

1. Avoid a Cash Flow Gap
2. Leadership
3. Tax Breaks
4. Success in Succession
5. Marketing – Get a Hook



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## Five Steps to Avoid a Cash Flow Gap

Around this time of year, the only Gap you may be thinking of is one that has Lenny Kravitz and Sarah Jessica Parker as spokes people. But, the one in your business could be the one that is nagging at you to pay closer attention. A cash flow gap occurs when your cash inflows and cash outflows aren't in sync with each other. The result is ugly – it leaves your business short of cash.

All kinds of businesses are at risk for cash outflows that outpace cash inflows. Manufacturers, auto dealers, professional services, virtually any kind of small or mid-sized business could be at risk for outlaying cash prior to invoicing for work performed or products delivered.

So what's the solution? A hefty line of credit from Ol' St. Nick? Not so fast!

Perhaps the easiest way to close the gap is to simply become aware of it. In one dealership, for example, customers paid the dealership for a particular service when they bought a car, but the dealership's processes called for actually cashing the checks for this service only on the 15th and the 30th. What did this mean? A big gap between outflows and inflows for the dealership since this was a pass-through expense for the dealership.

Here are a few more examples of how you can pull your belt a little tighter this holiday season (and beyond!):

1. **Immediately prepare and send invoices.** If you wait to send invoices until the beginning of the month, your invoices may be lagging your payables by as much as 30 days in some instances – or more.

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- 2. Establish a way to invoice for products/services in progress.** For designers, consultants and others who work on projects that often take months to complete, consider billing 50 percent up front and the rest upon completion. This allows you to pay for any out-of-pocket expenditures and keeps you out of the gap. The same goes for other projects that are taking way too long to complete, begin by sending progress billings to urge clients to complete projects in a more timely manner.
- 3. Offer customers a discount for paying invoices early.** If cash flow is a real problem and you rely heavily on your line of credit, consider offering clients a discount for paying early – perhaps 1.5 percent or 2 percent for paying in 14 days versus 30 days. It all adds up over time.
- 4. Track past due accounts and actively pursue collections.** It isn't the most pleasant thing to do, but it's part of business and it's not personal. This is a task that must be put on a system and managed. You must attend to past due accounts consistently or the companies will not take your company seriously. Utilize your accounting software and collection letters available through those software programs to manage these past due accounts. If you have a high number of past due accounts, consider revising your credit policy.

If the cash flow gap has you down, give us a call. We can provide strategies and systems that will put more green back in your pocket this holiday season and beyond. ■

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## Leadership: An Owner's Perspective

*By Michael E. Gerber  
Chairman and Founder, E-Myth Worldwide*

Yes, you and I have a great deal in common we own our own business.

Which means that you and I have the same demands put upon us. The people who we employ have a special need for us to put everything into perspective for them, in a way only you and I can be expected to do. After all, it's our business. What are those special needs; what do employees expect from a leader? From the owner? From the CEO? From the Boss?

Well here are just a few things I've pulled out of my hat for you to chew on.

Our people expect us to be:

### 1. Consistent

You and I are almost always inconsistent okay, I am, and I don't know that you are, but having worked with thousands of business owners I can make a pretty educated guess. We've got to understand what the word consistency means. We've got to look at our actions and ask ourselves if they are inconsistent or consistent, and if they are inconsistent, why are they inconsistent, and what can we do about it? And in a world which is consistently inconsistent, how can we build a business which at its heart finds a true measure of consistency in everything it does? Wouldn't that be somewhat of a miracle? Isn't that somehow impossible? Well, yes and no, but that's what a Leader has to do. Find consistency in an inconsistent world. And reproduce it.

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## 2. Determined

Yes, we're expected to be determined. No matter what you believe to the contrary, your people do want you to show them the evidence of your determination. Your determination to do what? To do what you say you're determined to do. I think of the extraordinary leader, George Patton, or even the exceptional leader, Jack Kennedy. Patton not only said what he was going to do, he was absolutely positively determined, come hell or high water, to do it. Most people would say that he was a great Leader because of his achievements, but that isn't necessarily true. Many Great leaders have failed to do what they were determined to do, but because their determination was so alive, so clearly, passionately, convincingly true, whether they succeeded or not, they were a world-class leader. (Of course if you pull off what you're determined to do, it's a great plus.) Kennedy was determined to go to the moon. Churchill was determined to save the British Empire from the clutches of Germany. These men were determined. They were Leaders. Everyone, when facing the stark reality of an impossible situation, needs someone who is determined to raise their level of determination too.

## 3. Passionate

Yes, we've got to be Consistent, Determined and Passionate. Which means we've got to care about what we do, deeply, lovingly, devotedly, compellingly, importantly...we've got to have a fever in our minds and hearts for the outcome, and for the process, and for the very fiber of what it is we intend to do and how it is we intend to do it and what difference that will make to everyone who comes into contact with our company, and our people. But most important of all, think about the impact it will have for everyone who experiences our idea of a company, our idea of people, our idea of the importance of it all and the impact it will have on the world around it. Leaders are passionate people. They are not rational models of perfection, but they are consistent, determined, and passionate. And most of all, they take everything they do seriously. Seriously, as if it were a matter of life and death.

And that's why people listen to them. And that's why people take them seriously. And that's what it means...at least at random...and at least for a start...for you and I, as owners of our own business, to be Leaders.

Any thoughts on this subject? Just pass them on to me.

Thanks for your time and attention. ■

*Michael Gerber is chairman and founder of E-Myth Worldwide. He reminds you that the opportunity is to go to work ON your life not IN it, and in the process to experience the sweet, radiant, extraordinary joy of the fully-lived moment. His Web site is [www.emyth.com](http://www.emyth.com).*

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## Tax Breaks and Other Strategies

When the clock strikes 12 on December 31 this year, lots of tax savings opportunities will be gone with 2003. But one big one is already gone. If you planned to wait until the end of the year to buy a heavy SUV (more than 6,000 pounds) for your business and deduct the full amount in a single year, you've run out of time. With the new American Jobs Creation Act of 2004, SUVs weighing between 6,000 and 14,000 pounds now are subject to the annual expensing limit of \$25,000 (cut from \$100,000). Now, it will take you four years to fully write off the vehicle if it is used 100 percent of the time for business.

The SUV expensing limit of \$100,000 that allowed some wise company owners to buy luxury SUVs that weighed more than 6,000 pounds and cost as much as \$80,000 and write off the full amount (given the entire vehicle was used for business) was in effect until October 22, 2004.

For businesses that plan to donate a company car this year for a big tax write off, better hurry up and do it now. Under the old guidelines, fair market value was determined using the Kelley Blue Book, the "trusted resource" in determining new and used car values. This means that companies donating cars could donate up to the Kelley Blue Book fair market list value – regardless of the sales price the donating organization received for it. However, past December 31, 2004, the donor of a car will be able to take only the amount the charitable organization receives when the care is sold.

While this opens up a whole range of questions for charities – the main question it raises for the donor is can the charity sell your car for what it is worth as a donation?

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Here are some others that are oldies, but goodies:

- **Max out contributions to your retirement plan.** If you contribute to a retirement plan such as a 401(k) or a 403(b) plan, you can contribute up to \$13,000 this year. If you're 50 or older, you can add another \$3,000 as a catch-up contribution.
- **Spend all your flexible spending account (FSA) dollars.** If you don't spend it, you lose it. Review the list of items you can use FSA dollars to purchase. Some nonprescription drugs qualify. Schedule tests, doctors appointments and any other routine medical treatments now.
- **Make your Jan. 1, 2005, mortgage payment on Dec. 31.** Remember to add the extra interest paid to what your bank reports on its Form 1098. They'll get your payment in 2005 and won't report it for 2004. But you paid it then and it adds to your deduction this year.
- **Pay real estate taxes early.** If you pay your own real estate taxes, make any payments due in the beginning of 2005 by Dec. 31. By paying on Dec. 31, you get the deduction a year earlier.

If you are unsure how the new tax laws will affect your company and your personal situation, give us a call. We are happy to discuss your unique situation! ■

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## Success in Succession

More than 70 percent of family-owned businesses do not survive the transition from founder to second generation. In most cases, the “killer” is taxes or family discord, both issues that a good family business succession plan can address.

Whether your company is one of the many thousands of family-owned businesses or it is a partnership, succession planning is sure to top your agenda next year. Why not think of it before you get to the point of actually planning to exit your company?

The issues that a succession plan will address, include:

1. Determining the needs of the owner, business and important parties,
2. Exploring the legal and financial options, including taxes
3. Recording and implementing the plan

A good way to address these issues is to have a succession planning session. That’s right. As if you were actually going through the real thing, we go through “what if” scenarios and determine how you can realize both your exit strategy and the value you deserve to take with you when you leave the company. Not only that, we help you put the people in place that will ensure your company will make it to the next year and the next. Next, we ask pertinent questions to ensure financial safety nets are in place for you and the business. And, finally, we ensure that we record all of our planning to provide you with a road map for your retirement.

Succession planning goes well beyond one meeting. It takes a serious look at an owner’s desire to leave a legacy. It also will help resolve conflicts with goals within the company. For example, if the company is to be sold for top dollar, it will need a high business valuation. This is difficult to achieve if the company is trying to pay the least amount of tax possible (showing the least amount of revenue each year).



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Succession planning also provides a window for junior team members to step up to the table and earn a position with the company. By starting early, it gives both senior and junior members time to determine what's best for the future.

Legal and financial issues enter the picture and, in some instances, drive the succession plan. In one case, the partners decided on an aggressive five-year plan where they increased the value of their business substantially, sold it and walked away millionaires. For them, this was the best succession plan. What's yours?

We have a number of programs and products that can help you with succession planning. Give us a call today to talk about them! ■



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## Marketing – Get a Hook

*By Tina Ferguson*

McDonald's has one. Kohl's has one. Do you? Recently, we dined at a local Mexican food restaurant. We were there primarily because our four-year-old wanted a sno cone. But, where do you get a sno cone in December? He knew, of course, that you get free sno cones at this quaint little Mexican food diner. Alas, as we walked in, there were six – count them – six other children lined up for their sno cones. This, my friends is a marketing hook. As, we all know these children were not dining alone!

What is your company's marketing hook? A hook is nothing more than something that hooks customers and brings them back for more. It is something that reaches out and grabs them and brings them to your door when they have literally countless other options for the services you offer.

For some companies, their exceptional employees are the hook. For example, one Starbucks may have just the "right" kind of employees that make you feel extra special when you walk in the door. They know you, they know your favorite drink, heck, they even know your husband's name and ask about him! That makes for a totally different trip to Starbucks. We all know these types of employees and the companies that recognize and encourage them to perform their best often reap the rewards.

Southwest Airlines is another good example of a company maximizing employee star potential. After years of driving short distances, we recently flew Southwest to a conference. We were delighted with our experience to say the least. You could almost measure the positive energy from the employees. We were energized just from being around them. Their smiles and consideration stood out from our previous experience on another airline. We experienced the hook and promised ourselves that we would take Southwest Airlines every time we could and that we would make a concerted effort to make more weekend getaways. Now that's powerful!

Hooks may come in other forms such as lower prices – think Dell, Best Buy – or free shipping – think eToys, Amazon – or they may come in something completely creative like giving something away for free.

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Many companies have given away inventory for free. For example, a gentleman awoke from a dream and decided to buy 80,000 stickers that displayed a photo of the Earth from space. He poured his life savings into his vision and sent the order to a local printer after obtaining permission from NASA to reprint the photo. Once he got it back, he started sending the stickers out to organizations he thought might use them – for free. He figured that they may send back a small donation. That was millions of EarthSeals ago and Paul Hoffman is still marketing and hooking the same way, except now he has a donation guideline. Learn more at [www.earthseals.com](http://www.earthseals.com).

Not sure how to devise a marketing hook? Here is a list of guidelines:

- **Be real.** Marketing hooks should reflect core values. Just because a hook worked for someone else doesn't mean you should copy it. Do something that reflects what is meaningful to your company. For example, Chick-Fil-A's founder, S. Cathy Truett feels very strongly about giving back to children. The company's kid's meal giveaways are always educational in nature and the store gives millions of dollars in scholarships away to company employees each year.
- **Do it your way.** A hook should reflect your company's way of doing business. If you have to go too far off your beaten path, it's not likely to work for the long haul. Southwest Airlines doesn't have to try to be energetic, they are energetic. Make your hook a way of doing business. Or vice versa.
- **Be creative.** A hook isn't born in a meeting between 10 and 11 am. It's a process that requires tapping into your creativity. Ask people from all levels of your organization what it is that brings people back to your company. The answers may surprise you!
- **Be persistent.** Every company has the ability to develop a hook. If at first you don't reveal yours, don't give up until you find it.

The time invested in a marketing hook is time well spent. If you need more guidance, consider joining one of our business round tables! ■

*Tina Ferguson is president of The One80 Group, Ltd., a Plano-based marketing strategy company dedicated to helping services companies turn their marketing efforts into results. Contact her at [tina@one80group.com](mailto:tina@one80group.com).*