Kendra: 00:07 You are listening to the level up podcast, a podcast for high performing business women and I am your host Kendra James Anderson. I am CEO of the finance firm LLC and a virtual CFO to several successful women entrepreneurs. Here I'll be sharing business tips and the occasional life hack that helping you get higher profits in business and more time to live your best life. Whether you want to scale your business to six or seven figures and beyond. I've already hit millionaire status or if you're just getting your business started, this is the podcast for you.

Kendra: 00:51 Hey guys, it's Kendra here with another episode of the podcast and this is yet another episode where I had something else planned for today and I was on another podcast this morning actually getting interviewed and again, the lady asked me a question. I'm like, Oh, you know what? Today's episode is going to be about this topic. I'm asked about this all the time and so I really just want to drop some gems on it really quickly. So it's going to include a couple of things. So one thing is definitely tips at every income level. Like if you are making $5K a month or you're making $50K a month, what should you be focusing on in your business to help you elevate to that next level? Additionally, you know, at what point do you need a bookkeeper or an accountant or a CFO or a CPA? And lastly, what's the difference between a bookkeeper and an accountant or a CFO and a CPA? I'm asked that question all the time, so I'll definitely get to that at the end I'll be giving more insight, specifically about the difference between an accountant and a CFO.

Kendra: 01:50 But first we're going to dive into, what should your focus be regardless or dependent on the income level that you're at in your business? So I'm gonna break this down into three steps. So those that are making less than $8K a month in consistent sales, those that are making between eight and $20K a month of consistent sales and then those that are making over $20K a month of consistent sales. So that's how we're going to dive into this. So first, let's just get right to it with the individuals that are making less than $8K a month of consistent sales. Now, when I mean consistent sales, that's like literally what I mean, right? So if you're making, let's say $8K this month, but for the past six months you've only been making $2K or $3K and then you had a big pop, go for a couple more months and see like if that $8K is going to stay consistent or if it's going to climb or if maybe it would just a really good month.

Kendra: 02:42 So you really wanna make sure that you are having like these consistent income months that are coming in. So let's say that this is you, right? You're making $5K a month each month on

average. It's pretty consistent. What you want to focus on is recurring revenue. You want to focus on keeping and increasing that steady recurring revenue because in the beginning of business, that first thing that you're really doing is validating that you have a sustainable business idea. We can make five, six, seven, eight, $10K a month for a couple of months with something. But that doesn't mean that it's going to be a long term sustainable business. So what I mean by sustainability is, you know, is this going to be around in a year or two years or three years? Not due to lack of cashflow, not due to anything other than is it an idea that sticks?

Kendra: 03:31 Right? So you really want to focus when you're in this $8K a month or under $8K a month arena, focused on making sure that what you have as a business that actually has some longevity to it. And what helps you understand if that's the case is if you're consistently getting recurring income. And now when I say recurring income, you know, for those service based provider or service providers out there, you might get more of what I'm saying because you might have retainer clients that pay you a certain fee every single month and you're like, okay, I get it. That's recurring revenue. But for product based businesses, sometimes this can be a little confusing. So, let me just simplify it this way. I am not saying that if you're a product based business, then in order to get recurring revenue, you need to put your customers on a membership model.

Kendra: 04:15 Cause that's one way, right? Instead of selling one t-shirt to a customer, you can tell them that, Hey sign up for this membership and I'll send you a tee shirt every single month and you pay me $20 a month for this membership. That's not what I'm saying. For the product based businesses, recurring revenue comes by focusing on repeat customers. Okay? So instead of focusing on getting a whole bunch of new customers and then when they buy something from you, you stop loving on them. You want to make sure that you're getting repeat customers because repeat customers is recurring income for the product based business. Does that make sense? So in this area of under $8K a month focused on recurring revenue. If you're a product based business, focus on getting repeat customers. Of course you want new customers as well, but you really want to build up that tribe to get repeat customers.

Kendra: 05:02 If you're a service based business, you really want to incorporate something in your business model that helps you get some sort of recurring income, whether that's a membership model, whether that is a retainer based model, but you really want to focus on having some revenue coming into

your business. Now let me just give you some tips to help you through. And let me also tell you why I'm saying $8K a month cause it's kind of a random number. So a lot of times when you ask someone who's, you know, starting off on their business, what's your first goal? Like your first financial goal in your business, it's, Oh, I want to hit six figures. I want a six figure business. So $8,000 a little more than $8,000 okay? It's $100,000 a year in sales. So that's why I kind of start there. And I say, if you get that $8K a month for that 12 months and you'll essentially be at $100,000 a year, so a six figure a year.

Kendra: 05:52 So that's why we're starting with that $8K now onto a couple of tips that you can do one year in this area. It's my opinion that you do not need to bring on an accountant, a CFO, or a CPA, a tax strategist or anything. When you are at this level, I think that you can actually do a couple of things I'm going to share with you and maintain your finances enough on your own if you're diligent and it's something that you need to learn anyways before you outsource to a bookkeeper or an accountant. So first what you want to do is just make sure that you have your business and your personal bank accounts 100% separate. So before you start a business, well, if you haven't done this and you've already started your business and you feel like it's too late, start now. Get a business bank account that's tied to your business and make sure that you're spending completely separately.

Kendra: 06:42 The income for your business is going into your business account. The spending for your business is coming out of your business account, your home, rent or mortgage or whatever it's coming out of your personal account. Keep everything 100% separate. It helps you clearly see how your business is actually performing. If you have a lot of personal transactions in there, it's going to muddy everything up. If you're spending and paying for your student loans and a shopping spree and all of this other stuff out of your business account and it's low, you can't say it's due to bad business performance. It's due to bad management, right? You've been taking your cash out of the account, so it just allows you to clearly see what's going on in your business and it also saves you a huge headache during tax time. For one reason. It's easier for your tax preparer.

Kendra: 07:28 It's a file. When your things are in your information, it's clear. And for two, if you do get audited and you're commingling your personal and business finds, yeah, you are in for quite a headache. So you want to just start now with those best practices, separate your business and personal bank accounts. And the second tip for you is to use tools like QuickBooks self

employed or QuickBooks online to help you keep track of your income and your spending within your business. Because again, I don't believe when you're making that amount of money that you want to, bring someone on board to manage it. I believe this is a time for you to learn a piece of it on your own so that you can continue to hold and retain that income that you're making versus investing into a professional to take that over for you.

Kendra: 08:15 Because again, your business, if you're not focusing on recurring revenue and getting that income up, it might not be around in six months. So, you know, do you really want to invest? And, someone that's early on, if you're not sure that it's actually a sustainable business. So yeah, that's that tip. And also with the QuickBooks self employed or QuickBooks online, here's a bonus tip. Hire a QuickBooks expert to train you on how to use it. You don't have to do a course on your own. I would say go the route of hiring a professional, asking them if they have them one hour, two hour, three hour training package to walk you through how to utilize these tools. Because although QuickBooks is pretty user friendly, if you don't have an accounting background or anything like that, it's very easy to mess it up and you don't want to mess it up, right?

Kendra: 09:04 So just, you know, paying a QuickBooks expert for a little bit of training in order to do it, it's definitely worth that. Okay, so that's for you. If you are under that $8K a month of consistent sales area. So now let's say that you have consistently hit $8K you're climbing and you're somewhere between $8,000 to $20,000 a month of consistent sales. We'll celebrate a little bit, congratulate yourself, you over that initial hump of really trying to, you know, validate and make sure that you have a sustainable business. And now that you're in this area, eight to $20K a month, you really want to focus on process and improving margins. So processes are going to help you become more efficient, which we'll talk about more in a second. Okay? And improving margins is going to help you actually retain more of the money that you're making.

Kendra: 09:53 So let's talk about what margins are for a second. So although we're in a world that focuses very heavily on income, right? What's your top line income is? It's really profit that matters at the end of the day. So what that means is sometimes someone can say, okay, I have a six figure business. Let's say they're making $100,000 a year in sales, well, if you look at their financial statements, they might only be holding five or $10,000 of profit. They might actually be at a loss. But we often don't talk about the profitability of a business. We talk about the

revenue of a business. Revenue is sexy, but profitability is really everything. So when someone says, you know, Oh I have the six or seven or eight figure business, don't get to woo woo, you know about it and like excited about it because you don't know the profitability, right?

Kendra: 10:51 That is what really lets you know how amazing that business really is. So when you're in this phase of eight to $20K a month, this is the time for you to focus on your profitability. Focus on your margins, focus on being very efficient with your time so that you can actually scale without a bunch of added costs, without a bunch of added overhead. It's basically allowing you to retain or keep more of the money that you're making. So if you're making, again, let's go back to that a $100K a year example. If you're making a $100K a year, right? And you are profiting $20,000 of that, right, then why not? How great would it be? So still make a $100K a year, but profit $50K like you're not having to worry about making more sales, selling more products, anything. You're doing the same thing as far as sales are concerned, but your efficiencies and your improvement to your margins is letting you keep more of the money.

Kendra: 11:45 You know, we don't have to only cry and say get more sales. A lot of times you can make more money without making more sales. Let me know if you want me to make a podcast episode on that topic specifically because I have quite a few points and ideas around how you can actually make and retain more money without making a penny more in sales. And I feel like that needs to really be a focus instead of just, Oh, make more cells go from six figures to seven figures. That's not always the only way, right? So when you're in this eight to $20K a month of sales arena, you want to focus on making being more efficient with your time and improving your margin. So here's some tips on how to do that. So now it is time to bring in an accountant, an accountant, or a specialized bookkeeper.

Kendra: 12:31 So one tip is to look at your financials at least monthly with an accountant or a specialized bookkeeper. Again, when we get towards the end, I'll kind of talk about the differences between the accountant or the specialized bookkeeper, but you want to bring somebody in to help you actually look at your financials, have them keep track of all your financials and have a review or a meeting with them at least once a month so that you can get familiar on how your business is actually performing. And then also this will allow you to see where your money is going so you can see it. Okay, I'm spending way too much money on technology or ways too much money on contractors that you can really start to see that when you're looking at your

financials. The second tip is to determine your low margin products or services and either improve them or eliminate them.

Kendra: 13:18 So again, we're in this focus right now where we are trying to improve our, our margins, improve our profitability. So you want to look at those products or services that you're offering that just don't have great margins. If you're selling, let's say a hundred different items in your boutique or in your online boutique and you have, you know this dress that you can sell for $200 and it just costs you $20 to purchase it, well that's $180 now of course there's other fees and shipping and all of that, but let's just say $180 versus a jacket that you might be selling for $50 that you purchased for $30 your margins there is only $20 right? So you want to just really think and be intentional to focus on those higher margin products and services and the lower ones. You want to either improve them or eliminate them altogether.

Kendra: 14:11 I always say go where the money is when you're building your business, especially in the earlier phases, you don't have a ton of excess time to just kill on things that aren't bringing you a bunch of profit. So you want to go where the money is focused. Using that 80/20 role. So I talk about this all the time. I probably have talked about on an earlier episode, but essentially it's usually rings true that about 80% of your income comes from 20% of your products, 20% of your customers or clients. So that means that if you focus on those 20% in drive more income from them, then you really, you have 80% of people out there that you're not necessarily really relying on, right? So go where the money is. Really focus in on that 20% that's bringing in at least that 80% of your income and that will be a big help.

Kendra: 15:08 The third tip is to improve your time and your offer. So this is just around maximizing your time. You want to add, make sure that you have efficient processes and that you have efficient employees. So maybe at this point you might not have, you know, full time or part time employees, maybe they're contractors, but either way you want to make sure that they are efficient. If something is taking way too long to get done, start streamlining that process. Now this is the time to do it before your business gets to be, you know, bringing in even more income. Now it's the time to, to focus on those efficiencies. So also you want to make sure that you are improving your offer. Okay? And so to me, improving your offer means increasing the value of what you offer. Now notice I'm not saying increase the price.

Kendra: 15:55 There's a big difference between value and price. There shouldn't always be a big difference, but sometimes there is a big difference, which is what causes some people that have higher prices but don't have high value to not make sales. And conversely it's what causes some people who have high value and very low prices to be out of stock or to be burnt out because they are getting hired by everybody because their prices are so low but their offers so great. So you really want to make sure that you're increasing the value that you offer and not just the price. So again, if you are focusing on the 80/20 rule and you're a service based business, and let's say you are a coach and you're coaching, do you focus on the 20% of your students that are bringing in 80% of income and you increase the offer to them and you give them even more, right?

Kendra: 16:44 You go deeper with them then you can actually get more income out of that subset of individuals it helps you increase retention. It helps you get referrals if you go deeper with these, with these customers and clients. So really focus on improving your time, which is tied to efficiency and improving your offer, which is tied to the value that you're giving. So again, when you're in that phase of $8 to $20K a month, the goal is to focus on improve margins while maintaining that recurring revenue. So the third level is if you're over $20K a month and consistent sales, and now this truly does ring true. If you're at $20, $50K, $200K once you kind of hit that $20K a month and consistent sales, it's time for you to really pivot. Into a focusing on being proactive and strategic in your business.

Kendra: 17:36 It's not just about making sales and making money at this point. You've made the recurring revenue. You've hit, you know, a five figure, most high five figure month of consistent sales. So you figured out how to get individuals to buy the product or service that you have to offer. So you're over that hump. Now it's time to get strategic. Now it's time to be proactive. So you want to make sure that you're proactive in your business and not just reactive, right? So a lot of times we get into this rhythm where we're building our business and we spend so much of our day putting out fire drills or trying to figure out, you know how to do the next thing when instead you want to feel like you're going down a path that you've already like laid out, right? You want to have the strategy already there and you're just executing to the strategy.

Kendra: 18:22 This is the time you want to bring in a Virtual CFO. So again, in that last section, when we're talking about eight to $20K, you want to bring in an accountant or a specialized bookkeeper, but once you're making about $20K a month or more in sales, you

want to bring in a Virtual CFO. So a vVrtual CFO is going to help you build out and predict the future. Finance is all about strategy work. So we bring us in, we're able to look at your accounting records, look at all your financials, and look at other metrics and things as well outside of your business and understand how to bring your business to that next level. At this point, it's not necessarily about making more and more and more money, right? It's about really intentionally building out the business that you're wanting on that next level.

Kendra: 19:06 It's about scaling strategically. So some of the tips for this area, if you're making $20K a month or more, the first tip that I have for you is to have your CFO create custom dashboards and reporting because at this level, basic generic financial statements are just not enough, so you're going to need dashboards and reporting that's going to be, and it has to be customized to your business because that is what's going to help you go to the next level, right? If you are looking at a generic report and you are a, let's say a service based business and you're looking at a generic report that's built out for a product based business, it's clearly not going to work for you, right? You really want to get something that's customized to you and that's going to help you go to that next level. The second tip for you, if you're in this $20K a month or more, yeah, it's tax strategy.

Kendra: 19:54 You really want to work with your CFO to figure out how to get the best possible tax outcome for you. Now at my firm, we have a CPA and we have an EA. On our team so we can actually work together, right? Because I understand your accounting and finance side and then they focus in on the tax side so we can work together to build the best possible tax outcome for you. If you don't have an EA or a CPA on your team, we can definitely help you with that. If you don't have a CFO, obviously we can help you with that, but you really want to focus on tax strategy because once you're making that amount of income, it's highly likely that you're going to have to pay on taxes and if you're not having to owe on taxes, but you're making $20K a month or more in sales, that means you have a profitability problem because the only way you're not going to owe on taxes as far as the business side is if you are making a loss, right?

Kendra: 20:49 If you're losing money in your business, which is unacceptable, completely unacceptable, right? We're all in this to make money into profit. So this step here is to, are the goal here if you're making $20K a month or more, is to scale strategically to intentionally build that next level of your business. And to not necessarily worry about, um, I'm at $20K I need to get to $30K

or $30K I need to get to $50K, yes, you can have those goals and you definitely want to still continue to grow and climb, but you want to focus on doing it strategically versus just kind of, you know, throwing things out there and hoping that it sticks. So those are the three different sections that we'll kind of break it down into. So again, if you're under $8K a month, in consistent sales you want to focus on recurring revenue make sure that you really have a viable longterm business and you can do that by separating your business and personal bank accounts.

Kendra: 21:43 I'm signing up for something like a QuickBooks self employed or a QuickBooks online and getting some training to understand how to utilize that. At that point, you do not need to hire an accountant. The second step is when you're between that eight and $20K a month of consistent sales. And here you want to focus on making sure that your processes are more efficient and that your margins or your profitability is stronger and that's your focus. So you want to look at some financials with your accountant or your specialized bookkeeper, determine your low margin products and either improve them or eliminate them, and then improve your time and maximize and improve your offer. And again, over $20K a month, you want to be proactive and strategic. Definitely want to bring in a Virtual CFO to help you create some custom dashboards, better understand how to strategically scale your business and then how to get the best a possible tax outcome.

Kendra: 22:35 So now that we've gone through that, let's talk really quickly about the difference between all of these different terms. Specialized bookkeeper, accountant, CFO, CPA, all the things. So I like to really start with this and say that accounting and finance are actually two completely different things. While they might touch each other in corporate companies, right? In larger companies, they are actually two completely different departments. So my mom is an accountant and you guys know that my background is in finance and we actually have conversations about this. We're just two different people. So I'll give you some examples and then break it down. So when an accountant is in charge of really tracking the day to day activity with your business. So if you are making money in your business, when you're spending money in your business, those are all individual transactions, right? If you log into your bank account and you look at your bank statement, all of those different transactions are individual transactions.

Kendra: 23:31 Well, your accountant, their job is to make sure that all of that is properly classified or properly accounted for in your financial records. So that's your compliant. So if you go and you spend

$200 at a restaurant, they need to make sure that it's properly documented. If you go and you spend $20 at target, they gotta make sure it's properly documented. So their job is to really make sure that the transactions that you've had in the past, what's occurred in the past, that it's properly reflected in your financial statements. Okay. Now when I talk about a bookkeeper, a bookkeeper does that as well. What a bookkeeper does that in a more simplistic form, so what I mean by that is you don't have to necessarily have an accounting degree or CPA or anything like that to classify yourself or to call yourself a bookkeeper, right?

Kendra: 24:18 It's someone who has the knowledge of how to do some basic classifications, but they're not yet as skilled as an accountant. So I would look at a bookkeeper as kind of is very much as entry level and then you have an accountant that can do more than a bookkeeper. They might be able to help you with what we call accounts receivable, which essentially is just making sure that if you are invoicing different customers for things, they can help you collect on, that they can help pay your bills, things of that nature. That's on the accounting side, but it's really the management of the activity that's happened within your business. Now a finance person, a CFO, our job is to take that information, take that financial information as well as a bunch of other information and figure out the strategic way to get to the next level.

Kendra: 25:04 So we're future focused. I take the financials and the accounting records from the accounting team that I have here in house and I say, okay, this is a perfect picture based on your numbers of where you are in your business. Current day, you're currently making this much money you're currently spending here, you're currently doing this. Okay, great. That's all good information to know, but you want to go from this to that. Okay, let me build that out for you. And so what we'll do is we take information that's not just pertaining to your specific business, right? So if you are a product based business that's building, I don't know, let's say you are, let's say you sell clothes, right? You sell clothing. Well, I'm going to look at other metrics outside of your business and maybe compare your product line to a similar product line. So one of the key differences in finance is that we don't just look at your financials, we're not just looking at what your financial statement is showing or what the accountant says about your specific business.

Kendra: 26:03 That's definitely part of it. But we take a lot of outside data as well to help us determine what to do next. The big difference between an accountant and a CFO as well is that CFOs take

outside data to help us figure out what that next level is in your business. So we're not just focused on the financials or you know, the profit and loss statement or balance sheet or what not in your business. We're also looking at outside things to determine how to take your business to the next level. It's much more about strategy and how to project out and build out the next level of your business versus just looking at what's happened in the past, which is why I say when you're in that $20K plus or more a month business. You really want to bring in a CFO at that point because that's when you're wanting to focus on strategy.

Kendra: 26:51 That's when you're wanting to say, okay, I'm not just, I hit $20K my my only goal isn't just to hit $30K, my next goal is to make sure I have a very specific type of business that I'm not working 12 hour days in that I'm not doing this. So you want to bring someone in to help you with that strategy. So as an example, we have clients that come to us and say, you know, I'm making this, let's say $75K a month and I've just been stuck there. I've been stuck there for the past six, seven, eight months. I've tried all the things I'm trying to do better, right? But I really want to cross that $100K a month marker. What can I do? And so we'll not only look at your financials, but we will look at other data in your business. We'll look at data outside of your business to figure out what is it that's making you plateau there.

Kendra: 27:36 And figure out how to get you to that next level. Another thing could be where we help with onboarding, with building out your team. So that's the simplified version of the difference between a bookkeeper, an accountant, a CFO. Um, and one other thing I'll mention is when I say specialized bookkeeper, that really just means that you're not getting like a generic bookkeeper. Because if you are a product based business, get a bookkeeper that specializes in product based businesses that understand inventory. If you are a lawyer get a bookkeeper that understands Iolta accounting, right? That's very specific to your industry. And if you just get a generic bookkeeper, they're not likely to understand what happens with Iolta. And so then you're going to have to explain that and they're going to be learning it on your, on your dime. It's just not good. So you want to get a specialized bookkeeper that understands your specific industry.

Kendra: 28:31 If you're going to go the route of a bookkeeper or you can get an accountant, again specialized or you can get a CFO, but you really want to make sure that you are focusing in on someone who understands the nuances of your specific industry. All right guys, so hopefully that was helpful. I broke it down to let you

know what to focus on and what your goal should be on regardless of what income level that you are on. I gave you a little insight into the difference between a bookkeeper and accountant and a CFO, a CPA. Actually, I don't think I touched on a CPA, but let me just say this. One thing about CPAs, so I'm not a CPA, but again, we have one on our team that helps with certain things. Now the thing with a CPA is that everyone needs to understand that a CPA is not limited to one thing.

Kendra: 29:16 So it's not that CPAs only do taxes or that CPAs only do accounting. You can have CPAs who focus within real estate who focus within tax accounting. So again, make sure that you're getting someone who is specialized in what it is that you do. And don't just go get someone based off of the blanket term or designation or degree or anything like that. Okay? So just to put that out there, and I know a lot of my CPA friends sometimes get annoyed when people assume that because they're a CPA, they're going to file your taxes. That's not always the case. Some CPA's don't do taxes, right? So you want to just ask questions. If you don't know what types of questions to ask then hit me up on Instagram, shoot me a DM, know, shoot me a comment, something, let me know and I can help you out. But you really want to make sure that you're interviewing and asking good questions. In fact, I might make a whole podcast episode just on that. Let me know if that would be of interest to you. And if so, I will put that together again. Hope this was very helpful guys, and I will see you next week.

Kendra: 30:22 That's a wrap for this episode. Be sure to go to thefinancefemme.com/podcast to get the show notes and links mentioned in this episode, and if you heard any gems, be sure to share it with a friend and subscribe. Reach out to me on Instagram at The Finance Femme. That's F-E-M-M-E and leave a comment. Thanks for listening.