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# STRAIGHT TALK ABOUT SMALL BUSINESS SUCCESS

The newsletter designed to keep you on course to build a successful small business



Welcome to the June 2016 edition of the *Straight Talk Newsletter*. With nice weather looming, we are sure you are looking forward to taking a vacation or two this summer!

Opening up this month's issue is the article, "How to Make Banks Crave to Give You a Loan." In this article, we're going to give you several tips to increase your chances of getting a loan.

Also, in this month's issue, we're excited to share with you one of our articles, "Get More From Your To-Do List" where you will learn a few tips to help you manage your work load more efficiently in order to enjoy some personal time.

Then, on page 3, we have outlined seven steps that you can take in order to "recharge" your leadership battery and rekindle the fire that drives your success.

The rest of the newsletter is filled with articles geared toward your small business success. Enjoy!

Until Next Time,

*Robert Goodman, CPA, MBA*



## HOW TO MAKE BANKS CRAVE TO GIVE YOU A LOAN

**It might not seem like it, but banks want to give small businesses loans.**

If you've been having difficulty getting financing, it might be a case of "it's not you, it's them". Even when you meet a lender's standards, they might not be able to scale their resources to include all deserving borrowers.

If you want to be one of the few deserving borrowers who actually get a loan, here are seven tips to increase your chances:

**Check your credit score.** Typically, in order to qualify for a bank or SBA loan, a business must have been profitable for the past three years. In looking at your recent profitability, a lender will likely scrutinize your business' credit score. Get your score and look for potential red flags. Know your position going in. Keep in mind, even though most lenders will require that you personally guarantee the loan, sometimes if you have sufficient collateral within your business to cover the principal, they won't need to put a lien on your home.

**Stay in the neighborhood.** If your

business hasn't been profitable in the last three years, a big, national bank is less likely to give you the time of day. This is



also true if you're lacking sufficient collateral to secure a loan. Instead, visit a local community bank. Also inquire about SBA loan programs.

**Demonstrate ample cash**

**flow.** Provide the lender with financial statements, tax returns, and bank statements showing a steady influx of cash. They will likely consider this a sign of your business' health and a predictor of future success. Steady cash flow shows the lender that you have plenty of money to pay creditors, employees and others on time. If there is a fluctuation in cash flow, be prepared to explain it. For example, a dip in cash flow could be evidence of a recession, a lost customer, or even a key period of growth.

**Keep your debt manageable.** Your balance sheet should show that you can handle your current amount of debt, as

well as the additional repayment from the financing you're asking for. If you're willing to incur debt for the expansion of your business, be prepared to explain why the debt will be beneficial.

**Have a comprehensive business plan.** If yours isn't, it's time to dust it off and give it some work. Your plan should explain why your business will be successful. It should include a management plan, a marketing plan, an operations plan, and most importantly, a financial plan. Make sure to include an analysis of your financing needs, a detailed cash flow statement, and a plan for how you will pay back the loan you're requesting.

**Tell your story.** Stories sell. Facts tell. Remember to explain to the lender why your company needs money. Is your industry growing by leaps and bounds? Are you on the cusp of partnering with a major retailer? Be specific. Make sure your story incorporates your passion and includes a vision for the future, and not just a summary of past successes.

**Tap your bank first.** It's a good idea to apply first to the financial institution with which you currently do business. They're

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already familiar with you and your story. However, if they happen to say no, don't be discouraged. Your bank might not make the type of loan you're asking for. It could also be

a blessing in disguise – an opportunity to look around for an even better deal.

The fact is, some businesses will get turned down for a loan. However, if you act on these seven tips, you'll be nudging yourself closer to the head of the "yes" line. ♦

## Get More From Your To-Do List



A to-do list can help you organize your time and energy effectively, but successful people know that it's just a start, not an end in itself. Get the greatest impact from your list by following this advice:

- **Start the night before.** Instead of making your list in the morning, finish your day by planning tomorrow's work. You'll arrive fresh and ready to tackle your most important tasks right away.

- **Keep it short.** A list of 100 items is intimidating. Limit your to-do lists to tasks that add maximum value to your organization, not routine busywork.

- **Prioritize your tasks.** Don't list items at random. Decide which job to tackle first, second, and third so you don't waste time on less important tasks.

- **Categorize your tasks.** After you've identified your two or three most important jobs for the day, go through your list and group similar tasks together—answering phone calls and emails, meeting with team members, organizing various projects. You'll get more done by not switching between different kinds of tasks all day.

- **Get specific.** Include the results you want, not just the name of the task. "Work on Johnson report" doesn't give you a goal; "Finish Johnson report by 3:30" will help you focus on what you want to achieve.

- **Expect the unexpected.** No matter how organized you are, interruptions will occur. Build in enough time to deal with them so you're not thrown off by the day-to-day demands of the workplace.

**Quotes:** Sometimes it takes a good fall to really know where you stand.

— Hayley Williams



Effective leadership is not about making speeches or being liked; leadership is defined by results, not attributes. — Peter Drucker

To find joy in work is to discover the fountain of youth. — Pearl S. Buck

Leadership is unlocking people's potential to become better. — Bill Bradley

We should not judge people by their peak of excellence; but by the distance they have traveled from the point where they started. — Henry Ward Beecher



## Follow The Path To Innovation

Innovation is crucial to your businesses' success. To come up with creative, fresh ideas, follow these guidelines:

- **Don't rely on the Internet.** A quick Google search on the problem you're working on can be a good springboard for ideas, but don't just copy what you find. Adapt the results to fit your own situation; make the answer your own.

- **Detach from your devices.** Phone calls, text messages, and the Internet can all distract you from deep thinking. When you really need to dig down, turn everything off so you can focus on the situation and let your mind roam.

- **Let yourself play.** You don't have to concentrate on work all the time. Take a break and do something unrelated—write a poem, look at art, play some ping-pong with a colleague, or whatever. You'll relax your mind, and you may find a connection to your problem where you least expect.

- **Collaborate with unusual minds.** Look around your workplace and your circle of friends for people who think differently—artists, musicians, and potential "weirdos" whose ideas may suggest a new path to follow. Ask for their advice and listen, no matter how outlandish it might sound at first.

- **Exercise.** Just taking a walk or a bike ride can trigger your creativity. You'll get blood pumping throughout your body and into your brain, and you may spot something that suggests an idea you can use.



### Are You In Need of a Qualified Tax Pro?

If you are not my client and would like to explore whether we might be a good fit, please contact me. As a qualified tax professional, I not only know all the rules, but can also help you deal with the IRS and help you decide how far to push a dispute.



### Do You Have A Tough Accounting / Tax 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 (617) 964-4766 or email me at [bob@rgcpa](mailto:bob@rgcpa). Perhaps I'll feature you in a future issue!

## Are You Losing Your Leadership Edge?

Leaders must stay challenged and motivated. The pace of your work can sometimes hide your need for a fresh start or a recharging of your enthusiasm. Keep an eye out for these clues that you need a jolt:



- **Repetition.** Do the same problems keep coming around again and again? Even though the details may be different, do you have the feeling that you've handled most of your major tasks before?
- **Boredom.** Have you stopped looking forward to working on your assigned tasks?
- **Haste.** Do you spend your time just trying to keep up? Do you no longer have time for your own professional development and personal needs?
- **Hindsight.** Are your decisions based mostly on what you've done in the past? Do you look back on how you handled similar problems instead of seeking new, fresh solutions?
- **Rigidity.** Has consistency become more important to you than creativity? Are you more concerned with maintaining the status quo than bursting out ahead?
- **"Vision" loss.** Is strategic planning more of a technical exercise now, instead of an opportunity to look for new directions and ideas?
- **Lack of perspective.** Do you devote your efforts to pleasing others, instead of working on initiatives that will help your business as a whole?

## TAX CORNER

### Take Them Out to the Ballgame: When Nurturing Client Relationships is Tax Deductible

There's a reason why the IRS considers "entertaining clients" a legitimate, tax-deductible business expense: because when we take a client or prospect to a ball game, concert, or dinner, we are nurturing and sustaining a good business relationship. However, there are rules around client entertainment that every business owner should be aware of:

⇒ You may deduct only **50% of expenses** for entertaining clients or customers for business purposes. The 50% limit applies to employees or their employers, and to self-employed persons (including independent contractors) or their clients, depending on whether or not the expenses are reimbursed.

#### Expenses subject to the 50% limit include:

- ✓ Taxes and tips relating to a business meal or entertainment activity
- ✓ Cover charges for admission to a nightclub
- ✓ Rent paid for a room in which you hold a dinner or cocktail party
- ✓ Amounts paid for parking at a sports arena.

However, the cost of **transportation** to and from a business meal or business-related entertainment activity is *not* subject to the 50% limit.

⇒ The ticket cost must be incurred by the employee in connection with performance

of services to the employer and the main purpose of entertainment was the active conduct of business with more than the general expectation of getting income or some other specific business benefit. Generally, an expense is associated with the active conduct of your trade or business if you can show that you had a *clear business purpose* for having the expense.

The purpose may be to get new business, or to encourage the continuation of an existing business relationship.

⇒ Employees must provide the employer with substantiation of the expense within a reasonable amount of time. Generally, an employee should submit documents such as a copy of a receipt or similar proof of payment, indicating the date and time of the expenditure, and a description of the business purpose of the expenditure. Employees should keep a guest list and note the business (or potential) relationship of each person entertained. Any reimbursements made to employees in excess of substantiated business expenses must be returned to the employer.

⇒ Amounts paid to an employee under an accountable plan for tickets to a sporting event must meet several additional requirements to be deductible as a business expense to the employer. For an employer to claim a deduction for tickets purchased to a sporting event, the employee must actively engage in a business meeting, negotiation, discussion, or other bona fide business transaction during the entertainment event on behalf of the employer. No deduction is allowed when tickets are provided to a client or prospect, and an employee or other representative of the company providing the tickets is not present. Substantial distractions at the event may lead the IRS to conclude that no business transactions could be conducted there. Although it might be possible to argue otherwise, general seating at a sporting event often is not conducive to conducting business transactions due to the noise of the audience and other distractions. Therefore, it is recommended that employers either use a more secluded suite without the distractions of general seating, or document business transactions that occurred before or after the sporting event.

Know the IRS's provisions regarding deductions for tickets to live events, and in turn educate your affected employees. Related processes must be implemented and followed to ensure such tax deduction claims are substantiated. Employers should also take care to follow the Treasury rules when claiming a deduction for purchasing tickets to live events.



"He's suffering from depreciation!"



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## "Successful Business"

Check out Successful Business for great ideas to grow your business.

### Tip #10 Apply the latest technology

For more great ideas on how to grow your business, call or email us for your free copy of Successful Business.

## Career Advice For Recent College Grads

Do you have a son or daughter who is just starting out after college, or perhaps you know someone else who is? If so, you're probably aware that the road ahead can be challenging and difficult. Below are a few tips that can help anyone segue into a long and successful career:



• **Decide on your own path.** You don't have to live up to other people's expectations, just your own. Choose a job and a career that you can enjoy and can contribute something positive.

- **Do some informational interviewing.** Before settling down to a specific job (or while you're getting your footing in your first job), start exploring organizations and industries that interest you. Meet with managers there to find out about opportunities and expectations.
- **Seek greater responsibility.** Whatever job you start out in, show your commitment by asking for responsibility. Don't push too hard, especially before you've proven yourself, but show that you're ready and eager to go beyond your starting job description.
- **Keep learning.** You're not in college anymore, but your real education is just beginning. Focus on mastering new skills and learning as much as you can about your organization and industry so that you are positioned to advance when the opportunity comes.

## Give Dad Something Special On Father's Day

Fathers play a special role in people's lives. Let them know that on June 19. Skip the tie and tell your dad what he means to you from the bottom of your heart. Here are some suggestions:



**Write a letter thanking your father.** Talk about all he's done and all he means to you. Read it in front of him and the whole family. You can frame it and even add photos or other mementos.

**Write a thank-you book.** Buy a small book of blank pages. On each page, record something you're thankful for. Example: "Thanks, Dad, for all the help you provided on my algebra homework when I was a kid." Send it around to your other siblings and have them contribute their own thoughts of gratitude.

**Create a record of your father's life.** Get family members and old friends to write down their memories of your father. Then write a script incorporating all the stories and present it to him.