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# The CFO Advisor

## Guidance for Small Business Success™



### HAPPY NEW YEAR!

Welcome to the first 2019 issue of “The CFO Advisor!” Inside, you will find invaluable articles to kick off this year’s newsletter.

Dig into our opening article about the common misconceptions about small business taxes. If you are planning to start a business in 2019, read on as we share with you several start-up mistakes that you need to be aware of. The rest of the newsletter is packed with gems and tips that will help you start your year right.

Our best wishes to you for a SPECTACULAR 2019.

Until next month... *Dwight L. Hulse, CPA/CITP, CGMA*



## Six Common Misconceptions About Small Business Taxes

When it comes to tax planning for small businesses, the complexity of tax law generates a lot of folklore and misinformation that can lead to costly mistakes. With that in mind, here’s a look at six of the most common misperceptions entrepreneurs have about small business taxes.

### 1 If I overpay the IRS, I’m safe from getting audited.

The fact is, the IRS doesn’t care if you overpay or not. However, they do care if you pay less than what you owe and can’t substantiate your deductions. Even if you overpay in one area, the IRS will still hit you with interest and penalties if you underpay in another. Overpaying the IRS is never a good idea, whether you do it knowingly or unknowingly. The best way to protect yourself is to properly document your expenses and provide your tax professional the necessary documentation.

### 2 All Start-Up Costs Are Immediately Deductible

Business start-up costs are expenses that are incurred before one begins operating the business. They include both start-up and organizational costs. Examples of these types of costs include advertising, surveys, travel, and training.

Business start-up and organizational costs are generally considered capital expenditures. However, you can elect to deduct up to \$5,000 of business start-up and \$5,000 of organizational costs paid or incurred after October 22, 2004. The \$5,000 deduction is reduced (but not below zero) by the amount your total start-up or organizational costs exceed \$50,000. Any remaining costs must be amortized.

### 3 You should never take a home office deduction because it can attract an audit.

It may have been true at some point in the past, but no longer. If you keep

meticulous records that satisfy IRS requirements, there’s no reason to believe a home office deduction will get you audited. These days, people who operate their businesses from home are so common that the IRS rolled out a simplified home office deduction, making it easier to do.

### 4 You can’t deduct business expenses if you’re also taking the home office deduction.

In fact, regardless of whether or not you take the home office deduction, you’re still eligible to deduct expenses related to running a home-based business, such as supplies, phone usage, travel expenses, printing, wages paid to employees or contractors, and depreciation on equipment.

### 5 It’s OK for me to pay my taxes late. I requested an extension.

When you file an extension, it’s only allowing you to extend your filing date. It does not extend the date on which you can pay taxes without penalty. Penalties and interest begin accruing from the date your taxes are due.

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## WATCH FOR THESE MISSTEPS WHEN STARTING A BUSINESS

If you're contemplating that big step, guard against these common start-up mistakes...

The life of an entrepreneur is exciting and fulfilling, but it's also risky. If you're contemplating that big step, guard against these common start-up mistakes:

- **Not having a business plan.** A good business plan will guide you through the first few months and years of your business. It should contain metrics that help you monitor costs as well as progress.
- **Doing everything yourself.** Even in a one-person operation, you'll have your hands full. If you're not in a position to hire employees, at least be ready to outsource tasks that aren't integral to your daily operations.
- **Targeting the wrong market.** Nothing takes the place of solid market research before you launch your business. Find out who needs your product or service, where they are, what they expect to pay for it, and whether there are enough customers for you to survive.
- **Failure to prioritize sales.** Your great idea for a product is only that — an idea. To thrive, you've got to devote sufficient time to sales. Instead of trying to perfect your product, work on getting it out to customers.
- **Underestimating your resources.** No matter how detailed your business plan is, chances are your start-up will require more time and money than you anticipate before it gets off the ground. Be patient, and plan for the long haul.



## Make Your Team More Innovative

Here's how you can push your team to reach the heights of imagination...

Many workplace teams struggle with innovation. Finding genuinely new and creative ideas isn't always easy in a corporate environment. Here's how you can push your team to reach the heights of imagination (from an article on the AllBusiness website):

- **Get happy.** Cultivate a culture where people want to work. Focus on positivity and helping workers achieve their dreams. When team members feel valued and appreciated, they'll experience less stress and a greater desire to do their best.
- **Keep an open mind.** Don't shoot down any idea too quickly. When team members worry no one will listen, they'll hesitate to unleash their imagination. Maybe an idea seems impractical on the surface, but can you find ways to modify or adapt it?
- **Show appreciation.** Always thank team members for sharing their ideas. Even if a suggestion seems unworkable, you can praise creative thought and encourage people to keep thinking outside the box.
- **Practice patience.** Few great ideas work immediately. When you're trying out something new, remind people to take their time. You might have to test an idea out as a pilot program so you can work out the kinks, so don't write off any effort as a failure too quickly.
- **Always be curious.** Keep asking "why?" about every problem or idea you run across. Exploring concepts deeply can help you find new insights you'd miss if you give up too soon.



## Six Misconceptions

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### 6 I'm not able to set up a self-employed retirement plan because I only work in my business part-time.

If you start a business while you still have a salaried position complete with a 401K plan, you absolutely can set up a SEP-IRA for your business and take the deduction.

If you have any questions on these small business tax issues or any other, call a tax specialist. Saving you tax headaches and helping you keep more of the money you earn is what they do.



**Q.** What is always in a corner yet travels throughout the world?

**A.** A postage stamp.

**Q.** What is one lie that we all tell?

**A.** I have read and agree to the terms and conditions.

**Q.** What is the most important rule in chemistry?

**A.** Never lick the spoon.

## Are You In Need of a Trusted Business Advisor?

If you are not my client and would like to explore whether we might be a good fit, please contact me. As an experienced business advisor, I have worked not only in private and public industries but also across many functional areas and can help you implement best practice solutions to improve profits.



## Do You Have A Tough Accounting / Finance Question You Want Answered?

I love hearing from my small business clients and friends who enjoy reading my monthly newsletter. I'm always looking to answer pressing questions you might have relating to small business. If you have a question, tip or idea, please call me at 352-450-2880 or email me at [dwight@dlhulseconsulting.com](mailto:dwight@dlhulseconsulting.com). Perhaps I'll feature you in a future issue!

## Sharpen Your Professional Image

Here are some guidelines for ensuring that people take you seriously...



No matter what your job title is, you have to earn the respect of your colleagues, supervisors, and employees if you want to succeed at work. Here are some guidelines for ensuring that people take you seriously:

- **Fine-tune your appearance.** Pay attention to how others in your organization dress, especially upper-level executives, and model your style after that. Keep your hair neatly trimmed. Resist the temptation to dress too casually, even on “casual Friday.”
- **Take notes.** In meetings and when talking to managers, make a point of writing down the important points. This will help you remember what’s said, of course, but more important, you’ll show you’re paying attention and taking other people seriously.
- **Speak authoritatively.** Eliminate “uh” and “um” from your vocabulary. Don’t try to come across as an obnoxious know-it-all, but concentrate on speaking clearly. Good communication builds credibility.
- **Control your emotions.** Nobody wants to work alongside someone who’s always angry. Even extreme cheerfulness can be counterproductive – colleagues may think you’re not taking situations seriously. You don’t have to suppress your emotions entirely, but don’t let them take center stage all the time.
- **Stay organized.** A neat workspace shows that you’re efficient and detail-oriented. Clean it regularly, discarding what you don’t need and putting important items in the proper place so you can retrieve them quickly.
- **Be patient.** Time is a limited resource, but don’t obsess over speed. Impatience strikes many people as evidence of immaturity, so temper your urgency with understanding.

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## AVOID THESE MISTAKES WITH RETIREMENT FUNDS

One or two mistakes in handling your retirement money could mean paying a stiff penalty as you grow older. Whatever the state of the stock market, stay clear of some common mistakes:



- **Obsessing about market losses.** Focus on your long-term needs, not the daily ups and downs of the Dow Jones Average. Catastrophic events and long-term health care needs can cause as much damage to your nest egg as a shaky stock market.
- **Forgetting about inflation and taxes.** Your retirement savings may be a lot smaller than you think when you start factoring in the rate of inflation and the taxes you’ll have to pay when you start drawing out of it.
- **Not saving in the last years before retirement.** Just because you’ve got just a handful of years left before you retire doesn’t mean you should go ahead and buy that new Lexus. Some people are able to build up substantial savings in their last five years of work because they get serious about saving and investing.
- **Believing you can withdraw more than you really can.** If you rely on average annual returns on your investments to determine just how much you can withdraw, you could be drawing down your retirement fund faster than you should. Average returns are seldom steady. A safe rule of thumb: Count on a three percent rate of withdrawal.
- **Not planning for a long life.** Despite the dramatic rise in life expectancy in recent decades, many people still underestimate how long they’ll live. If you’re not thinking about longevity, you could tap out your savings much faster than you should. Look at the figures and add in at least a few extra years as you make your plans.

### Quotes:



“To make a decision, all you need is authority. To make a good decision, you also need knowledge, experience, and insight.” — **Denise Moreland**

“Successful people begin where failures leave off. Never settle for ‘just getting the job done.’ Excel!” — **Tom Hopkins**

“The greatest leader is not necessarily the one who does the greatest things. He is the one that gets the people to do the greatest things.” — **Ronald Reagan**

“It doesn’t make sense to hire smart people and tell them what to do. We hire smart people so they can tell us what to do.” — **Steve Jobs**





## D.L. Hulse Consulting, LLC

*I provide entrepreneurs with clarity and peace of mind for making better business decisions.*

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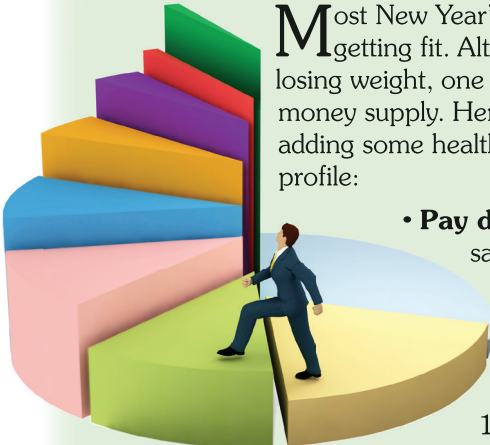
Avoid These Mistakes With Retirement Funds

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*Disclaimer: Any accounting, business, or tax advice contained in this communication, is not intended as a thorough, in-depth analysis of specific issues, nor a substitute for a formal opinion, nor is it sufficient to avoid tax-related penalties.*

## A New Year's Resolution For Fiscal Fitness



Most New Year's resolutions revolve around getting fit. Although that frequently means losing weight, one area you want to fatten up is your money supply. Here are some simple resolutions for adding some healthy heft to your overall financial profile:

- **Pay down your mortgage.** You can save more than \$63,000 on a 30-year \$200,000 mortgage by paying just \$100 more a month.

- **Save 10 percent.** Put aside 10 percent of your income for long-term investments and retirement

savings before paying any bills.

- **Track your expenses.** Record every dollar you spend, for at least one week. You'll get a clearer idea of where the money goes and what you can cut back on.

- **Energize your house.** Look for ways to make your house more energy efficient. You'll save on heating and cooling costs and help the environment.

- **Stay home.** Resist the temptation to eat out. Cook more meals at home. Instead of going to the movies, stream a video, read a book, or a play a game with your whole family.

- **Don't rely on credit cards.** Credit card debt can eat up your savings and your future. Start reducing your debt, and don't buy anything on credit if you don't have the money to pay the bill off promptly.

## Set Your Sights On The Right Target

Your organization won't grow unless you and your team are working toward goals. Setting the right goals, though – goals that will inspire and motivate – is crucial. Aim for goals that are:



- **Quantifiable.**

You should be able to measure success in objective terms so everyone can see the value of your efforts.

- **Challenging.** If it's too easy, chances are your objective won't have significant impact on your organization.

- **Company-focused.** Set a goal that supports your organization's agenda, not one that just makes you or your department look good.

- **Realistic.** Although challenge is important, pursuing an impossible dream will result only in a morale-crushing letdown.

- **Flexible.** Don't back yourself into a corner. Although you don't want to adjust your goal to suit your results, be willing to modify your ambitions if circumstances yank your original objective out of reach.