Banish Your Bookkeeping Nightmares

The Go-To Guide for the Self-Employed to Save Money, Reduce Frustration, and Satisfy the IRS

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The Accountant Beside You Presents
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The BANISH System

Being self-employed brings forth a huge range of emotions; from the thrill of knowing you are in charge to the terror of that same knowledge. From the flexibility in your life to the long hours you never expected. You want to spend time following your dreams and making your business successful, not bogged down in the accounting.

That is where I can help. As a CPA, I have worked with all sizes of companies—garage start-ups to Fortune 500 level—as well as churches and nonprofits. I have worked as an auditor with one of the largest accounting firms in the world and as a director of finance in a large corporation. Along the way, I've consulted with mom and pop businesses, assisted venture-backed start-ups, and taught seminars and classes. When I was treasurer at my church, I stumbled into such a mess, it led me to create a series of books—**The Accountant Beside You**.

The Accountant Beside You resources assist non-accountants in working with finances without raising their stress level. This newest book, *Banish Your Bookkeeping Nightmares,* takes you through the six steps of BANISH—**B**rief Yourself, **A**rrange Your Environment, **N**etwork Your Data, **I**mport Your Transactions, **S**ummarize Your Data and **H**ead Into the Next Year.

You may think that the bookkeeping will be too much for you to handle. I promise it is not. I am a firm believer that you should do your own bookkeeping while your business is small so later, when your business has grown and you need to hire someone else to do it, you know what looks reasonable and what questions to ask. As you will see in some of the chapters, saying, "It's my accountant's fault" will not keep you out of trouble.

I'll explain how to determine what information you need, how to organize it, how to choose an accounting system, how to automate where possible, and how to budget for the next year. You will also learn which expenses are deductible, and I'll step you through how to fill out various IRS forms.

You may also wish to check out my website, www.AccountantBesideYou.com for discussions, blog posts, helpful videos, and additional resources.

This book assumes you are self-employed, or as the IRS puts it, a Sole Proprietor. If your business is set up as a corporation (C-Corp, S-Corp, or LLC) or partnership, you will find most of the information helpful, but corporate taxes are beyond the scope of this book.

Whether you are becoming a host on AirBnB, opening an Ebay store, working as a freelancer, running a home-based business, or any of the other

myriad of self-employed options; let me help you save money, reduce frustration, and satisfy the IRS.

Let's get started.

In 2009 Nicolas Cage owed $6.6 million to the IRS. He blamed his financial manager and claimed to be a victim. His manager blamed Cage's reckless spending.

The IRS didn't care whose fault it was. They and the state of Nevada foreclosed on Cage's multimillion-dollar home.

BANISH Step 1-Brief Yourself

Before you can streamline your bookkeeping, you need to know what data you'll need. That way, you'll know what data to gather, what to keep, and how best to report it.

A. How do you know what you need?

For this first section, I'm going to assume you're new to your business. Even if you are already familiar with this information, please read through it and think about any other financial data you will need to track.

The most common users of your financial data are:

- the IRS
- state agencies
- the bank (or any other lender)
- and YOU.

Each of these users have different needs and requirements. Let's review what type of information each may need.

1) IRS Requirements

The first thing the IRS needs to know is whether your business is a *Hobby* or a *Business*. The biggest difference between these two designations is a *Business* can deduct losses, a *Hobby* cannot. In the Appendix, I detail the questions the IRS considers for this determination. Please review it to fully understand your situation.

For purposes of this book, I am going to assume you are working on making your endeavor a success and would pass the IRS determinations as a business.

Let's start with reviewing the minimum information the IRS requires. I'll be going over these in detail in later chapters, but first want you to see the information required.

a. Tax Return-Schedule C

This is where you will show your income and detail the expenses each year. The net profit or loss then is added to your Form 1040.

SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Profit or Loss From Business
(Sole Proprietorship)

▶ Information about Schedule C and its separate instructions is at *www.irs.gov/schedulec*.
▶ Attach to Form 1040, 1040NR, or 1041; partnerships generally must file Form 1065.

OMB No. 1545-0074
2016
Attachment Sequence No. **09**

Name of proprietor | Social security number (SSN)

A Principal business or profession, including product or service (see instructions) | B Enter code from instructions ▶

C Business name. If no separate business name, leave blank. | D Employer ID number (EIN), (see instr.)

E Business address (including suite or room no.) ▶
City, town or post office, state, and ZIP code

F Accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶

G Did you "materially participate" in the operation of this business during 2016? If "No," see instructions for limit on losses . ☐ Yes ☐ No

H If you started or acquired this business during 2016, check here . . . . . ▶ ☐

I Did you make any payments in 2016 that would require you to file Form(s) 1099? (see instructions) . . . . . ☐ Yes ☐ No

J If "Yes," did you or will you file required Forms 1099? . . . . . ☐ Yes ☐ No

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked . . . . . ▶ ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	**Gross income.** Add lines 5 and 6 . . . . . ▶	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		18	Office expense (see instructions)	18	
9	Car and truck expenses (see instructions)	9		19	Pension and profit-sharing plans .	19	
				20	Rent or lease (see instructions):		
10	Commissions and fees .	10		a	Vehicles, machinery, and equipment	20a	
11	Contract labor (see instructions)	11		b	Other business property . . .	20b	
12	Depletion	12		21	Repairs and maintenance . . .	21	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13		22	Supplies (not included in Part III) .	22	
				23	Taxes and licenses	23	
				24	Travel, meals, and entertainment:		
14	Employee benefit programs (other than on line 19) . .	14		a	Travel	24a	
				b	Deductible meals and entertainment (see instructions) .	24b	
15	Insurance (other than health)	15					
16	Interest:			25	Utilities	25	
a	Mortgage (paid to banks, etc.)	16a		26	Wages (less employment credits) .	26	
b	Other	16b		27a	Other expenses (from line 48) . .	27a	
17	Legal and professional services	17		b	**Reserved for future use** . . .	27b	

28	**Total expenses** before expenses for business use of home. Add lines 8 through 27a . . . . . ▶	28	
29	Tentative profit or (loss). Subtract line 28 from line 7	29	
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method (see instructions). **Simplified method filers only:** enter the total square footage of: (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30	
31	**Net profit or (loss).** Subtract line 30 from line 29. • If a profit, enter on both **Form 1040, line 12** (or **Form 1040NR, line 13**) and on **Schedule SE, line 2.** (If you checked the box on line 1, see instructions). Estates and trusts, enter on **Form 1041, line 3.** • If a loss, you **must** go to line 32.	31	

32 If you have a loss, check the box that describes your investment in this activity (see instructions).
• If you checked 32a, enter the loss on both **Form 1040, line 12,** (or **Form 1040NR, line 13**) and on **Schedule SE, line 2.** (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on **Form 1041, line 3.**
• If you checked 32b, you **must** attach **Form 6198.** Your loss may be limited.

32a ☐ All investment is at risk.
32b ☐ Some investment is not at risk.

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P **Schedule C (Form 1040) 2016**

Note the various types of categories the IRS is interested in. You will learn how set up your bookkeeping system to make filling out this form much less painful in Chapter 4.

b. **Self-Employment Quarterly Estimated Taxes (Form 1040 ES)**

Because you're not receiving a regular paycheck from your business, you must estimate how much income you expect to make and calculate the federal

income tax, as well as Social Security and Medicare. Just a heads up; because you are the employer, you will have to pay both the employee and employee portions.

2016 Estimated Tax Worksheet *Keep for Your Records*

1	Adjusted gross income you expect in 2016 (see instructions)	1	
2	• If you plan to itemize deductions, enter the estimated total of your itemized deductions. **Caution:** *If line 1 is over $155,650 your deduction may be reduced. See Pub. 505 for details.* • If you do not plan to itemize deductions, enter your standard deduction.	2	
3	Subtract line 2 from line 1.	3	
4	Exemptions. Multiply $4,050 by the number of personal exemptions. **Caution:** *See Worksheet 2-6 in Pub. 505 to figure the amount to enter if line 1 is over: $155,650*	4	
5	Subtract line 4 from line 3	5	
6	**Tax.** Figure your tax on the amount on line 5 by using the **2016 Tax Rate Schedules.** **Caution:** *If you will have qualified dividends or a net capital gain, or expect to exclude or deduct foreign earned income or housing, see Worksheets 2-7 and 2-8 in Pub. 505 to figure the tax.*	6	
7	Alternative minimum tax from **Form 6251** or included on **Form 1040A, line 28**	7	
8	Add lines 6 and 7. Add to this amount any other taxes you expect to include in the total on Form 1040, line 44	8	
9	Credits (see instructions). **Do not** include any income tax withholding on this line	9	
10	Subtract line 9 from line 8. If zero or less, enter -0-	10	
11	Self-employment tax (see instructions)	11	
12	Other taxes (see instructions)	12	
13a	Add lines 10 through 12	13a	
b	Earned income credit, additional child tax credit, fuel tax credit, net premium tax credit, refundable American opportunity credit, and refundable credit from Form 8885	13b	
c	**Total 2016 estimated tax.** Subtract line 13b from line 13a. If zero or less, enter -0- ▶	13c	
14a	Multiply line 13c by 90% (66⅔% for farmers and fishermen) — 14a		
b	Required annual payment based on prior year's tax (see instructions) — 14b		
c	**Required annual payment to avoid a penalty.** Enter the **smaller** of line 14a or 14b ▶	14c	
	Caution: *Generally, if you do not prepay (through income tax withholding and estimated tax payments) at least the amount on line 14c, you may owe a penalty for not paying enough estimated tax. To avoid a penalty, make sure your estimate on line 13c is as accurate as possible. Even if you pay the required annual payment, you may still owe tax when you file your return. If you prefer, you can pay the amount shown on line 13c. For details, see chapter 2 of Pub. 505.*		
15	Income tax withheld and estimated to be withheld during 2016 (including income tax withholding on pensions, annuities, certain deferred income, etc.)	15	
16a	Subtract line 15 from line 14c — 16a. Is the result zero or less? ☐ **Yes.** Stop here. You are not required to make estimated tax payments. ☐ **No.** Go to line 16b.		
b	Subtract line 15 from line 13c — 16b. Is the result less than $1,000? ☐ **Yes.** Stop here. You are not required to make estimated tax payments. ☐ **No.** Go to line 17 to figure your required payment.		
17	If the first payment you are required to make is due April 18, 2016, enter ¼ of line 16a (minus any 2015 overpayment that you are applying to this installment) here, and on your estimated tax payment voucher(s) if you are paying by check or money order	17	

I'll take you through the details and the calculations in Chapter 5.

Banish Bite #1

Open a separate bank account and get a separate credit card for your business. It will make keeping your finances organized much easier.

c. **Self-Employment Taxes Annual Filing (Form 1040 SE)**

After the end of the year, you fill out this form to reconcile your quarterly payments with your actual income. There are two versions of this form, the Short Schedule SE and the Long Schedule SE. (The Short Schedule is pictured.)

SCHEDULE SE (Form 1040)

Department of the Treasury Internal Revenue Service (99)

Self-Employment Tax

▶ Information about Schedule SE and its separate instructions is at *www.irs.gov/schedulese.*

▶ Attach to Form 1040 or Form 1040NR.

OMB No. 1545-0074

2016

Attachment Sequence No. **17**

Name of person with **self-employment** income (as shown on Form 1040 or Form 1040NR)

Social security number of person with **self-employment** income ▶

Before you begin: To determine if you must file Schedule SE, see the instructions.

May I Use Short Schedule SE or Must I Use Long Schedule SE?

Note. Use this flowchart **only if** you must file Schedule SE. If unsure, see *Who Must File Schedule SE* in the instructions.

Did you receive wages or tips in 2016?

No → Are you a minister, member of a religious order, or Christian Science practitioner who received IRS approval **not** to be taxed on earnings from these sources, **but** you owe self-employment tax on other earnings? — Yes → You must use Long Schedule SE on page 2

No → Are you using one of the optional methods to figure your net earnings (see instructions)? — Yes → You must use Long Schedule SE on page 2

No → Did you receive church employee income (see instructions) reported on Form W-2 of $108.28 or more? — Yes → You must use Long Schedule SE on page 2

No → You may use Short Schedule SE below

Yes → Was the total of your wages and tips subject to social security or railroad retirement (tier 1) tax **plus** your net earnings from self-employment more than $118,500? — Yes → You must use Long Schedule SE on page 2

No → Did you receive tips subject to social security or Medicare tax that you **didn't** report to your employer? — Yes → You must use Long Schedule SE on page 2

No → Did you report any wages on Form 8919, Uncollected Social Security and Medicare Tax on Wages? — Yes → You must use Long Schedule SE on page 2

No → You must use Long Schedule SE on page 2

Section A—Short Schedule SE. Caution. Read above to see if you can use Short Schedule SE.

1a	Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A	1a	
b	If you received social security retirement or disability benefits, enter the amount of Conservation Reserve Program payments included on Schedule F, line 4b, or listed on Schedule K-1 (Form 1065), box 20, code Z	1b	( )
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1. Ministers and members of religious orders, see instructions for types of income to report on this line. See instructions for other income to report	2	
3	Combine lines 1a, 1b, and 2	3	
4	Multiply line 3 by 92.35% (0.9235). If less than $400, you don't owe self-employment tax; **don't** file this schedule unless you have an amount on line 1b ▶	4	
	Note. If line 4 is less than $400 due to Conservation Reserve Program payments on line 1b, see instructions.		
5	**Self-employment tax.** If the amount on line 4 is: • $118,500 or less, multiply line 4 by 15.3% (0.153). Enter the result here and on **Form 1040, line 57,** or **Form 1040NR, line 55** • More than $118,500, multiply line 4 by 2.9% (0.029). Then, add $14,694 to the result. Enter the total here and on **Form 1040, line 57,** or **Form 1040NR, line 55**	5	
6	**Deduction for one-half of self-employment tax.** Multiply line 5 by 50% (0.50). Enter the result here and on **Form 1040, line 27,** or **Form 1040NR, line 27**	6	

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 11358Z **Schedule SE (Form 1040) 2016**

d. **Miscellaneous Income-Form 1099**

This form is sent from businesses to independent contractors if they were paid over a certain amount each year. You may need to send them out, and you may receive them yourself. If you hire other people to help you with your business, you may need to send these. If you offer free-lance services or are a

writer who receives royalty checks, you may receive these. I'll be going over 1099s in more detail in Chapter 5.

9595 ☐ VOID ☐ CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents $	OMB No. 1545-0115 2017 Form 1099-MISC	Miscellaneous Income
		2 Royalties $		
		3 Other income $	4 Federal income tax withheld $	Copy A For Internal Revenue Service Center
PAYER'S federal identification number	RECIPIENT'S identification number	5 Fishing boat proceeds $	6 Medical and health care payments $	File with Form 1096.
RECIPIENT'S name		7 Nonemployee compensation $	8 Substitute payments in lieu of dividends or interest $	For Privacy Act and Paperwork Reduction Act Notice, see the 2017 General Instructions for Certain Information Returns.
Street address (including apt. no.)		9 Payer made direct sales of $5,000 or more of consumer products to a buyer (recipient) for resale ▶ ☐	10 Crop insurance proceeds $	
City or town, state or province, country, and ZIP or foreign postal code		11	12	
Account number (see instructions)	FATCA filing requirement ☐ / 2nd TIN not. ☐	13 Excess golden parachute payments $	14 Gross proceeds paid to an attorney $	
15a Section 409A deferrals $	15b Section 409A income $	16 State tax withheld $ $	17 State/Payer's state no.	18 State income $ $

Form 1099-MISC Cat. No. 14425J www.irs.gov/form1099misc Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

Those are the primary forms required by the IRS. If you have a tax return from last year, review it to see what additional information you will need.

2) State Required Forms

Each state has different requirements for filings. At https://accountantbesideyou.com/state-weblinks/, I have active links to each of the states' Departments of Revenue and Secretaries of State. Please review your state's requirements, looking especially at:

- Income tax
- Sales tax
- Business licenses (also check to see if your municipality has any requirements)
- Business filing requirements. Most state's Secretary of State sites have a "Start a new business" link that details what is required in your area.

3) Bank or Other Lender Requirements

If you have borrowed money to get your business off the ground or plan on borrowing money in the future, you will be required to submit financial statements or cash flow projections. I'll show you how to design these reports in Chapter 5.

4) What do YOU Need to Run Your Business?

This is the most important question of all. If you don't have the information you need to run your business well, chances are, you won't be around long enough to worry about all these other forms.

It's hard to know what you don't know, right? Think about these questions.

1. What information will be helpful for you to run and grow your business?
2. Do you know your cash status?
3. Which products or services sell best? Which are slowest?
4. Will you be issuing invoices to customers? Do they need to be done on site or from your office?
5. Do you need quick access to customer names and numbers?
6. Which expenses have increased?
7. Is revenue trending up or down?

I'll explain how to use the basic financial reports to help you. Then you'll need to consider the information you use on a daily, weekly, or monthly basis. Jot down some thoughts, and as we work through the book, think about how you can use what you are learning to get that information most efficiently.

B. A Quick Accounting Lesson (I promise it won't be painful.)

There are some basic accounting terms you need to know. I've included a glossary of the most common ones in the back of the book, but I need you to understand a few things before we begin.

The three main things accountants love to talk about are **Assets, Liabilities,** and **Equity**. Our world seems to revolve around them. Basically, **Assets** are things you own or are owed to you. This includes the bank and investment accounts, accounts receivable, buildings, furniture, and equipment. It can also include expenses you've paid for but not yet used, like prepaid insurance or prepaid postage.

Liabilities are what you owe. The mortgage to the bank, the credit card bill, payroll due to employees, and payroll taxes due to the government are all liabilities.

Equity is what is left, which is why accounting is considered a Balanced Equation.

Assets = Liabilities + Equity

or

Assets — Liabilities = Equity

Poppy Davis, CPA, sums up the accounting terms wonderfully in her *Small Nonprofits QuickBooks Primer*. I've changed the wording slightly.

> **Assets stick around—Expenses go away**. If you buy a stove, it sticks around, so it is an asset. If you hire a repairman to fix the stove, he goes away, so the repair cost is an expense.
>
> **Income is yours—Liabilities belong to others.** If you receive money for a service you provided, it is income, but if you borrow money from the bank to build a new kitchen, it is a liability.
>
> **Owner's Equity** is what is left over for you.

Other important financial terms include Income, Cost of Goods Sold, Gross Profit, and Expenses.

Income is the money you sell your products or services for. The IRS asks for your "Gross receipts or sales." For example, assume you are a writer and sell your books at signings and shows. If you sold 100 books at $10.00 per book, your gross receipt is $1000.00.

Cost of Goods Sold (COGS) is the actual cost to produce the product you sold. The Cost of Goods Sold is the price you paid for the book plus the shipping. Using the example above, if you pay the printer $5.00 for the book and $1.00 to ship it, the COGS is $6.00 for one book. If you sell 100 books, your COGS will be $600.00.

Gross Profit is the difference between the gross receipts or sales and the cost of goods sold. With sales of $1000 and COGS of $600, your gross profit would be $400.

Expenses are the remaining costs of running your business that are not specific to the individual sales of a product or service (those are in COGS).

C. Cash vs Accrual Methods of Recording Income and Expenses

There are two methods to track revenues and expenses in the accounting world—Cash and Accrual.

The cash method is the simplest. The cash is recorded in the financial statements when it is physically received and deducted when the checks are written.

The accrual method requires dating the transaction when the income was earned (i.e. when you did the work for a client or entered into a contract), not when you received the money. Expenses are recorded when ordered, not when you pay for them.

The accrual method gives you the most accurate financial picture of your business; showing money you have earned and expenses you have incurred. The cash basis gives you a better idea of when the money has come in or gone out. Some accounting systems allow you to run reports both ways.

Whichever method you use must be consistent on your annual tax return. If you are using the cash method, pay special attention to what bills are paid before year-end. An invoice paid on December 31 may be deductible for the current year; but if you wait until January 1st, it would not be deductible until the next year's tax return.

D. Financial Reports

There are three standard financial reports:

1. Balance Sheet
2. Income Statement
3. Statement of Cash Flow.

I'm giving you quick definitions now, but we will see these in detail as we set up your system.

The **Balance Sheet** reflects the overall health of your business. It's a snapshot in time of the amount of cash in the bank and the value of the other assets, offset by the amounts owed to others.

The **Income Statement** shows how much you have sold and what it costs to run your business over a period of time. This should be reviewed at least monthly and compared to previous months and the previous year to see trends.

The **Statement of Cash Flow** shows you where your money comes from (customers versus lenders) and where it went (payment of expenses or reduction of debt).

There are other management reports you may need and what they are used for:

Comparison to Budget—to see if you are achieving your goals.

Accounts Receivable Aging—how much money your customers owe you and how long has it been unpaid.

Accounts Payable Outstanding—when bills are due so you can plan your cash needs.

Sales by Customer—shows who your significant customers are and follow up accordingly.

Sales by Product/Service—shows what is selling and what isn't.

With these reports and forms, you now know the data you will need to track throughout the year. Before setting up your system, let's go to Chapter 2 and organize your information.

BANISH Action Steps:

- *Determine if you are running a business or just a hobby.*
- *Pull together the forms and information required by the IRS, State, Municipality, and Lenders.*
- *Consider the type of information you need to grow your business.*
- *Understand basic accounting terms and reports.*

Taxpayers owe actor George M. Cohan a debt of gratitude. He was notoriously bad at keeping receipts and appealed the loss of the deductions to the tax courts.

*The courts sided with him and now the Cohan Rule allows taxpayers to deduct **some** of their reasonable business-related expenses even if the receipts have been lost.*

BANISH Step 2-Arrange Your Environment (Organize Your Business For Quick Results)

Before you can start recording your transactions to generate useful information, you need to know what data you have and how to access it. We have all heard about going to a "paperless society". I personally am headed that direction, but I'm not quite ready to get rid of all my paper records. So, I'll show you how to organize both your electronic records and your paper records. You can then mix and match these techniques to see which what works best for you.

Banish Bite # 2
The First Rule of Organizing Your Records:
Keep It as Simple as Possible

Don't let yourself get overwhelmed before you even get started. For now, don't worry about all the old documents and files. Let's focus on setting up the system going forward.

A. Computer Organization

Computers—those things that save so much time and yet cause us so much trouble. Computer filing systems (or lack thereof) can be just as frustrating as the loose papers around your office. How many times have we searched our computer, not remembering how the file was labeled or which of the thousands of file folders we may have put it in?

I'm going to show you how to use your computer and automation to save lots of time with your bookkeeping. With that efficiency comes the need for security and backups. The last thing you want is to set up the perfect system with all your data and have your system go down without a backup.

I like to use a cloud storage account that automatically saves any document I'm working on to both my computer and the internet. That way,

if my hard drive crashes, I haven't lost all my work. But with this convenience comes the security risk of having your financial data online. You can't make yourself immune from hackers, but you *can* make their work a lot harder.

Design passwords with special characters (#$%*) and stay away from birthdays, children's names, or any information people could gleam from your Facebook account. I personally have an easy-to-remember password for non-financial, unimportant websites that is vastly different than the password I use for financial institutions.

Let's get started by setting up a Google Drive, OneDrive, Dropbox, or any other free (or paid) cloud storage account. These programs allow you to work offline if your internet is down and then they will automatically sync the files once access is secured.

First, set up a primary folder in your business name (or however you refer to it). Then, under the primary folder, set up the following folders:

Legal (i.e. My Business–Legal) This will hold electronic copies of any state, local, or federal licensing documents, your EIN (Employers Identification Number) if you have one, your state or city sales tax ID number, and any other legal documents. Feel free to add subfolders as needed.

Insurance (i.e. My Business–Insurance) Save your insurance policies here–car, business, health, etc.

Year (i.e. My Business–2017) The **Year** folder will be for your transactions that occur in that particular year. It will include subfolders to keep the transactions organized. Each year, you will want to set up a new folder and the related subfolders.

Under the **Year** folder, set up the following folders as the basics. Later, you can add more folders that are specific to your business as you need to, but try to keep them as broad as possible. Label them in a way that you will understand what is in the files and as consistently as possible.

Banish Bite # 3

Develop your own naming protocol to make searching for files easier.

Bank statements could be "BS-17-Jan", "BS-17-Feb".

Make the first characters the same for the specific type of file to make it even more efficient.

Bank Statements—for your monthly bank statements and related reconciliations.

Credit Card Statements—for your monthly statements and related reconciliations. And, yes, you need to reconcile credit card statements just like bank statements.

Credit Card Receipts—for emailed, electronic, and photo receipts. You may wish to set up subfolders for each month if you use your credit card frequently.

Banish Bite # 4

Use the camera on your phone to take a picture of a receipt as soon as you receive it. (Some credit card companies have apps to automatically match the receipts to the statement). Then save the picture to the appropriate subfolder using the naming protocol you've developed. Now you don't have to worry about losing the receipt.

Income—for emails or electronic reports of money earned. For example, your AirBnB or royalty statement would be saved here.

Bills—for emailed, electronic, and photos of invoices. Set up subfolders for each month.

IRS—for any electronic copies of IRS forms or correspondence. Set up subfolders for each type of tax return, Federal, Self-Employment, and 1099s. I'd recommend setting up a separate file for IRS Correspondence. Though the IRS does not communicate with taxpayers through email, it is a good idea to scan all correspondence and file it here. If you don't have a scanner, take a picture with your phone and save it to the Correspondence file.

State Tax and Licensing—for any state or local tax documents and licenses correspondence.

Accounting System Backups—In the next chapter, we'll talk about setting up accounting systems. You will want to back up on a frequent basis to this folder.

Customer Correspondence—add subfolders by customer if this is frequent.

Expense/Mileage/Travel Reports—add monthly subfolders if you use these a lot.

As you can see, I've kept the categories broad, so you don't have to go deep searching for things. Switch them around and add others as needed for your business.

Banish Bite # 5

Don't save any files to the Primary folder. There should be a subfolder related to the topic to use.

B. Office Organization

Your computer files are now ready to use, it's time to look at that desk.

Start by clearing off your desk completely. Put all that stuff in the other room for now.

Put your computer or laptop, monitors, printer, speakers, etc. back on the desk. Do you like the clean counter space? Before you add anything back, ask yourself, "Does it have to be on my desk? Is there a better place to store it?"

Now add back the absolute necessities one at a time. For me, it looks like this:

Phone stand that charges my phone, a small pottery vase that holds a couple of pens, pencils, and highlighter, a notebook, Post-it notes, and scratch paper.

On my wall hangs a file folder holder with three slots. In one slot are folders labeled Bills to Pay and Checks to Deposit; in the second is Things to Read; and the third holds my mailing labels for shipping books. When the mail comes, all the business items go in one of those folders, are filed, or are sent straight to the trashcan. If I lay it on my desk, it will just get piled in with other things and never handled.

Now you have a clear desk to work at. As a writer, I use this space to spread out the research I'm working on. Or perhaps, for your ecommerce business, you now have an area to fill sales orders.

Oops, all that other paperwork that was on your desk still needs to be handled. For the items that are not electronic, or for which you want to also keep a paper copy, I like Terressa Pierce's approach from www.FreeChurchForms.com. Whether you are in an established office or working out of your car, an organized system of paperwork will give you the data you need as efficiently as possible. Drawing upon Terressa's vast experience, I am paraphrasing (with her permission) an article from freechurchforms.com.

Setting up an organized file system takes a little time at first, but you will save enormous amounts of time later.

1. **Plan and Prepare**—If your filing system isn't working for you, then it's time to plan and create a truly effective system to get yourself organized. Putting labels on your folders are good, but this alone will not work. You need to plan and set up a filing system that can accommodate any type of paper for home or office. All you really need for supplies are several colors of 2/5 cut tab folders, some hanging folders, and file labels.

2. **Create Broad File Categories**—Start sorting your documents into broad categories from your current file system or from that pile of papers on your desk that you have been meaning to file for months. At this point, do not focus on details of your filing system because right now it doesn't matter. We'll worry about details later.

3. **Subcategorize**—After you have all your broad file categories (documents) in piles, pick one of them and sort through it again, but this time break your paper down into smaller subcategories. Example: "Bills" could be divided into Tax Categories. If you have vendors you do a lot of transactions with, give them their own folder.

4. **Color Code Each Major Category**—Assign each major or broad category of paperwork a different color, whichever you prefer, and then put each subcategory into that color of file folder. After you get through with the folders, then all of that major category folders will go into one file hanging folder if possible. Example: "Bills" might be yellow, and each of your sub files will have a separate yellow file folder. This might seem strange, but color-

coding your file system will save you precious time in filing and retrieving your papers. Just imagine looking into your filing system and seeing all your folders filled with paperwork broken down by color. They are stacked neatly in hanging folders, and, because you know what color your "Bills" file is, you find your hand naturally reaching for the correct part of your file drawer. Now that's organization!

5. **Create Labels**—Once you have the files color coded, label each subcategory. Label one hanging folder per each major category stating the name. I personally like labels you can see from the front, top, or back of the folder. You can also print them from your computer, which makes them easier to read and will help with organization. Do not create a label called "Visa" for your subcategory folder credit card, because if you have more than one credit card they will be separated. Keep them together by creating labels called "Credit Card: Visa." Now when you create more folders for credit cards, they will be all together.

Banish Bite #6

Remember to keep related files near each other and do this with every grouping of files until you have labeled every file in each major category.

6. **File Documents into Your Filing Drawer**—This is your last step! All you have to do now is put your files within each major category in alphabetical order in hanging folders, placing as many folders as you can in each hanging folder without overcrowding. Make your color folders line up as straight as possible in the drawer for easy reading.

When the time comes to find a document or to put something in a folder, look first for the correct major category by color and then by label.

With an organized file system, it's easy to put your hands on the correct file without a lot of searching.

As you can see, Terressa is passionate about her mission. Check out her site for other great administrative and organizing tips.

C. Car/Mobile Organization

As an entrepreneur, I'm in the car a lot. Whether it is picking up the mail, calling on bookstores, or attending meetings, I often end up with loose papers in the car that need to be handled. Let's banish that nightmare with a few simple steps:

- Get a thin plastic accordion file for under $10 that will hold up to letter sized paper.

- Label the pockets:

  Deposits—hold checks received from customers and deposit receipts here. Take a picture of the checks before depositing to have the detail of the deposit available when you get back to your office.

  Bills—place bills received from vendors or through the mail here to keep safe until you can input them in your accounting system.

  Credit Card—your receipts are filed here after you notate what the business purpose was and take a picture of them.

  To Read—this may be brochures, flyers, or correspondence—anything you need to read when you get back to your office. If you don't need to read it—toss it! There is no need to handle it again if you'll never read it.

  Coupons—Because you'll have this accordion file in your car or briefcase, you'll have your paper coupons available with you when you get to the office supply store.

  The remaining pockets are available for you to personalize.

Carry it with you in your briefcase or in your car at all times, so you won't be pulling crumpled receipts and checks out of your purse or pocket and wonder what they were for. If the letter-sized file is too big, see if the envelope size is sufficient.

On your bookkeeping day, which I'll explain later, bring in your portable file and handle each of the items.

Banish Bite #7

If you spend most of your time out of the office, keep an accordion file (with sections labeled) in your car or briefcase to hold checks to be deposited, deposit slips, receipts, business cards, mail, bills, etc.

D. Record Retention Guidelines

How long should you keep all these documents that are on your computer and in your file cabinets? Let's review your record retention needs.

1) Normal, everyday financial documents-3 to 7 years

The basic IRS rules require you to keep most records three years and all employment tax records at least four years after the date the tax is paid. If the IRS finds fraud, they can go back seven years for an audit.

Any financial information the IRS may require during an audit should be kept 7 years. Only three years is required, but if fraud is discovered, the IRS can go back seven years, so be prepared. As a whole, IRS agents are trained to

differentiate fraud from "stupid" mistakes. But as you may not know if someone in your organization is committing fraud, it is a good idea to keep the financial data for the full seven years and includes invoices, bank statements, cancelled checks or scans of the checks, employee reimbursements, and audit reports.

Banish Bite #8
When you box up your paper files, ALWAYS notate a "Dispose Of" date on the box.

2) Titles, vital records, pension documents-Forever

There are a few things that should be kept pretty much forever. These include: titles to property, any legal documents, vital records, and retirement and pension records.

If you think it is important, save it. Your permanent documents should be kept in a fire-proof safe or safety deposit box.

Mortgage, purchase records, contracts-3 years after disposal of property or termination of contract.

Some documents need to be retained for an extended period as they pertain to long-term assets. Property records, i.e. mortgage documents, and equipment and other property purchase records should be kept for at least three years after you dispose of the property or pay off the loans. Check with your bank or insurer as they may have other guidelines.

3) Employment records -7 years after termination

Employment records should be kept for at least 7 years after the employee leaves and MUST be kept in a locked, secure location. Your employment files should include:

Applications for employment
W-4 forms for each employee
Performance appraisal and evaluation forms
Employee handbook
Immigration I-9 form

You may not have employees yet, but when you do, be prepared.

E. Email and Other Electronic Information

If you have elected to have your bills and banks statements sent electronically, you do not have to print them out to save them. You are required to be able to access the information for the three to seven years, so you should download the data to the files you set up in section A of this chapter.

Emails may be the curse of our civilization. Trying to keep a handle on them is challenging.

Banish Bite # 9

Set up an email account to use only for business.

If family or friends send messages to it, request they use your personal email.

Having a separate business email that you NEVER use for personal reasons will keep the time you spend scanning email to a minimum.

If your email program (like Outlook) allows you to set up files and rules, have any emailed bills go automatically to a Bills folder. Other suggested files are: Customer Correspondence (or specific customer names if there is a lot of communication), To Read (emails from useful organizations or associations or newsletters you subscribe to), and Consultants (for messages from your web designer, editor, or free-lancers). Add more that are relevant to your business, but don't add so many you can't find anything.

Once you have set up the rules to move emails from recurring people and businesses into the above files, your inbox is now down to primarily promotional materials and spam. Scan through it quickly, move and set up new rules for important emails, and then highlight and delete the rest.

If you have linked your computer to a cloud-based system like Google Drive or Dropbox, it should backup any data on the computer files to the internet as you save them. As an extra precaution, I recommend backing up the financial system and all electronic statements to a flash drive after the end of each year. Clearly mark the flash drive with the contents and store in a fire-proof safe or safety deposit box.

Now you understand what you need and how to handle the paperwork. It's time to see how to put this all together in an accounting system.

Banish Action Steps

- *Open a cloud-based storage account.*
- *Setup a primary business folder on your computer, and under the primary folder, add folders for Legal, Insurance, and the Year.*
- *Set up your physical file folders.*
- *Purchase an accordion file for your car or briefcase.*
- *File/store old documents with the proper disposal date listed.*

Martha Stewart failed to pay over $200,000 of taxes on her New York home. She claimed she spent very little time there, so she didn't think she had to pay taxes.

The New York tax authorities disagreed.

BANISH Step 3–Network Your Data

You will save time by automating as much of the bookkeeping work as possible. Because everyone's situation is different, I'll explain options that save time but cost money, and others that are free or very low cost that take a bit more time. You can mix and match these to work for your situation.

Please note: I'll examine a variety of products. As of the writing of this, I do not receive any remuneration from any of the related companies. Because new products are coming out all the time, I may mention some I have not yet had the opportunity to use, but are receiving good reviews. And just because I find it easy to use, you may not. I highly recommend using the free trials any time you are considering purchasing a product.

A. Desktop or Online?

There are so many options for accounting systems. No longer must you be professionally trained in accounting and tied to your desk. The programs are fairly intuitive and easy to access.

But with the additional options, comes more decisions. Do I want to keep all of my bookkeeping together in one place, securely locked behind a door? Do I need to be able to access reports, transfer money, and invoice customers in the field?

When deciding whether to use a computer-based or an internet-based system primarily revolves around the following questions:

What is the cost? Is it a one-time price to buy the program and use until it is no longer supported or no longer fits your needs? Or is it a monthly subscription that is updated automatically as enhancements are designed? If you do not have elaborate needs, you may be able to use a desktop version of a program for years, saving money in the long run.

Do you have consistent internet access? If you are lucky enough to live in a community with Google Fiber, this may not be an issue. If your internet service often slows or goes down, using an online accounting system will be very frustrating.

What is the vulnerability to unauthorized access? This is important whether you use on online system or work on your desktop. Do you use strong passwords and keep your system up to date with anti-virus software? Is the company that runs the online system reputable? Have their customers been hacked? What is your comfort level?

How important is mobile access? If you work primarily in the field and need the information immediately, an online option will be better.

Is the reporting adequate? Generally, the online programs do not have as strong of reporting capabilities as the desktop versions. If you want to customize information, this should be evaluated for any of the systems you are considering.

Some of the desktop programs also a mobile app to give you some of the flexibility of the online option. Bottom line is you must decide what fits in your budget and will work best for you.

Banish Bite # 10

Anytime you are considering an online product that will hold your financial data, you need to understand their privacy settings and terms of service.

Pay special attention to what happens to the data if you quit using the system and if you can save the data on your own system. If the company goes out of business, can you get your data?

B. Lower Cost, but Takes More Time Options

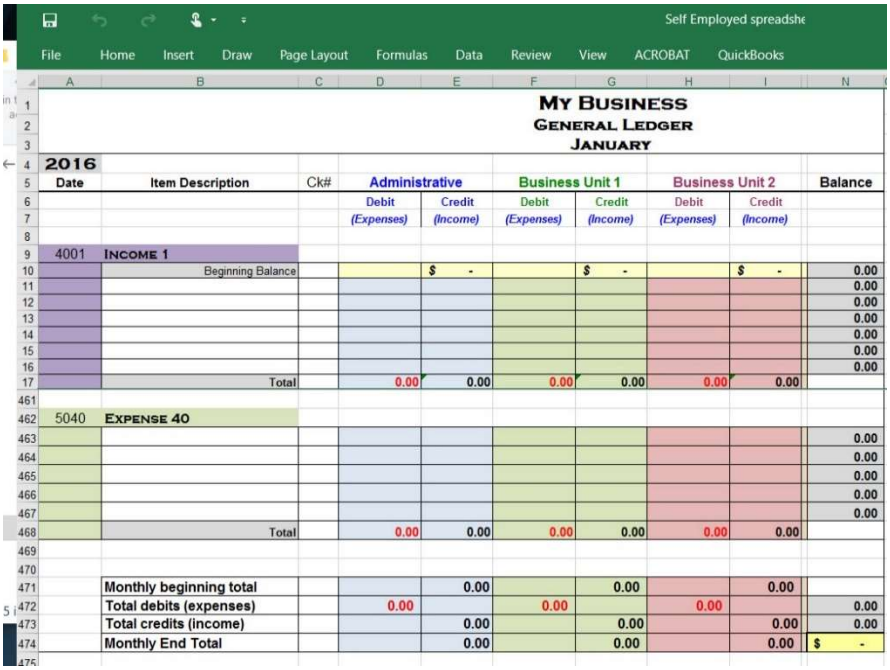
You can always go old school, with a notebook, pencil, calculator and envelopes. My mother used to keep our farm books this way, with columns titled *Money In* and *Money Out*. I really don't recommend this approach. Besides being time consuming, it is prone to errors and won't give you reports to help run your business.

The next least expense option is a spreadsheet on your computer. It has the advantage of ease of use and inexpensive, but it can be time consuming to set up, data entry is tedious, and it is prone to error. The reporting is limited by the amount of time you want to spend programing the spreadsheet.

If you only a have a few expenses to track, I have a basic spreadsheet accounting program available at my website, www.AccountantBesideYou.com.

It will track up to ten revenue accounts and up to forty different types of expenses in a general ledger format and give you monthly, quarterly, and annual income statements.

You then manually input the checks you have written and deposits made and the system will total them for you by business unit (in case you have more than one. Here is an example screen shot.



						MY BUSINESS				
						GENERAL LEDGER				
						JANUARY				
2016										
Date	**Item Description**	**Ck#**	**Administrative**		**Business Unit 1**		**Business Unit 2**		**Balance**
			Debit (Expenses)	Credit (Income)	Debit (Expenses)	Credit (Income)	Debit (Expenses)	Credit (Income)	
4001	**INCOME 1**								
	Beginning Balance			$ -		$ -		$ -	0.00
									0.00
									0.00
									0.00
									0.00
									0.00
									0.00
	Total		0.00	0.00	0.00	0.00	0.00	0.00	
5040	**EXPENSE 40**								
									0.00
									0.00
									0.00
									0.00
									0.00
	Total		0.00	0.00	0.00	0.00	0.00	0.00	
	Monthly beginning total			0.00		0.00		0.00	
	Total debits (expenses)		0.00		0.00		0.00		0.00
	Total credits (income)			0.00		0.00		0.00	0.00
	Monthly End Total			0.00		0.00		0.00	$ -

The inputs will then be summarized in reports. Here is an example of the Profit and Loss Statement.

My Business

Profit and Loss

For 2017

		January	February	March	April	May	June	July	August	September	October	November	December	Total YTD
Cash Beginning of Pe		-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue														
4001	Income 1	-	-	-	-	-	-	-	-	-	-	-	-	$ -
4002	Income 2	-	-	-	-	-	-	-	-	-	-	-	-	$ -
4003	Income 3	-	-	-	-	-	-	-	-	-	-	-	-	$ -
4010	Income 10	-	-	-	-	-	-	-	-	-	-	-	-	$ -
	Total Revenu	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Expenses:														
5001	Advertising	-	-	-	-	-	-	-	-	-	-	-	-	$ -
5002	Car and Truc	-	-	-	-	-	-	-	-	-	-	-	-	$ -
5003	Commission	-	-	-	-	-	-	-	-	-	-	-	-	$ -
5005	Depletion	-	-	-	-	-	-	-	-	-	-	-	-	$ -
5006	Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	$ -
5040	Expense 40	-	-	-	-	-	-	-	-	-	-	-	-	$ -
	Total Expens	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net Balance: Gain /		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cash End of Period		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Check Book Balance													
	zero balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	

Spreadsheets are a very inexpensive and viable option if you only have a few transactions each month. For example, if you rent out a room online and only receive one cash transfer a month an AirBnB, manually inputting the information will be easy. If you have a landscaping service with several clients to bill and lots of different expenses, the spreadsheet option will probably be too cumbersome.

Another option is a free online accounting package. The most common free personal program is www.Mint.com. Mint will allow you to track your financial data online and is useful for budgeting and credit score tracking. There are no business specific options, like invoicing available. It does not have customer support and you cannot reconcile the bank accounts.

As a free service, they make money by offering you "ways to save" for referral fees and ad banners.

An example is www.Waveapps.com. It is a basic program that allows you to download the transactions from your bank and credit card companies. You then categorize the expenses and sales and run reports. Wave also offers an app that allows you to take a picture of your receipt and then upload it into your system with a 70% accuracy. Because it is a free service, the company will display ads to sign up for their credit card and payroll services.

This type of option gives you the convenience of the automation, but requires you to do additional research to see if the companies are reputable and have a strong likelihood of being around.

C. Saves Time, But Costs a Bit More

There are many good accounting packages developed by companies who have been in the business for a long while. Each company has a range of products with features for different types and levels of businesses.

For example, if you run an e-commerce site with physical products, you may need a system that tracks inventory. If you are a hair stylist, you probably want a system that will track your clients. For free-lancers with long term projects, a job-costing option would be useful.

I'll go through some of the options of the most well-known accounting programs so you can see the differences. Then I'll recommend you research the ones that sound most like what you need to make a final decision.

Probably the most well-known personal accounting program is Quicken. In 2016, Intuit Inc., the company who started Quicken, spun off Quicken, Inc., now a standalone private company. I can't foretell the future, but it is likely the Quicken products will be given a lot more focus by management than when they were just a part of Intuit.

Quicken has several programs from the basic Starter Edition ($40) to their Home & Business product ($120). It is set up to be as easy as tracking things

in your checkbook. It also has a mobile app that allows you to snap pictures of your receipts and book them into the system.

If you only have a few business transactions per month, the Starter or Deluxe ($75) editions will suffice. If you are willing to spend a few extra dollars, the Home & Business version separates out your business spending, offers reports on profit/loss projections and cash flow, and alerts you to business deduction options.

Tax Schedule - Last year 1/1/2015 through 12/31/2015

Date	Account	Num	Description	Memo	Amount
− Schedule A					
+ Doctors, dentists, hospitals					-110.00
+ Cash charity contributions					-156.00
− Schedule C					
+ Gross receipts or sales					23,765.00
+ Advertising					-324.56
− Car and truck expenses					-744.00
8/8/2015	Checking	797	A1 Auto R...	Bed Liner	-110.00
9/4/2015	My Credit Card		Cabot Tire	For Ford	-634.00
+ Legal and professional fees					-827.45
+ Office expenses					-839.00
+ Meals and entertainment					-201.50
+ Other business expenses					-20.00

The largest player in the business accounting program market is Intuit, Inc. who makes the large range of QuickBooks products. QuickBooks are geared toward business users, not personal finance, therefore the products have many more features like invoicing, inventory tracking, and robust reporting. They are also more expensive.

One of QuickBooks newer products is their Self-Employed online program. For $10 per month, you download an app to your phone and link it to your bank and credit card accounts. You scan down the charges and deposits and swipe one way if it is personal and the other if it is a business-related transaction.

It allows you to create and send professional looking invoices straight from your phone. The app will track your mileage for you by using the GPS in your phone. You simply swipe the trip one way if it was personal and the other if it was for business. The system will calculate the business deduction based on current federal rates and record the dollar amount in the system.

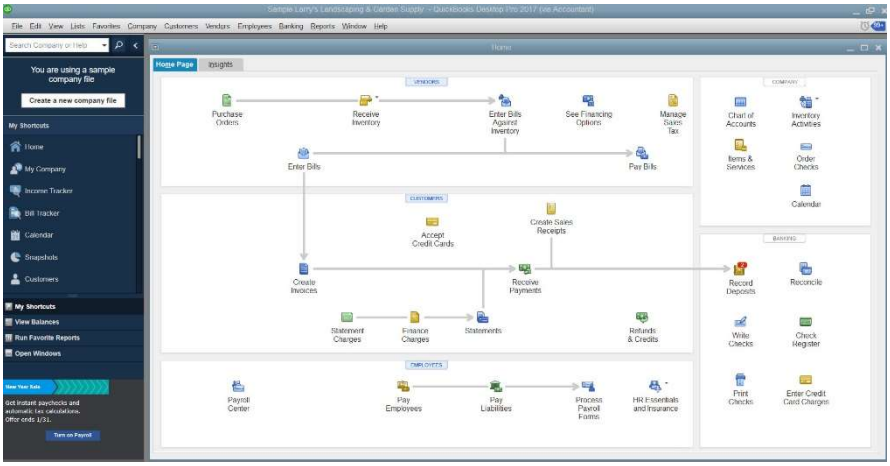
It also utilizes the camera to allow you to take a picture of a receipt and notate the business purpose. It will then match the receipt to the credit card charge. At the end of each quarter, QuickBooks Self-Employed calculates your self-employment taxes due. You can even export the data to Intuit's Turbo Tax program.

Self-Employed is a time-saving tool for the entrepreneur who is on the go and is very easy to use. Everything is accessible on your phone and you can log in from a desktop computer to see your account. The desktop screen gives you tax checklists, transactions to review, your income to date, and the estimated taxes due.

It doesn't have a full range of reporting options, but makes it easy for you to keep track of deductible expenses and to bill customers on the fly. For the price, it is a very convenient and useful tool.

If you have relatively few transactions and don't keep a separate checking account, a Quicken-type or QuickBooks Self-Employed program should be adequate.

A more powerful program is the base desktop product, QuickBooks Pro, retails for $300. There is also a Premier version that sells for around $500 and includes industry-specific features for contractors, manufacturing, wholesale, professional services and retail. Unless you need the industry specific features, QuickBooks Pro will probably meet most your needs. As your business grows, it is very easy to convert the Pro data into more expensive QuickBooks programs.



If you need to invoice customers or clients (via email or paper), QuickBooks Pro can handle that as well as track jobs by customer. It is also capable of tracking inventory. The system can download data from your bank and credit card accounts, where you can set up rules to have the system automatically record them in the proper accounts.

Because QuickBooks is the industry standard, most e-commerce sites have a way to download your sales data into a format QuickBooks can use. It may require an app with a monthly fee or it may download to a spreadsheet file that you can import yourself.

Banish Bite # 11

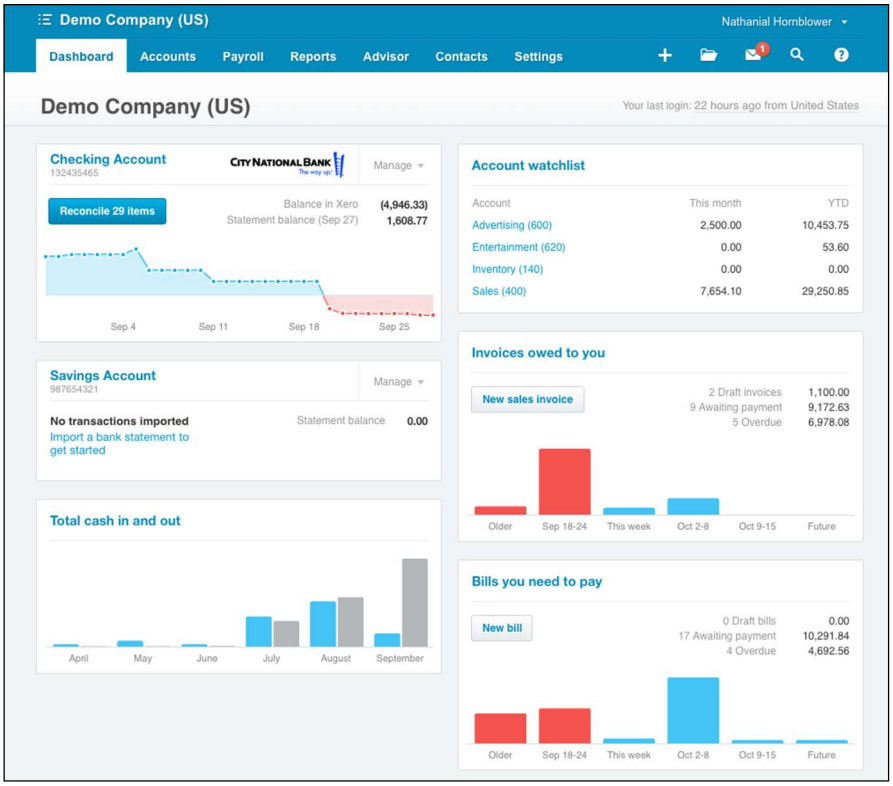
If you have an e-commerce site, research to see if it will automatically download into an accounting program and if there is an additional cost for this capability.

You may wish to choose your accounting program to match.

There are also several online-based programs to consider. QuickBooks' online option, QuickBooks Online (QBO) is available for a base price of $15 per month with various add-ons to take it to $79 per month. As I mentioned earlier in the chapter, an online program is very convenient, but you must be sure your internet access is consistent.

QBO has been improving over the last few years, but it still isn't quite as intuitive as the desktop version and the reporting is not as robust. Overall, it is a strong program, but if you need job costing, you are better off with the desktop version.

A newer player in the small business accounting field is Xero. They were founded in New Zealand in 2006 with the goal of being the alternative to QuickBooks. They offer only online versions and have almost 900,000 subscribers.



If you are considering an online option, I'd recommend signing up for the free trials and seeing which programs are easiest for you to use. Please be aware that these companies often offer special "Sign up" rates for the first six months and then your price goes up to the regular rate for as long as you use the program. So when you base your decision on price, make sure you are taking into account the long term cost.

Additionally, if you are using an accountant, you may wish to give him or her a call before you decide. Sometimes accountants can offer you a better rate on the same program or can reduce their fees if you are taking some of the time-consuming work off of them. It certainly doesn't hurt to ask.

D. Automate where possible

Whether you choose a spreadsheet, desktop, or online program, you should still try to automate as much of the data entry as possible. Every transaction that is recorded automatically is time you can focus on growing your business instead. Some of my suggestions will be free options; others are apps and services with a fee. Please look and see which make the most sense for your particular situation.

1) Automate entering and paying the bills

Sitting down to pay bills is always a chore. For normal recurring bills, like utilities, car payments, etc., consider set up the autopay function directly from the vendor that will pull the money straight from your bank account or charge it to a credit card. You will still need to review these charges, but the autopay saves time and money by not having to handle the paper, write a check and mail it. Quicken Home and Business will also automate this for you.

Banish Bite # 12

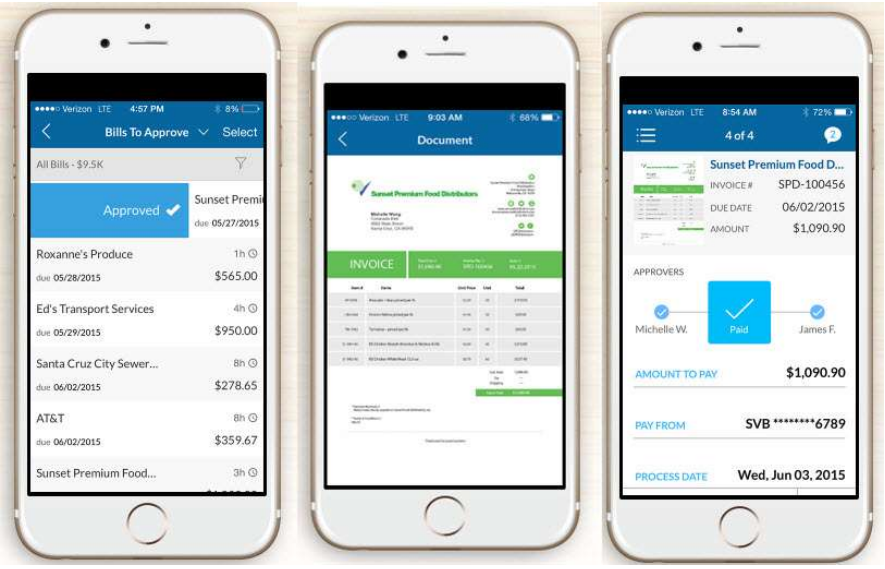
Be sure your checking account keeps a large enough balance to handle any automatic withdrawals.

The value of the time savings can easily be wiped out with overdraft fees.

Many banks offer a free or low cost bill paying option. Simply log into your online bank account, set up the vendor to pay and have the bank mail a physical check or draft your account. If you are using an accounting program that pulls in your bank data, you can set the rules to code the bills to the correct expense account.

Once you have more transactions than you want to key in and are willing to pay a bit more, check out Bill.com. You scan, fax, email and/or have the vendors email the bills directly to Bill.com. They sort them and send you back an email with the backup to you to approve payment. You or your designated person approves (or disapproves) the payments and Bill.com mails the checks or pays them electronically for you. It will also sync the transactions with your QuickBooks, QBO, or Xero accounting system.

The nice part of Bill.com is you can be anywhere and still make sure the bills are paid on time without having to do any data entry. This is another product to ask your accountant about for cost savings.



2) Match the credit card charges and receipts

If you are like me, you pay with your credit card more than with checks or being sent invoices. See if your credit card company has an app that will allow you to take a picture of your receipts and match them to the charges as they come through. This is a great way to make certain you have the documentation you need. It is also very helpful when there is a charge for something and the vendor name is one don't recognize. If the system has matched the receipt, you've got your answer right away. If not, you know you need to investigate.

Even if you aren't using a dedicated program to match the snapshot of the receipts to your accounts, you can use your phone and save it to a file on a Google Drive or Dropbox type account. Get in the habit of doing that and you'll be amazed how much easier pulling together the information is.

3) Streamline invoicing your customers

We all like to get money coming in, but sometimes we have to ask for it. If you have customers that need invoices on a recurring basis, investing in a good accounting system will help. Programs like QuickBooks, QBO, and Xero allow you to set up recurring invoices that can automatically go out on a certain day of the month. You can also set up merchant accounts so the customer can click on a link in the emailed invoice to pay the bill directly out of their bank account. Bill.com also has a customer invoicing option. Quicken Home and Business and QuickBooks Self-Employed also has good invoicing options.

Here is an example from QuickBooks Pro on setting up a recurring invoice.

You can set it to automatically generate or simply be added to a reminder list for you to review and manually send. The **How Often** box allows you to select various options from daily to annually.

4) Don't forget to link the bank and credit card accounts

With as many of your payments and receipts automated as possible, you'll spend a lot less time having to manually key in data. Next, be sure to link your credit card and bank accounts to your accounting system, so you every item that hits the accounts is also included in your accounting system.

As you review the data that has been downloaded, you will be matching it to the receipts and payments already loaded. Reconciling your accounts is then so much easier than manually checking off items on your bank statement.

Now that you've automated everything you can, let's go to the next chapter for the specifics.

Banish Action Steps

- *Decide if you need and can afford a full accounting system, a simplified app-based system, or if a spreadsheet will do.*
- *Evaluate online versus desktop options and determine which will work best for you.*
- *Request free trials of any accounting package you are considering and play around with their sample companies.*
- *Look for every way possible to automate your data entry within your budget constraints.*