans
- Remind clients to bring payment means with them prior to a fee-paying appointment.
- Have automated payment facilities on-site [credit cards]
- If they fail to make a payment on the spot, send the invoice with a self-addressed envelope. Include on the invoice a paragraph to say that your normal terms are 30 days and that in excess of 30 days there will be a 5% administration fee payable and also add the phrase 'please help small businesses by paying promptly.'

**TIP!**

**WHAT TO DO ABOUT BROKEN APPOINTMENTS**

- Spell out your terms and conditions clearly in your business literature - then people don't have the right to complain.
- More than 24 hours notice - no charge.
- Within 24 hours you are granted one free missed appointment per year.
- Every time after that you pay the cost of each missed appointment.