



To: Clients, Friends, Family & Associates of Pro@ctive CPA
From: Mark Wyssbrod, Managing Member
Date: October 1, 2011
Re: Focus on Solutions

The other day it felt as if I was stopped by all of the red lights in the world! And, of course, I sat at each of the red lights for an eternity. My psyche only saw the red, but reality was much different. In reality, I counted the number of red lights and total lights and I only caught 1 out of 3 lights. Why was I so sensitive to the red lights? Also, I thought about how much I could not control the red lights or green lights. What could I control? I could control my route selection and the time I left. Perhaps I should try a different way with less lights or leave five or ten minutes earlier? We can apply this scenario to small businesses.

The current red lights to small businesses are the European Debt Crisis; US banking system weaknesses; financial institutions continued change to loan regulations (which has resulted in not lending to small business); long-term unemployment; risk of customer payment; and the US Deficit concerns just to mention a few. Small businesses cannot control these red lights. So what are the items small business can control?

Here is a list of “green lights” which small businesses can control:

- Focus on profit margins instead of growth
 - Review pricing from vendors, perhaps more quantity leads to lower price per item (i.e. buy in bulk when it leads to better value)
 - Discuss terms with vendors, don't just buy at regular price without discussion or negotiation
- Focus on smart cost-cutting
 - Reduce expenses without destroying value
 - Review merchant service fees
 - Reduce bank charges
 - Find a financial institution which best meets your needs with the fewest fees
 - Request refunds of bank charges
 - Review payroll service fees
 - Find the best value (not necessary lowest fees) for payroll service
 - Request lower interest rates from credit cards
- Focus on debt reduction instead of increase risk
 - Use after-tax profits to reduce debt
 - The sacrifice today will help alleviate cash flow pressure in the future



- Focus on specific customer relationships and payment terms instead of doing business with everyone
 - Identify and target specific customers
- Focus on specific product and service lines instead of a jack of all traits approach
 - Be know for excellence in very specific areas, not average for everything
 - Which products and services have higher volumes and gross profit margins?
- Focus on environment and replace bad attitude employees with great attitude team members
 - One bad apple can spoil the entire bunch!
 - Use the high unemployment to your advantage
 - Find new team members which are better long-term fits for your business, environment and philosophies

The economy for small businesses is likely to stay volatile. These changes to your business operations and financial positions are critic to survive and thrive. Please call me should you have any questions or would like to discuss these topics in more specific terms for your business.

Reminders

October 1st – Final day to set up a SIMPLE IRA for small businesses for 2011

October 15th – Final Individual tax filing deadline for 2010

December 31st – Final day to set up a retirement plan for 2011 for small businesses

December 31st – S-corporation owners must report health insurance in W-2 for favorable tax treatment

Financial Ratio Of The Month

Debt-to-Equity Ratio

$DtE = \text{Total Liabilities} / \text{Total Equity}$

This Balance Sheet leverage ratio indicates the composition of the company's total capitalization (the balance between money or assets owed versus the money or assets owned). Generally, creditors prefer a lower ratio to decrease financial risk while investors prefer a higher ratio to realize the return benefits of financial leverage. During this era of deleveraging, the lower the ratio the better and safer!

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