

Special points of interest:

Business Expenses

Tax Tip

Finance Tip

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Tracia's Desk

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Just write that off . . .

I've mentored many small business owners and one of the main areas I see them struggle with is keeping accurate, updated financial records. One of their first responses to purchasing different things for their business is they aren't worried about the cost because they can write it off at tax time. While this concept is true, it's not always applied the correct way.

Writing off business expenses is one of the biggest benefits for business owners because it reduces their tax liability. However, if the business owner is not carefully watching their business finances they can be operating **in the red**. No one goes into business primarily to write off expenses. A smart business owner is seeking to lower their taxes, but increase their profits. You cannot accomplish this with the mentality that you can spend with no regard for how your business is currently performing.

While you must spend on the

most essentials that keep your business running, you should use caution on purchases that are not truly necessary for business operations especially during your beginning stages of developing and growing your business.

Case Study: A client recently became a part of a MLM company. She began spending money on various things needed for the business such as inventory and supplies. Each week there was a different offer of additional inventory and supplies she should really get to make her business profitable. Although, these things weren't necessary it was highly recommended. She was so excited about the business she hadn't done any bookkeeping to determine where she currently stood with expenses and income and what she needed to begin to bring in to start covering the out of pocket expenses she had already incurred. She confessed



"It is important to own your feelings. Besides, you can always write them off as a business expense."

she purchased things with the mentality that she can write it off as a business expense. I set up her business records and we met to discuss her business' financial status. It was a hard lesson for her when she realized just how much she was losing on her business. As well a lesson learned in writing an expense off for taxes does not mean you get the money you spent back. She's now operating her business with the mind set of increasing her profits while lowering taxes and knowing where her business stands financially.

Quick Tips

TAX TIP

Second installment of 2008 federal and state taxes are due June 16th. If you owed taxes in 2007 or anticipate owing taxes for 2008 you must make estimated tax payments. Need help determining how much you should pay, give us a call we can assist you.

FINANCE TIP

Bookkeeping is not just for a business owner. You should have a personal financial plan. What is your net worth? How much are you spending on expenses with no long term benefit? If you don't compare your monthly income and expenses to a budget, then you're probably working for your money

instead of your money working for you. Four steps to a better financial future.

- 1 Develop a budget and record-keeping system.
- 2 Keep track of your monthly income and expenses.
- 3 Eliminate nonessential expenses.
- 4 Reduce debt, increase savings.