



WHAT YOU NEED TO KNOW

Masterclasses

MAY 2022

Master your Profit Planning **with Admira Adovic (chatting with Owen Fitzpatrick)**

UNDERSTAND GROSS PROFIT

Admira began at age 9 working her own Ice-cream business and learned from her father about gross profit margin. She now empowers people with financial knowledge so they can make better financial decisions.

CHANGING YOUR MINDSET

Most people tend to think about finances in terms of taxes. They hire a CPA and so they are thinking about how much they are earning and making sure they have money to pay taxes.

While taxes are crucial, Admira suggests thinking in a more PROACTIVE way about your finances and planning better.

PLAN FOR THE YEAR. OPERATE BY THE QUARTER

Make a plan for the entire year and then understand, specifically, what you are going to do each quarter to get the results you want.

Always check the ROI on all investments you make in the business.

THE THREE FINANCIAL STATEMENTS WE NEED TO UNDERSTAND

Profit and Loss - How good is the business doing right now?

Balance Sheet - How wealthy is the business?

Cash Flow - How well is the cash running the business?

Important to use ACCRUAL Accounting

Record the revenue and expenditure when you do the service or sell the product and not when you actually get the money. This helps you get a clear picture of what is actually going on.

Look at your 2021 Profit and Loss.

What is your income?

What is your Gross Profit? (Total income - cost of goods sold)

Use this formula:

Gross Profit divided by Total Income

Your percentage should be over 100%

SET UP 3-4 BANK ACCOUNTS

Operating Account where you take in and spend your money

Tax Account where you save money for tax

Savings Account where you save for a rainy day

You can also have an optional investments or payroll account

PAY YOURSELF

Figure out the following to know how much to pay yourself:

MUST: What are your living expenses? How much do you need to live?

WANT: What extra things do you want? Specifically, what are they and how much do they cost?

DREAM: What big plans for the next few years have you? What money do you need to start saving now for that?

PAY TAX

Save between 15-40% for tax. Check with your CPA how much you need to put aside.

BEING PROACTIVE

- 1) Define your Goals: What do you want to accomplish? What does that mean in terms of money?
- 2) Where are you now? (make sure you are using Accrual accounting and use software not a spreadsheet)
- 3) Create a projection of income and operating expenses. Focus on what you need to do in each quarter.

EXPENSES SHOULD BE

- 1) Planned
- 2) No personal expenses from your business account
- 3) Have all expenses included when you evaluate - limit variable expenses as much as possible. Be aware of the main intent of the expenses. Cap the variable expenses.

SCALING DECISION

Ask 'Is it more costly for me to do it or someone else? What is my hourly rate? Is it worth me getting someone else in?' Cap it early on.

CATEGORIZING EXPENSES

- 1) Administrative expenses
- 2) Sales and Marketing expenses
- 3) Professional Development expenses
- 4) R&D or Payroll are optional categories

Check out Admira's website for free resources and more on how she can help you:

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