



# PROTECT YOUR PROFITS: AVOID THESE COSTLY MISTAKES

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## OVERESTIMATING INCOME & UNDERESTIMATING EXPENSES



Many business owners are optimistic when it comes to planning how much they will sell and spend. This optimism feels good.... until the bills roll in and the money's not there to cover them.

It's common to use the “wish” number when estimating income instead of taking a more conservative approach to estimating sales.

It's also common to plan on spending less, but between “shiny objects” and unplanned expenses, they often spend more.

### **Ditch the wishful thinking and create a realistic budget**

- Review income & expenses - (by month) for the past 6-12 months
- If you're a new startup, use a realistic, conservative business plan
- Create a rolling budget (by month) based on what's really happening
- Be sure to plan for seasonal and one-time charges or changes to income
- Stress test your numbers - what happens if your income is 20% lower than expected or expenses spike?
- Track actual results against your budget every month and adjust as needed

## UNDERPRICING PRODUCTS AND SERVICES



Trying to be the “affordable option” often leads to working harder for less—and wondering why there’s never enough left over. Underpricing doesn’t just hurt your profits—it sends the message that your value is low.

Know your costs. Know your worth. Price accordingly. Discounts won’t build a sustainable business—margins will.

### **Know the numbers**

- Calculate your true costs - materials, labor, overhead, time
- Know what your break-even point is
- Research the market - but don’t race to the bottom
- Factor in profit goals and paying yourself when setting prices - this isn’t a charity
- Test and adjust - raise prices and track prospect or customer response
- Schedule price increases - covering increasing labor costs and expenses is key to staying above water over the long-haul
- Don’t rely on one client or income stream - don’t build your house on a single toothpick

## NOT GETTING PAID ON TIME



Late payments choke your cash flow, mess with your ability to pay bills, and turn you into an unpaid lender. Chasing down money you've already earned is exhausting—and expensive.

Clear terms, consistent follow-up, and a no-nonsense approach to getting paid. You did the work—now make sure you get paid on time.

### **Paid in full**

- Set payment terms upfront—and get them in writing
- Send invoices immediately—don't wait a week (or three)
- Use automated reminders—because “oops, I forgot” gets old
- Enforce late fees—your time isn't free, and neither is theirs
- Offer easy payment options—credit card, ACH, or payment software
- Better yet, get paid upfront - you can't order from Amazon without paying upfront - implement upfront billing whenever possible
- For repeat billing, use ACH or recurring payment solutions
- Immediately stop services when payments don't arrive on time - don't allow bad habits to be created by continuing work without payment

## **MAKING MINIMUM PAYMENTS ON HIGH-INTEREST DEBT**



Paying only the minimum on high-interest debt is like trying to empty a bathtub with a spoon while the faucet's still running. Interest piles up fast, and you end up paying way more over time—without actually reducing the balance much.

Don't let debt accumulate any longer than necessary. Prioritize paying off high-interest accounts aggressively, even if it means tightening somewhere else temporarily.

### **Create a debt payoff plan**

- List all debts - including interest rates and minimum payments
- Focus on paying down high-interest debt first (a.k.a debt avalanche method)
- Make extra payments whenever possible
- Consider refinancing or consolidating if you find a lower interest rate
- When one debt is paid off, pay more to the remaining debts
- Once all debts are paid off, start building a capital or emergency fund to reduce the need for high-interest loans/credit in the future
- Implement a Return on Investment (ROI) process before taking out future loans
- Use the stress test process in your budget when planning for future debt
- Be sure to track the loan principal and interest in your budget

## MISSING TAX DEADLINES



Missing tax deadlines doesn't just trigger late fees—it can snowball into penalties, interest, and unwanted attention from the IRS. It's one of the fastest ways to drain your cash and create unneeded stress.

### Create a monthly tax plan

- List all types of taxes you'll owe, such as payroll, self-employment, sales, and income taxes
- Know your deadlines—federal, state, payroll, sales tax... all of them
- Make sure you know who it's payable to and how to pay each type of tax
- Use a tax calendar or automation tools to stay on track
- Consider working with an expert who can help you plan or schedule the tax payments
- Consider third-party software and systems that automate tax submissions
- Set aside money regularly—treat taxes like a monthly bill
- Remember that you, as the business owner, are responsible for paying all taxes due - on time



## MISCLASSIFYING EMPLOYEES



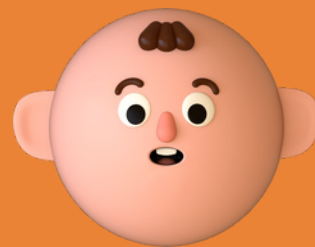
Calling someone a contractor when they should be an employee can lead to massive fines, back taxes, and legal headaches. The IRS and labor departments do not mess around with this one.

Understand the difference between an employee and an independent contractor: It's not what you call them - it's about how they work for you and the work they perform.

### **Know the rules!**

- Review your team structure—who controls how, when, and where work is done
- Review both IRS and State Guidelines - When federal and state laws differ, the law that offers the most benefit or protection to the employee is the one that must be followed. "Greater Protection" rule
- Correct misclassifications ASAP—better to fix it voluntarily than get audited
- Consult a payroll or HR expert—because winging it on worker classification is not a strategy
- Don't take risks with your business by paying cash "under the table". The risks far outweigh the perceived benefits.... and it's illegal

## **PAYING THE BUSINESS OWNER WRONG**



Many owners pay themselves however and whenever they want—without considering tax structure, payroll rules, or business cash flow. The result? IRS red flags, messy books, and personal financial confusion.

Your pay should match your business entity type. Whether you're a sole prop, S Corp, or LLC, there's a right way to pay yourself—and a few very wrong ones.

### **A few simple things to consider**

- Know your Entity Type - this determines if you take draws, wages, or distributions
- Set a consistent pay schedule—just like you would for an employee
- Don't DIY payroll - if you are to be paid wages, use a professional to do the calculations, make the payroll tax payments, and ensure all paperwork is complete and accurate
- Work with a tax pro—they'll help you understand compliance, determine when you're ready to change entity types, and explain the reasonable compensation rules (for S-Corps)
- Be sure to track owner payroll, draws, or distributions in your budget



## COMINGLING FUNDS



Mixing personal and business money might seem harmless—until tax time or an audit hits. It muddies your financial records, messes with deductions, and can even jeopardize your legal protections.

Draw a clear, bold line between your business and personal finances. No blurred lines. No “I’ll transfer it later.” Keep it clean from the start.

### **Keep business and personal funds separate**

- Open separate bank accounts and credit cards for your business
- Pay yourself with owner draws or payroll—not random Venmo transfers
- Pay personal expenses with personal funds - after you receive your pay/draw
- Don’t pay personal expenses directly from the business accounts
- Keep receipts organized and label all expenses correctly
- Use accounting software to track income and expenses by category
- Occasional mistakes happen - if you choose the wrong card, pay back the business or personal account for that exact amount
- **Google:** Piercing the Corporate Veil for more information on liability protection

## BEING UNDERINSURED



Many business owners carry the bare minimum insurance—or worse, don't update coverage as their business grows. One unexpected event (fire, lawsuit, data breach) can wipe out months or years of hard work.

Think of insurance as a financial safety net, not just a checkbox. Review your policies regularly, especially after big changes like hiring staff, buying equipment, or offering new services.

### **Plan an annual insurance review**

- Audit your coverage - know what isn't covered
- Talk to a trusted insurance advisor - make sure your policy fits your business today, not five years ago
- Check for gaps - like cyber liability, professional liability, and business interruption coverage
- Be sure to ask your insurance advisor which insurance types are recommended for your specific industry
- Reassess annually - your risk changes, so should your insurance

## IGNORING BOOKKEEPING



When you ignore your books, you lose sight of your cash, your profit, and your financial health. It's like driving with your eyes closed—you might make it a few miles, but eventually you're going to crash.

Treat bookkeeping like the business essential it is—not an optional chore. Up-to-date books are the foundation for smart decisions, smooth tax filings, and confident growth.

### **Flying blind is not a business strategy**

- Schedule regular bookkeeping time—weekly is ideal, monthly at a minimum.
- Use accounting software - spreadsheets can be fine to start with, but are not a long-term solution
- Track every dollar—income, expenses, loans, owner pay - everything that causes money to come in or go out of your business
- Don't rely on bank balances to gauge how well you're doing - you need real data and reports that tell the true financial story
- Hire help if you're behind, overwhelmed, or accounting is not your skillset—DIY isn't always the answer
- Review financial reports monthly—don't just record numbers, read them



## **PROFIT LEAKS DON'T FIX THEMSELVES**



From overestimating income to underpricing your services... from mixing funds to ignoring your books—these financial missteps may seem small in the moment, but together they quietly chip away at your profits, your peace of mind, and your business's future.

The good news? Every one of these mistakes is fixable.

Start by treating your financials like the backbone of your business—not a side hustle. Get clear, get organized, and get support if you need it.

You didn't start your business to stress over cash flow, fear tax season, or feel stuck in survival mode. You started it for freedom, growth, and impact. Let's clean up the cracks, stop the leaks, and build something rock solid—starting now.

### **Need more help?**

You can reach us at:

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