



# YOUR HEALTHY CASHFLOW SYSTEM

## THE PROFIT FIRST FLIP

You're slouched in your chair listening to Mr. Crenshaw go off on his favorite topic from accounting 101. Bored out of your mind, and hardly keeping your eyes open, you manage to hear him explain the age-old formula that has been running all financial data and decisions forever of:

**Sales – Expenses = Profit.**

So, you go through the rest of college and your first job out of school with that formula **INGRAINED** in your mind. The **PROBLEM** we have with this is it is not taking into account how you act as a human being, all our natural tendencies and behaviors. If you think about the formula; **PROFIT** is the afterthought – the “hope I have something left over to keep me going.”

Now, Mr Crenshaw, understood this formula one sided, because that's what he was taught from his professor. He could have taught you that the same formula could be flipped, and it calculates true, but he failed you and you've been treating **PROFIT** (the most important part of the equation) like an old shoe. Here is where **EVERYTHING** changes....

## Sales – **PROFIT** = Expenses

Life and business will never be the same. It will only get better and better with more profits and growth. Mathematically the formula is the exact same, but we now introduce a paradigm shift in mindset.

This is allowing **PROFIT** to be a predetermined amount not the left-over scraps for the dogs.

## MEET PARKINSON'S LAW

The principle the historian Parkinson theorized over is that our demand for a resource increase to meet the supply of it. It's a powerful theory that you'll soon learn to love. For example, when you are given one week to complete a project it takes one week, and when we are given seven weeks to complete the same project it takes seven weeks.

## BANK BALANCE ACCOUNTING

### “Do I have money in the bank account?”

Most small business owners don't feel like they have the time to read their financial statements. And even if they did read them, most wouldn't really know what they're looking at or even if they're accurate. At a minimum, you should be reviewing your basic financials **MONTHLY**. Most do not do this, but what they do very well is bank balance accounting.

If the answer is yes from above, then they can afford to purchase something or pay the bills, right?? If we follow this method soon the account will be dried out because we use all our resources available. This leads to poor decisions and being cash strapped all the time. The business owners see money in the account but doesn't take into account all the bills and expenses that are already spoken for by that income. You need to remove this style of accounting from your habits.

## ONE TIME SET UP

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- 1. Set up your different bank accounts:**  
Income; Team Member; Profit; Owner's Pay; Taxes; Equipment; Operating Expenses
- 2. Determine your TAPs and CAPs for your business by doing a Cash Flow Analysis**

## EVERY DAY

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- 1. All sales go into Income account**

## TWO TIMES PER MONTH

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- 1. Transfer all money that has been in the income account to ALL bank accounts:**  
Team Member; Profit; Owner's Pay; Taxes; Equipment; Operating Expenses
- 2. Use your CAPs to allocate the correct percentages**  
You should have an allocation sheet to update your percentages
- 3. Review Income account to see trends**  
Do you have certain influxes? When do most of your sales hit the income account?
- 4. Pay bills from the operating account**

## QUARTERLY

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- 1. Every quarter take 50% of the money in the profit account as a profit distribution**
- 2. Pay your tax liabilities**
- 3. Review your TAPS and adjust the %'s**

## ANNUALLY

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- 1. Review financials with Cash Flow Genius.**
- 2. Make contributions to retirement accounts, capital purchases, and adjust your TAPS**

