

# Fresh start for your financials

*The best way to get your business financials into shape is to bring in a financial fitness trainer, says Lisa Martin.*



Hands up who wants to be a few kilos lighter. Hands up who's carrying a little bit extra around their waist and who has a whole pile of clothes that don't fit but you keep them because you absolutely know you'll get back to the gym – one day.

If that's you, the bad news is that diets and fitness regimes always start tomorrow and, as orphan Annie laments, "tomorrow is always a day away."

The good news is that you can start today instead. And why not? We all put off things, particularly if we don't consider them 'fun'. A

6.00am start at a spinning class, easing off the booze and opting for a salad instead of a steak sandwich and steaming hot chips may not epitomise 'fun' at first. But, once you've made a start towards the new you, or the old (younger and trimmer) you, you'll soon feel the benefits of choosing a healthier, fitter lifestyle and you'll quickly find that fun factor.

The same goes for your business. Who doesn't want their company to leap over the hurdles nimbly and effortlessly without being slowed down by too much excess and a lack of energy? And just think how

elated you'll feel if your business is running on more lean muscle than fat. How much fun would that be?

## **Time for change**

But, I'm jumping the gun a bit. Let's backtrack a little. I always believe that the hardest part of decision-making is actually deciding what you want to do. Only you know what you want for yourself personally, but when it comes to your business's finances, I'm sure everyone wants a smooth-running operation that utilises good accounting software to save

time and cost as well as track how the company is going. Most small business owners I talk to definitely understand the importance of good bookkeeping. They can see the value of best practice records, logs and filing – and they know that they are legally obliged to make sure they are accountable for every cent that flows through the business.

Yet, while so many small businesses agree that bookkeeping is the backbone of healthy accounts, and a healthy business plan, some get stuck on implementing change. This sticking point seems to come down to human nature but I can see that there are three main reasons that hold people back.

The first is that most of us need a ‘defining moment’ to start something new. That’s why New Year resolutions are so popular – and why diets always start on Mondays. There’s nothing wrong with this, in fact the idea of creating change with a clean slate, ‘a new beginning’, is fantastic. That’s why I’m talking to you about implementing change just before the start of the new financial year. This is the perfect time to start afresh and set new financial systems in place so that from 1st April everything is ready to roll.

If you need a benchmark to get you going then that benchmark is now; before the end of the 2013/2014 tax year. If you’re lucky enough not to need a calendar marker then “there’s no time like the present.”

#### **Out with the old, in with the new**

The second reason why many small business owners stall over the thought of changing an aspect of their business – particularly when it involves number-crunching – is a lack of knowledge. And I don’t mean this disparagingly.

Just think back to when you

started your business. You knew then that you needed a system that could capture all your financial information. So, you may well have signed up for the first package you came across. It probably works just fine. But since Xero entered our world accounting technology has moved on tremendously. Xero’s commitment to cloud computing has revolutionised bookkeeping and the gap between older financial software and what Xero can offer is huge. If you’re using an older programme it’s likely you won’t be getting as much financial information as you need to help grow your business. This might be OK for you for now, just as long as you are aware that a system like Xero will illuminate your business. Tailored to your company, it will show you where your business is at (in real time), what your projections are, how your cashflow is tracking, and your profits on any date and, importantly, it will flag any inconsistencies.

Nearly all of our clients now use Xero. Some have jumped at the chance of switching, others have been reluctant to change, and that’s understandable, but all have been blown away by the difference between the ‘old’ and the ‘new’ and none have looked back.

#### **Call in the professionals**

The third reason why, I think, people stumble when it comes to changing the way they manage their books is because figures just aren’t their forte. One of my mantras is “you didn’t go into business to be a bookkeeper, but I did.” And it’s true. You started your business because you had a great idea and the drive and ambition to make it happen. You didn’t do it because you love working out your tax credits, your GST and your payroll – unlike me.

Unfortunately, in New Zealand, many small business owners work

by an unwritten rule that says “You must do everything yourself.” I think this is in our Kiwi make-up but we really need to shake ourselves out of it and recognise that each of us have different strengths and weaknesses. Very rarely is someone extremely good at everything. If you accept this, then you may just have to accept that if you’re doing your own figures, then you’re probably doing them averagely – and you might not be doing them correctly.

Wouldn’t you rather bring in someone who can sort out your finances professionally and accurately? This is the smart thing to do since it will save you time and money. Think of the hours you spend battling with your accounts – wouldn’t you rather spend that time doing what you love in your business?

If we zip back to our fitness analogy this is similar to finding that new resolve to be healthy, heading to the gym and jumping on all the equipment for hours on end. But, oops, you haven’t attended the intro session to find out how the cross-trainer works or how to change the settings on the treadmill. You’ve put the hours in, but, I’m afraid, you’re not getting any thinner. It’s time to call in a personal trainer.

My new financial year message is – take a good look at your finances, assess the system you’re using and if it’s not giving you the information you need then change. Do it now and do it properly. Don’t do it yourself if you don’t know what you are doing. Be smart, bring in a financial fitness trainer and enjoy watching as your business stretches into shape.



Lisa Martin is MD of specialist small-business bookkeeping company, GoFi8ure. She is also VP of the New Zealand Bookkeepers Association Inc.