

From the Heart...

... Life Skills for Today

By Sharon L. Benedict MS, CLC



Recordkeeping—Getting Started

When it comes to recordkeeping, motivation is very hard to find for most of us. Fran Tarkenton, founder of GoSmallBiz.com and a NFL Hall of Famer started twelve businesses since his football playing days. Today, he has a passion for helping businesses make and track wise financial and business decisions.

Your career and people relationships have everything to do with recordkeeping. Tarkenton states, “We forget that, to be successful, you have to manage simultaneously and with equal effectiveness both your data and the people who make the data work.

This is true for your business as well as your home life. All aspects of life cannot be successfully managed without those very important “human” relationships and essential records. You can’t have one without the other. In business, Tarkenton challenges us to just “Try to “treat people nice” without finding out how they’re doing, and you’re going to go bankrupt. Try to process all the reams of information that a modern business generates without relating it to your people and you’re going to be crunched in your own number machine.”

Since I believe much of what we learn begins at home, let's focus there first. Are you among many American families whose spending habits are basically ignored because you have no desire to neither record your expenditures nor talk about them? Here are a few examples of habits I did routinely:

- Never save receipts; let alone record them in some ledger or money management software program
- Do not communicate with each other on mutual spending decisions
- Loves spontaneous buying that feels good in the moment, not thinking about long-term consequences or life goals
- One spouse dominating financial decisions
- Don't have a budget; and if you do, never review and stay committed to its purpose
- Have to own the latest gadget and whatsit, thinking you will use it when you really know deep down you probably won't

Do these habits sound familiar? This list could go on and on. I bet you could add more creative ones yourself. These habits I once had in my own life are gratefully gone now.

My motivations for making lasting lifestyle changes had everything to do with my marriage, raising my daughters, and living the life I have today. Yet, the prime motivator was when my own health was severely tested over a 20 year time period. I learned what living a simpler life was all about. I started to truly live in the moment—***with purpose.***

That meant, I literally couldn't just jump in the car and go shopping to feel good anymore. Sharon came to a stop . . .and a new life began. So my body and I started a wellness journey that involved every area of my life, including becoming our family's official financial and life goals/dreams recordkeeper. Even with a business degree background, I was only beginning to understand the vital connection between my motives, motivation, meaning, and money.

Recordkeeping became an essential, energizing tool for seeking, reaching, and achieving our life goals together both financially, personally, professionally. To get you started for the next issue, here are a few questions to think about:

- **How do you keep records?**
- **Do you save these receipts**—pay slips, other income sources, household receipts/bills (food, housing, utilities, clothing, medicine, nutritional supplements, cable TV, car repairs), bank statements?
- **How much do you spend?** And does it match your dreams, goals, budget (covered in previous issues)?
- **How would you rate (score 1 lowest – 5 highest) your communication skills** with your spouse on money issues? If you are single, rate yourself with a family member, close friend, or financial advisor?

From the Heart...

... Life Skills for Today

By Sharon L. Benedict MS, CLC



Recordkeeping—the Home Basics

Albert Einstein once stated that “Everything should be made as simple as possible, but not simpler.” When setting up a household as well as a business recordkeeping system, keeping it as simple and user friendly as possible needs to be our goal. This is not always an easy task and becomes more complex when assessing the basics for a business.

Let’s start with the home (although there may be some overlap if you own your business or have a home-based business). In the last issue I asked you to think about how you keep your personal household records and if you save receipts (e.g. pay slips, other income sources, household receipts/bills—food, housing, utilities, clothing, medicine, nutritional supplements, cable TV, car repairs, and bank statements). If you haven’t set up a recordkeeping system nor save receipts, this is the day to start.

Although I am confident many readers may already have some type of system, I am going to start with the basics here. The following offers you the essential start up equipment and supplies you should have in your home:

- An adequate space or room for a desk, computer, email program, money management and word application software program (e.g. Outlook/Outlook Express, Intuit Quicken, Microsoft Money, Word,

Wordperfect), printer, ergonomic chair, guest seating, phone, book shelf, sufficient overhead and desk lighting, adequate air circulation features (windows/doors/fan/A-C)

- A records storage system (e.g. two-drawer or four-drawer filing cabinet (file boxes can be initially used if more affordable for you right now; eventually move on to a quality filing cabinet; pendaflex hanging frame set/hanging folders; 3 tab manila folders)
- Set up one file cabinet drawer for placing labeled tabs for each household recordkeeping category, tax and non-tax related—sorted by alpha, numeric, or chronological arrangements to make information easy to retrieve.

In smaller apartments and homes, people often utilize a closet for their first office space, or an extra bedroom. There are many creative ways to find your niche.

The office space and equipment you allow in your home should accommodate bill writing, letter writing, and other useful office activities. Have your desk near your phone, computer/printer, and filing cabinet.

Once you are set up, start to routinely set aside 1-2 hours once/week for office activities and recordkeeping. You can also arrange it around your pay schedule (e.g. once a week/twice a month). Here are a few tips:

- Mark your calendar with due dates for certain bills or in your money management computer program (w/ early warning alerts)
- For office furniture, first choose what you already have.
- Maintain an active and inactive file storage system in separate drawers or cabinets

Make sure you set bill due dates at least one to two weeks in advance of deadline (e.g. premiums on auto, health, homeowners insurance, medical. You can also consider using monthly automatic payment options with your bills to

save you the trouble of trying to remember to pay essential fixed expenses. In addition, many banks and financial institutions now have automatic download features for all transactions allied with money management software programs. For office furniture, you can also check out garage sales, second hand furniture stores, friends, family, neighbors. When storing inactive files, the typical time period for saving tax records range from about three to seven years (www.irs.gov). The time period is similar for nontax purposes (e.g. insurance claims, creditors).

Recordkeeping is an essential activity that enhances your understanding of and skill in maintaining accurate records for both personal and professional use. You also gain the opportunity to develop your own personal financial management skills in budgeting, financial planning, spending habits, and tasks common to simple office routines.

If you struggle with these skills, take a specific course on recordkeeping or hire an organizational coach/consultant. If you are among a number of people who have their own bookkeeper or CPA, I recommend you still become skilled in the basics before handing over your financial records to others. This is an important check and balance on their integrity, accuracy, and confidentiality since you will be sufficiently savvy to watch out for yourself. In today's internet/networking world, privacy and confidentiality are critical issues.

There are a variety of online and local courses on recordkeeping through high school, college, and university continuing education programs. You can also

check out the local Chamber of Commerce for available coach/consultants to help you get organized.

You will then build your knowledge and skills required in today's world of work and home. Recordkeeping helps you stay accountable, preserves integrity, and helps reign in spending. Records are also a vital aid in remembering desired information and access to important documents; challenges you to more objectively communicate with your family on money issues; and strategically assists you in problem-solving and making important life decisions.

For the next issue, additional basic tips and resources will be offered. In the meantime, how about completing the following two statements:

- I know I need to keep records but _____.
- I commit today to establish a recordkeeping system that will help me _____.

From the Heart...

... Life Skills for Today

By Sharon L. Benedict MS, CLC



Recordkeeping—Tips to Ease the Pain

Remember my request to complete the following statements? Well, here's how people typically respond.

- ***I know I need to keep records but*** I just don't have time or skill; it costs too much for a bookkeeper or CPA; I just don't believe it's necessary since I don't have a business; I don't make enough to warrant saving receipts or using a recordkeeping software program; I'm single and have very few expenses; I do ok without it.
- **I commit today to establish a recordkeeping system that will help me** be more committed and accountable to my spending habits and life goals; plan for my dream vacation, job advancement and career goals; know more clearly where my money goes; be prepared for any potential IRS audit; avoid potential bankruptcy.

These are just a sample of typical responses from people who are told recordkeeping is important but have difficulty stepping up to the challenge.

If you have been reading previous issues, I am going to assume you are ready to embrace recordkeeping activities and tools for becoming a competent

consumer, employee, and business manager. Did you set up your office in home space with the basic equipment listed in last issue? If so, here are a few basic tips to make it easier to stay with it:

- Learn to do basic math computations and routinely use a calculator (hand-held, electronic desk type, or computer type).
- Build on your reading, writing, communicating, and reasoning skills
- Become computer savvy (eg. Email, Money mgt. software) for recordkeeping, communication, report writing (asset/liability, cash flow), and comparative budget monitoring.
- Start recording receipts (either manually or with automatic downloads from your bank/financial institution) on a weekly basis.
- Review your budget monthly and make any cash flow adjustments.

If you need help, seek it out. For those with skilled spouses and trusted family members, consider passing the recordkeeping duties to one of them. Hopefully, they will be willing, and you both will work well together. I still encourage you to learn the basics even if you hire out.

In addition to resources listed in previous issues, here's one more you may find particularly useful for recordkeeping: The Paper Tiger, <http://www.thepapertiger.com/>. The next issue will offer business recordkeeping tips and cautions. To get you started, I encourage cruising through the University of Texas, San Antonio, website, <http://sbdnet.utsa.edu/>. Both resources are very useful for personal as well as business recordkeeping.

From the Heart...

... Life Skills for Today

By Sharon L. Benedict MS, CLC



Recordkeeping—Business Tips Part 1

A self-employed person spends roughly an average of about 50-76 hours per year—about 1½ hours per week—on activities related to filing annual federal business tax returns (e.g. business familiarization, recordkeeping, and return preparation). Then add the time spent on other business related recordkeeping (e.g. Accounts management, opportunities, various tasks & appointment records).

Can you also believe that over two-thirds of all sole proprietorships, partnerships, and S corporations are home-based and concentrated in relatively few industries? According to the Small Business Administration (SBA), over 90 percent of home-based businesses are sole proprietorships with 90% no employees. By year 2000, there was a 23% increase in home-based businesses.

Sixty-six percent home-based businesses are in Service & Construction, Retail, Manufacturing/Transport/Communication/Utility/Wholesale, and Finance/Insurance/Real estate. The largest business type was Child Day Care and Museum Management Services. Yet, 77% made less than \$25,000; 96%

less than \$50,000; and only 4.5% made over \$100,000. Guess who does a big chunk of the recordkeeping?

Choosing a recordkeeping system very much depends on your type of business, size, cost, and staff skill. There are two basic types of bookkeeping methods: single entry and double entry systems. Standardized and computer bookkeeping systems (QuickBooks, Money) can be found in business, stationery, and online stores. The Single Entry Bookkeeping System is a simpler method of recording cash receipts and disbursements in addition to the checkbook. This system is typically used for starting small businesses. The Double Entry Bookkeeping System combines the single entry system with additional information to provide you with a more complete picture of your business—credits & debits, cash on hand, equity in building, equipment, accounts payable, mortgages and loans.

Both systems have pros and cons. Single entry systems are easy for a new small business but do not present a complete picture of your business and actual worth. Double entry systems are more complete, provide more features, and are also easy to do but require more entry time.

The average time spent on recordkeeping is influenced by several factors:

- Experience
- Records that are well organized and
- Computerization

These factors can markedly lower the time and effort involved. However, the startup business has the greater burden, as federal taxes have a steep learning

curve. When the owner hires out, direct costs can run about \$500 for the simplest return to \$3,500 for partnerships or S corporations. Add the various taxes to be held and paid at various tax periods—federal, sales, use, excise, business & personal property, local fees, business taxes and state tax for *other* states (Hallelujah!). Experience plays a major role in recordkeeping.

The quality and design of business records are also a very important factor in the type of paperwork generated not only for tax purposes but also for basic business operations—keeping personal expenses separate. Accurate, complete, and well organized records are essential for both. A well-organized check book may be helpful for very small business startups, but will not be sufficient as the business grows. Using computers can greatly reduce the time and effort involved in recordkeeping and retrieving data for payroll or other more customized records—even if checks are written manually.

Much of your recordkeeping time will be on depreciation, accounts, withholding, unemployment, learning tax laws/forms, and office-in-home eligibility, and preparing/filing taxes. That's why most hire out with someone they trust. But if you want to go it alone, make sure you have the skills, motivation, and discipline. You can also check out small business management programs at local universities and schools for assistance.

Here are few key elements of a good business recordkeeping system:

- Separate business checking account

- Pay all bills by check or electronic payment (be sure you print out automatic payment receipt; don't assume the deposit was made or cyberspace works all the time)
- Keep petty cash for small expenses; use sparingly and keep support documents.
- Deposit receipts often - Don't keep cash or checks lying around to tempt.
- Support your entries with hard copies filed in a safe place for easy access (use your bank statements as backup documentation).

The next issue will close this topic with some cautions when setting up your recordkeeping system.