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July 2021

The CFO Advisor

Guidance for Small Business Success™

Welcome to the July 2021 edition of “The CFO Advisor” Newsletter! With Independence Day in the air, we are sure that you’re looking ahead to a barbecues, celebrations, and fireworks.

To start things off this month, we have the article titled “Know This Number!,” which will highlight some key numbers you should know about your finances. We also talk about a strategy commonly used to *Hire Your Kids for Tax Savings*, and much more!

Until next month...

Dwight L. Hulse, CPA/CITP, CGMA



Know This Number!

Knowing your net worth and understanding how it is changing over time is one of the most important financial concepts that everyone needs to understand. This number is used by banks, mortgage companies, insurance companies, and you! Your net worth impacts your credit score, which in turn impacts your interest rates and things as mundane as the amount you pay for auto insurance.

A simple definition

Net worth is the result of taking all the things you own (i.e. assets) minus what you owe others (i.e. debts and liabilities).

Assets include cash, bank account balances, investments, your home, vehicles, or anything else that you could sell today for cash. Assets also include any businesses or business interests you own.

Liabilities are what you owe others, such as a mortgage or car loan, and any other debt, like credit card or student loan debt.

Your net worth changes over time, reflecting how you spend your money. For example, if you have tons of bills and spend more than you bring in, your bank account balances will be lower. If you spend a lot on your credit cards, your debt will go up. The net effect is a lower net worth.

Everyone has a net worth

Yes, everyone. Even a 6-year-old with money in their piggy bank has a net worth. If your child is saving up for a bike, they will convert one asset (cash) into another asset (their new bike)!

Calculating your net worth

Step one. Reconcile your bank accounts and loans. Try

doing this every month, as these are the easiest parts of your net worth to track and calculate.

Step two. Calculate the value of all your remaining assets. For some of your assets, such as stocks, you can go online and find the current value of the stocks you own. For other assets, you’ll have to estimate what you could sell that asset for today.

Step three. Add up all your asset values, then subtract all your debts. What you’re left with is your net worth (and yes, your number could be negative)!

Why you should know your net worth

Knowing your net worth contributes to the big picture of your financial circumstances. Here’s why it’s beneficial to know your net worth:

You want to apply for student

loans. You’ll likely need to submit an application that details all your cash and other assets when applying for student loans. If your net worth is high enough, you may have to foot some of the tuition bill yourself.

You want to get insurance. Some types of insurance use your credit score as part of the calculation for determining your premium payments. Knowing if you have a high net worth may help in obtaining a favorable premium amount.

You want to diversify your investments. Certain investments are available only to individuals who have a high enough net worth.

You want to buy a home. Banks want to see that you have plenty of cash when compared to your debts. If you have too much debt, you may need to either pay down the debt or increase your down payment.

Knowing your net worth and how to calculate it can help you achieve some of your financial goals. Please call if you’d like help calculating and understanding your net worth.



Follow This Route To Entrepreneurial Success



Maybe you've always dreamed of starting your own business. There's no reason you can't, but you've got to know what it takes to succeed. From the *Investopedia* website comes this advice for would-be entrepreneurs:

- **Get organized.** A simple to-do list will help you manage your time and resources effectively. Don't just respond to crises; have a plan for what you want to accomplish daily, weekly, monthly, and further out.
- **Keep records.** You can't remember everything. Keep detailed records so you know what you've spent, what you've spent it on, where your revenues are coming from, and what your significant challenges are.
- **Study your competition.** Find out everything you can about other organizations in your industry. Knowing where they've succeeded and failed can help you seize opportunities and avoid mistakes.
- **Analyze the risks.** Understanding how much risk you're facing can help you plan strategies to minimize it — and help you learn how much risk you're willing and able to tolerate.
- **Be creative.** Look for fresh ways to solve problems instead of continuing to do what you and everyone else has always done, the same way it's always been done.
- **Keep your focus.** You'll be distracted by problems, people, and opportunities. Don't let them draw you away from your central goal.
- **Prepare for sacrifice.** The challenges of entrepreneurship means you'll have to make sacrifices — time, money, comfort, and so forth. Decide up front how much you're willing to sacrifice so you'll be ready to make the right decisions.
- **Provide top-notch service.** The key to any successful business is satisfying your customers. Commit to doing everything you can to meet their needs, and they'll come back for more.

The Wonderful World of

PODCASTS

It's an audiobook! It's a radio show! No, it's a podcast!

Podcasts have taken the world by storm over the past decade. Whether you're a seasoned podcast consumer or first-time listener, navigating the podcasting landscape can be overwhelming. Here is what you need to know.

PODCAST BASICS: Its beauty comes from its simplicity — the spoken word recorded and uploaded to the internet. It can be as basic as one person reading the top news stories of the day or as sophisticated as a highly-produced, multi-layered story that takes a full-time crew and multiple episodes to narrate. Its low cost to entry and wide reach attracts podcasters small and large to create a vast library of content available in every genre you can imagine.

Unlike over-the-air radio, podcasts are not regulated by the FCC, so anything goes. If foul language and mature subjects are not your thing, carefully read descriptions and reviews so you understand the nature of the content. Many podcasts will also put a disclaimer at the beginning of the episode if it contains mature themes.

Podcasts are also easy to find and use. Simply search podcasts and follow the instructions to use them. The more popular apps for listening to podcasts include Apple, Spotify, Stitcher, SoundCloud, and Google.

POPULAR PODCASTS: For the family. There are thousands to choose from. The podcasts in this group are a great way to keep kids engaged while on a road trip or as an outlet that is not the TV. Several of the most popular, per Common Sense Media, are: **But Why:** A podcast for curious kids. **Ear Snacks:** A funny podcast for preschoolers and little kids. **This American Life:** The most downloaded podcast in America by NPR that tends to be popular with all ages, but especially teens.

News. This category is the most listened to podcast category per Apple. According to Feedspot.com, here are some of this category's most popular podcasts: **The Daily:** Top news from New York Times' journalists, 20 minutes a day. **WSJ What's News:** Wall Street Journal reporters cover top stories on business, the economy, markets, and politics. **BBC Global News Podcast:** Top news from across the world from the BBC World Service.

True Crime. According to vulture.com, true crime is the genre that elevated podcasts into the stratosphere. Here are some of the popular choices according to the website: **Serial:** A spinoff from *This American Life*, the *Serial* podcast pioneered investigative storytelling by going deeper into true crime narratives. **Bear Brook:** Details a decades-long investigation about four unidentified bodies discovered in New Hampshire and an unknown serial killer. **Undisclosed:** Tells stories about innocent people caught up in a corrupt judicial system.

Information. Some of the best podcasts are those that don't fit into a specific category. According to Feedspot.com, the following podcasts do a great job of storytelling across a wide array of subjects: **Stuff You Should Know:** Tackles one topic per podcast. Subjects can vary from war history to Tupperware to how the Electoral College system works. **Freakonomics:** Explores the hidden side of everything, usually from a monetary perspective. **TED Talks Daily:** Brings you the latest TED talks in audio format.

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. Perhaps I'll feature you in a future issue!





SUMMERTIME PLANNING FOR BUSINESS TAXES

As a small business owner, there is plenty of tax planning and reviewing you can do in the summer months to reduce your 2021 tax liability.

While conducting this review, remember that there is uncertainty surrounding possible tax hikes to take into account. The White House is proposing an increase to the corporate tax rate from 21% to 28%. The top tax rate that could hit pass-through entities might increase from 37% to 39.6%. Here are several moves to consider now.

1. Plan business equipment purchases. The Section 179 and bonus depreciation deduction are two of the most valuable tax planning tools for small businesses. In 2021, you can deduct up to \$1.05 million of equipment purchases courtesy of the Section 179 deduction. The bonus depreciation deduction permits you to deduct 100% of an equipment's price tag. Look ahead to the second half of 2021 and plan any future equipment purchases by December 31.

2. Plan purchase of business meals. Plan your business meals to take advantage of the temporary 100% deductibility available for qualifying meals prepared by a restaurant. The IRS has guidance on what is considered a restaurant for purposes of this 100% deduction. If food is purchased from a non-restaurant establishment, the traditional 50% deduction limitation still applies.

3. Keep vehicle logs current. If your business has one or more vehicles for which you take a deduction, keep your mileage logs current. Whether your logs are kept on either physical paper or in a software app, remember that the IRS requires contemporaneous documentation of all business activity related to a vehicle. If you don't keep track

of your vehicle expenses as they occur, your deduction could be disallowed.

4. Hire your children. Your kids could provide a valuable tax break for your business, but be sure to follow certain steps to ensure the wages are fully deductible. The child must have a real job that helps the business, and the wages must be reasonable for the work performed. In addition, depending on how your business is organized and the age of your child, you may be able to avoid paying Social Security, Medicare, and unemployment taxes on their wages. To qualify, you must be a sole proprietor or a husband-wife/eligible partnership and your child must be under the age of 18.

These are just some of the many ways your business can cut its tax bill. Call your tax specialist today to start your 2021 tax planning.

A short Zen tale for your spare time

The study and practice of Zen can fill a lifetime — yet its stories are often surprisingly simple and short. Here's a quick one:

A student asked a Zen master this question: "Master, what should a follower of Zen do in his or her spare time?"

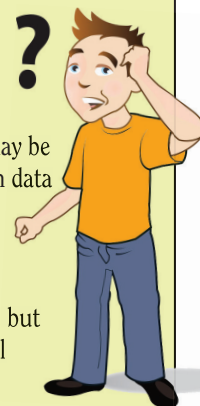
The master looked puzzled and then began to laugh. "Spare time?"



Funny Words: Why Don't These Work Both Ways?

Ever notice how some words seem to be "one-sided?" Something may be "outrageous," but nothing is ever "rageous." Here are examples of words that work one way but not the other:

- We're **overwhelmed**, but never "**whelmed**."
- Too much information may be **redundant**, but just enough data is never "**dundant**."
- You may feel **nonchalant**, but never "**chalant**."
- One can feel **rejuvenated**, but before that, one doesn't feel "**juvenated**."
- Something can be **outlandish**, but not "**landish**."
- You can feel **distraught**, but not "**traught**."
- People are **intrigued**, but they're never "**trigued**."
- A fact can be **indubitable**, but a falsehood isn't "**dubitable**."
- You can be provocative, but never "**vocative**."



Quotes: "Entrepreneurs average 3.8 failures before final success. What sets the successful ones apart is their amazing persistence." — Lisa M. Amos

"To live a creative life, we must lose our fear of being wrong." — Joseph Chilton Pearce

"If you dwell on statistics you get shortsighted; if you aim for consistency, the numbers will be there at the end." — Tom Seaver





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Hire Your Kids for Tax Savings

Does Your Environment Enhance Your Creativity?

Hire Your Kids for Tax Savings

Summer's almost here, and soon most children will be on their long-awaited summer vacation. If you own or manage a business, have you thought of hiring your children, nieces, or nephews for a summer job?

If you do it right, it can be a win-win situation for everyone.

The kids will earn some money and gain valuable real-life experience in the workplace while your business will have some extra help during summer months when other staff may be on vacation. If it's a family business, there might even be some tax advantages as well.

If your child is doing a valid job and the pay is reasonable for the work, your business can generally claim a normal tax expense for wages paid. Your child will probably pay no or very little income tax on the wages they earned. And if the child is under age 18 and



your business is unincorporated, neither your child nor your business will have to pay Social Security or Medicare payroll taxes in most cases.

To make the arrangement work, follow the following guidelines:

- **Ensure it's a real job.** It could be a simple job, such as office filing, packing orders, or simple production activities. But it needs to be an actual job.
- **Treat your child like any other employee.** Expect your child to work regular hours and exhibit appropriate behavior. Don't show favoritism or you risk upsetting regular employees.
- **Keep proper documentation.** Keep records of hours worked just as you would for any employee. If possible, pay your child using your normal payroll system and procedures.
- **Avoid family disputes.** If the arrangement is not working, or is disrupting the business, help your child find a summer job at another business.

DOES YOUR ENVIRONMENT ENHANCE YOUR CREATIVITY?

Sometimes we need to find the right environment to be creative.

When you're trying to come up with a brilliant (or just workable) idea, set up these conditions:

- **Boundaries.** Set clear parameters — time, budget, materials, and/or other resources. When you know you have only limited resources to work with, you'll be more open to combining existing ideas in new ways.
- **Pressure.** Set a realistic but firm deadline. Knowing you *have to* accomplish your task by a fixed date will focus your thinking.
- **Discomfort.** Don't do only what's easy and familiar. Challenge yourself to step outside of your comfort zone. You'll learn more by stretching yourself and taking new and different paths.

