

Pro@ctive CPA

Interact With Your Accountant

To: Clients, Friends, Family & Associates of ProActive Advisory
From: Mark Wyssbrod, Managing Member
Date: March 1, 2015
Re: Everything Seems Wonderful

In this memorandum you will receive information about the following:

- Everything seems wonderful
- Making the most of the good times
- Deadline reminders
- Financial ration of the month

Please contact me should you have any questions. Make the most of change!

Everything Seems Wonderful

Small businesses are growing, owners are more confident, optimism is increasing and the cost of filling up your gas tank is down significantly--everything seems wonderful!

Small business owners once again are planning for and are optimistic about revenue growth. They are seeing opportunity, and they want it! Businesses are seeking outside monies to fuel their growth. Many small businesses haven't been able to reduce the debts on their books over the past six years and, therefore, do not have the working capital or financial strength to fund their own growth. This growth opportunity and optimism has led many to seek lines of credits, long-term loans and new capital. As a result, the small businesses are increasing their leverage and diluting ownership.

Sometimes when everything seems wonderful--yes, you should enjoy it--but it may pay to think like a contrarian. Perhaps increasing leverage is not the correct financial decision. Perhaps small businesses should be using 100% of after-tax profit to reduce all debts. This will allow them to both weather a future recession better and significantly increase the owners' future discretionary cash flow, which increases their company's valuation. Simply betting on growth may seem like a more difficult decision to make when considering the alternatives.

I implore you to take the time to make the right financial decisions for you and your business! Don't feel pressured to do something due to current market conditions; you should include future market forecasts.

Mark W.

Make the most of the good times

A few years ago when small businesses were in the depths of the Great Recession (Small Business Depression) many owners and managers promised that *if* things ever improved they would change their ways and conduct business better. If you are one of these promisors, it is the perfect time to fulfill your oath. Here are a few ways you can make the most of the current economic recovery:

- Build cash
 - Retain after-tax profits to build a stronger cash position
 - A rule of thumb is that a company should have at least 10% of its revenues as a cash balance
- Send bad debts to collections
 - Collecting something might be better than nothing
- Sell non-performing assets and inventory
 - It is most likely that assets that have not performed well over the past 5 years will likely not perform well going forward
 - Sell these items and increase cash
- Reduce short-term debts
 - After building cash use the after-tax profits to reduce:
 - Accounts payables,
 - Credit cards and
 - Lines of credit
- Reduce long-term debts
 - Using after-tax profits, pay down longer-term debts
- Build investment assets
 - Small business differ from large businesses in several ways
 - One way is large corporations have investments but small business do not
 - Build investments after reducing debts
- Build equity
 - Using after-tax profits to build cash and reducing debt will result an increase in equity
 - Discipline is necessary not to take any distributions of equity out of the company during the financial repositioning (except for income taxes)

It is easy to drain a company of equity; have the courage and discipline to strengthen your financial position. Please contact me should you wish to discuss your initial steps on strengthening your business position.

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Deadline Reminder

Remember to renew your INC or LLC with the Secretary of State. You will need to register with each Secretary of State your business operates in.

Important Dates to Remember:

- March 2 – Form 1096 and 1099 Due to IRS
- March 2 – Form W-2 and W-3 Due to IRS
- March 16 – Corporation (S & C) Tax Returns Are Due (for annual tax filers)
 - File Form 7004 For Extension
 - Employer Retirement Matches Due
 - 1st Quarter 2015 corporate estimates are due
 - Employer retirement matches are due
- April 1 – Business Personal Property Tax Returns due for Georgia Counties
- April 15 – Individual income taxes are due
 - Individual extensions are due
 - IRA contributions for 2014 are due
 - Health Savings Account contributions for 2014 are due

Financial ration of the month

Marginal Benefit = Marginal Gain Less Margin Cost

The marginal benefit is the additional satisfaction (joy) you receive from consuming additional units of a good or service. The marginal benefit is the maximum you are willing to pay in order to consume the additional units. In theory, the marginal benefit decreases as your consumption increases.