

# Home & Business Finance Primer

by Admin

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## [Home & Business Finance Primer > Free Business Ebook](#)



### **Home & Business Finance Primer**

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## **Budget Planning Tools to Consider**

There's no single budget planning tool that's right for everyone. And if you're keeping a budget, which is a fantastic way to stay in control of your money, then you want to choose the right tool for you. When you have the best budget planning tool for your needs and style, you're more likely to create a good budget - and to stick to it as well.

### What's Your Planning Style?

Some people prefer pen and paper while others prefer to get and stay organized digitally. Take a look around your home. How do you plan? What materials do you usually use and are they successful? For example, do you plan your daily task list on a piece of paper or a pocket calendar? Or do you use a software program or a mobile application on your smart phone?

It's not uncommon for people to embrace both paper and digital planning. You

might first create a daily task list on paper and then transfer it to your digital calendar. That's fine too. What's important here is to know what generally works for you and to apply that style to your budget planning system.

## Pen and Paper Options

If you're a pen and paper person, there are many budget planning tools you can utilize. They include (but are not limited to):

- \* **Templates** – You can find an abundance of budget templates online. These templates are printable. This means you can print them out for the year, three hole punch them and keep them in a handy three ring budget binder.
- \* **Handmade** – Another method is to simply make a list each month of your budget categories on a piece of lined paper. You might use a composition book to keep your monthly budget organized and accessible.
- \* **Spreadsheet** – If you prefer pen and paper but you want the functionality of software, you might utilize a simple spreadsheet program like Microsoft Excel. You can create categories and columns to keep your information organized and you can copy the information onto next month's worksheet to make each month's budget creation quick and easy. Once your worksheet has been created, print it out, punch it and place it in a three ring budget binder.

## Digital Options

We live in a digital age, which means if you prefer digital budget planning then you have an abundance of options.

- \* **Spreadsheet** – The same spreadsheet you printed out can be left on your computer and used digitally. In fact, you can create simple equations to calculate your monthly overages and extra cash. This is a simple way to embrace technology.

\* Applications – If you utilize a smart phone for most of your planning, you might enjoy one of the many budgeting applications available. These applications allow you to track your budget in real time and enter expenses as they're incurred.

\* Software – Budgeting software programs have been around for about a decade or more. They often involve a bit of a learning curve but can be used to manage your taxes as well. They can also run reports so you can see at a glance where you are often over or under budget.

The most important consideration is following through. Find a budget planning tool that is not only easy for you to set up but is also one that you'll use every day. A budget only works if you use it.

## **Business Budget Busting Mistakes and How to Recover**

Controlling your cash and staying on budget is one of the most important elements of surviving and thriving in business. Yet, even the most financially savvy people make mistakes. Understanding these mistakes can help you avoid them, and should you make them, the following information can help you recover more quickly.

### **Mistake #1 Not Having a Budget**

Okay, this is perhaps too obvious of a mistake but it's a common one nonetheless. People are gung-ho to make a budget for their household finances, but they become negligent when it comes to their business finances. Create a budget using whatever tools necessary and stick to it.

### **Mistake #2 No Emergency Savings**

Business emergencies arise unexpectedly, just like personal finance emergencies. You need a new shopping cart software; you need to hire a new administrative assistant or your computer dies. If you don't have an emergency savings account, these unexpected expenses can bust your budget.

### Mistake #3 Revenue Doesn't Mean Positive Cash Flow

Business owners have a tendency to spend money as they receive it without paying attention to their outgoing expenses. This can be particularly true of self-employed business owners. Revenue doesn't mean you have good cash flow. And again, this is why it's important to have a budget. Know how much you have coming in and when it's expected and know when your bills and financial obligations are due.

### Mistake #4 Forgetting about Taxes

Most businesses need to pay quarterly taxes, though some can get away with only paying annually. Yet this tax obligation never fails to take business owners by surprise. Include a tax savings category in your budget and set money aside each month to cover your financial obligation to the state and federal government.

### Mistake #5 Not Automating and Creating Financial Systems

Simply creating a budget isn't enough. Ideally, you'll assess that budget on a monthly basis to make sure you're on track. Small changes can make a huge difference to your cash flow. Automate as much as you can using budgeting applications and software.

And speaking of cash flow, make sure to stay on top of yours. Not paying attention to your cash flow, which is literally the flow of cash into and out of your bank account, can cause you to have to borrow to make ends meet. Once the borrowing begins, it can be a challenge to get out of it. Be aware of your finances at all times and use a budget to help you stay in the black.

## **Business or Personal Debt Got You Down? Tips to Get Control over Your Spending and Reduce Your Debt Quickly**

Debt can feel overwhelming. If you're struggling with debt, the stress and weight of that financial obligation can bring you down. It affects your attitude and your outlook on life. This kind of stress and negativity isn't good for your business, nor is it good for your personal life.

If you're struggling with debt and your spending is out of control, here are a few tips to help you get back in the black quickly.

### **#1 Learn Your Debt to Income Ratio**

Your debt-to-income ratio (DTI) compares your monthly debt expenses to your monthly gross income. You can calculate it quickly if you know your monthly debt payments and your monthly gross income (the money you make before taxes are deducted). Multiply your number by 100 to get your DTI as a percentage.

Ideally, you want to keep your DTI below 40%. In fact, the closer it is to 30% or less, the more favorably financial institutions will look on you. If you're wondering whether it's okay to take out a loan or use that credit card, calculate your current DTI. The percentage will help you make your decision.

### **#2 Increase Your Payments**

If you're struggling with debt, focus on one loan or credit card to pay down first. Make extra payments on that card. It'll help reduce the interest you owe and a few extra payments each year can make a huge difference.



### #3 Create a Budget and Stick to It

It's very difficult to know how to cut or control spending if you have no idea where your money is going. Track your spending for a month and then use that information to create a budget. Review your budget monthly to make tweaks and changes.

### #5 Automate

Automate as much of your financial life as possible. Automate your savings by setting up automatic transfers into your savings or investment accounts.

Automate your bill payments and automate your deposits. Now, make sure to also track the dates that payments go into and out of your account. You want to avoid any overdraft fees. Some financial institutions and utility companies allow you to set your monthly payment dates. This is useful because it gives you more control over your cash flow.

Finally, create a cushion. Establish a savings account that is only to be used in financial emergencies. When you unintentionally go over budget, use the cushion to cover it and then rebuild your cushion. Ideally, you'll have at least a thousand dollars in your savings account for unexpected financial emergencies.

Don't let debt get you down. You control your money and your financial future. Start taking steps to show your bank account who is boss.

## **How to Be a Frugal Business Owner**

The art of frugality is often practiced at home. Yet the frugal business owner can build their business faster, and pocket more of the profits. It's a less stressful way of owning and running a business, too. If you're looking ahead and wanting to cut back on your spending and make more money, you'll enjoy

these tips on how to be a frugal business owner.

### Tip #1 Free Software and Applications

Let's face it, there are literally thousands of software products and applications that can help you run your business more smoothly. They range from invoicing software to communication tools. And while you can most certainly pay for these products, there is almost always a free alternative. Many of these free alternatives come in the form of open source products, which can have risks. However, with a little care you can automate much of your business with top-quality technology for next to nothing.

### Tip #2 Budget

Don't have a budget? Create one using one of those free software products or applications just mentioned in #1. Your budget will show you areas where you can cut back on your spending and it can help you keep more money in your pocket.

### Tip #3 Analyze Everything

Analyze your budget. Analyze your advertising spending. Analyze your contractors. Anytime you consistently spend money on something, create a system to analyze and assess the results. For example, if you're spending \$500 a month on advertising you probably want to make sure you're at least earning \$501 back from the ad.

### Tip #4 Outsource

Why pay someone to do something that you can do yourself? Because it often makes good financial sense. Outsource the tasks that take you a long time to complete and use that free time to focus on business building tasks.

### Tip #5 Barter, Partner, and Negotiate

Instead of always paying for products or services, look for ways to pay less. For example, if you need someone to write a sales page for you, ask for a discount or look for a way to partner or trade with them. You might be able to overhaul their website or market their services to others. Look for ways to establish a mutually beneficial relationship without spending money.

Finally, look around your office and explore ways you can cut back on simple things like office supplies. Can you buy in bulk and save money? Can you reduce your use of electricity, paper, and ink? Can you get a free business phone number with Google and eliminate your monthly business phone bill? There are many ways a frugal business owner can cut back and save money. Start exploring your options.

## **How to Get Organized for Tax Season**

You sit down to pay your taxes, and the stack of receipts and paperwork beside you topples to the floor. You begin filling out the paperwork and forms, only to realize you're missing information. Or you get an angry phone call from your accountant who isn't accepting your shoebox full of receipts any more.

Sound familiar? This is the reality for millions of people every April. The "why worry about it now?" mentality takes over the other eleven months of the year. Then come April you just want to kick yourself. Whether you're somewhat organized or your papers are a complete mess, these tips and steps will help you get through your taxes with as little pain and stress as possible.

### **Gather Your ID Numbers**

Keep your tax identification numbers, social security numbers, and social security cards, in a safe place and keep them all together. You'll need the social

security numbers for all of your dependants as well as yourself, and your spouse if you're married. When you're filling out your tax forms you won't have to hunt for this information.

## Gather Your Income Forms and Statements

If you're employed then you'll want to gather your w-2 forms from the past year. If you're self-employed, you'll want to run reports that display your profits, expenses, and income for the past year. You'll also want to have last year's tax forms at the ready. This is particularly useful if you are having an accountant file your taxes this year or you're using a software program to determine your taxes and file them.

You'll also want to gather all the forms from your various assets and investments. For example, if you own a home you'll receive a statement from the bank that owns your loan. If you own stock you'll receive a form from your broker. If you have any type of retirement or investment account, you'll receive a statement from the financial institution holding those accounts. These forms will outline the money you've earned, or lost, for the year. You'll also receive statements from organizations you've donated money to.

## Gather Your Receipts

You don't need to keep every single receipt you had for the entire year. The receipts that are important are the ones that are related to your medical expenses, your childcare expenses, your business expenses and so on. If it's related to a potential deduction then keep the receipt.

That's it. With this information you should be able to sit down and finish your taxes in just a few short hours. Organization saves time and stress, and it ensures you have all the information you need to do your taxes correctly.

## **How to Improve Your Financial Communication at Home**

People fight about lots of things. One of the most common things they fight about is money. It's what often comes between two people in love, two roommates, and friends. Improving your financial communication can help reduce or even eliminate these fights. Here's how to do it.

### **Tip #1 Don't Expect Your Partner to Read Your Mind**

This is one of the most common mistakes. And it's the cause of many fights. If you have financial goals, concerns, or even thoughts about your money, then it's important to share those ideas.

### **Tip #2 Listen**

When you're discussing financial matters it's easy to become upset. Feelings of anger, frustration, and overwhelm can creep in and cause you to shut down. However, when you're discussing money with your partner it's extremely important to listen to what they have to say. This means asking questions, getting clarity on their thoughts and ideas and then sharing your ideas on the matter.

### **Tip #3 One Goal, One Conversation**

Try to keep money conversations focused on one goal. For example, sitting down to talk about retirement savings, investments, college savings and the growing grocery bill may be too much to handle in one conversation. Choose the topic you're going to discuss and keep conversations focused. You'll be more likely to have a successful conversation.

### **Tip #4 You're in This Together**

When discussing money it's easy to fall into negative conversation habits that

include blame and claim. “My money” and “your fault” are two examples of phrases that shouldn’t be used. Instead try “our money” and “we need to do better.” Work together to create goals and solve money challenges.

### Tip #5 Choose the Right Time and Place

There are good times to have a money conversation and bad times. For example, at the end of a long and stressful day probably isn’t the best time to have a serious discussion. It can make sense to schedule conversations. This way everyone comes to the table prepared for the discussion and with the right mindset.

### Tip #6 Choose the Right Tool

Some people try to avoid conflict by having financial discussions over the phone or via email. Face to face is always the best way to discuss important topics. This way you’re able to connect and there are fewer opportunities for miscommunication.

### Tip #7 Be Honest

Money can be a bit of a power struggle. When this happens, you’ll either give up power or take it from your loved one. This isn’t a healthy approach. It’s important to be honest with yourself and with your spouse or loved one when you’re having a money conversation. Remember, you’re in this together and there’s no room for dishonesty or power struggles.

Financial communication can be difficult, particularly when your finances aren’t where you want them to be. However, with good communication you can make big strides toward improving your financial situation and achieving harmony.

## **How to Kick-Start Your Savings Plan**

Every time you turn on the news or read a newspaper or magazine, there are money experts telling you to save more money. In a perfect world it'd be easy to save money. Yet if you're like most people, you spend your time playing catch up and trying to stay out of debt.

Saving money is a luxury. As it often is with goals, if you can get a head start and some momentum it's much easier to follow through. The following tips will help you kick-start your savings plan and get the momentum you need to achieve your financial goals.

Before you get started, establish a savings goal and a purpose for your savings. You may have several savings goals. For example, saving for retirement and for a tropical vacation. If necessary, focus on one goal at a time. Get that savings account growing and on track before you shift your focus to another goal.

### **Tip #1 Know Where Your Money Goes**

You probably know how much you earn and the amount of some of your expenses. However, you may not be aware of all of the smaller expenses that slowly deplete your bank account. Track your spending for a month. List every single expense, including those coffee drinks you purchase from time to time. Include every single expense no matter how small. At the end of the month, total the spending in terms of categories.

### **Tip #2 Use Your Information to Create a Budget**

Use the expense tracking information to create a budget. This may sound tedious; however, it will help you control your money. This is the first step to being able to truly achieve a solid savings plan. You have the information to know where you can cut back your spending and thus save more money. Add a

savings category to your budget and automate your savings.

### Tip #3 Financial Windfalls

Any financial windfalls you receive need to go straight into your savings account. This is where you'll really start to gather that momentum discussed earlier. If you receive a tax return, put it in savings. If you earn a bit of overtime, put it in savings. If you win \$40 with a lottery ticket, put it in savings. If you find a twenty-dollar bill in your jeans when you're doing the laundry, put it into savings.

Finally, keep tabs on your savings and watch it grow. This step is motivating because it gives you a sense of accomplishment. Whether you're only able to save ten dollars a week or a thousand dollars a week, the point is to start saving.

## **Living Paycheck to Paycheck? A Few Tweaks to Your Cash Flow Can Make a World of Difference**

If you're living paycheck to paycheck then you know it's an incredibly stressful way to live. And chances are, some months you have to go into debt to manage your expenses. This debt can snowball and before you know it you're in over your head. You might be surprised to know that a few tweaks to your cash flow can make a huge difference in your life.

### #1 Make a Budget with Dates and Deadlines

If you don't have a budget, make one. Right now. Today. A budget will quickly show you where you're spending your money and where you might be able to save. And instead of making a traditional budget, create one that lists when your income is received (when do you get paid?) and when are your bills due.



This simple step will help you see when you have money coming in and when it's going out.

## #2 Change Payment Dates

Using the dates on your budget, you can begin to see when you often have money in your account and when you don't. This is important and it can help you save. For example, imagine you get paid on the first and your bills aren't due until the twentieth.

That leaves you twenty days to spend your money and by the time the twentieth rolls around you don't have enough to cover your bills. Change your dates to better match your payment dates. If you get paid on the first, set your bills to be paid on the fifth. And if you can't change your payment dates, pay the bill ahead of time or set the money aside in a separate account so you don't spend it.

## #3 Cut out Luxuries – Just for a Little While

If you're often over budget, cut out your luxuries for a few months. This accomplishes two things. It helps you see what luxuries are really worth your money and which ones aren't. It also helps you get caught up with your debt. When you're back in the black, you can begin to add a few important luxuries back into your budget.

Finally, create an emergency fund. Do this before you pay down any debt. Your emergency fund may take months to create. Do it anyway. If you can only save ten dollars a week then that's all you can save. The goal is to set aside a thousand dollars in a separate account. This account shouldn't be too easy to access. It's for emergencies. Now, whenever you unintentionally exceed your budget you don't have to panic or go into debt. You can borrow from your emergency fund to make up the difference.

## Should You Borrow Money to Start a Business? The Pros and Cons of a Business Loan

Starting a business is an exciting time. There are plans to make, goals to establish, and a business to launch. And unfortunately, starting a business costs money - often more money than you may have. This causes a conundrum. Do you borrow money to start your business or pursue another course of action? You could continue to save money until you have enough. There are of course pros and cons to both decisions. Let's take a look at both to help you make the best decision for your financial future.

### Pros of Borrowing Money to Start a Business

\* Get started right away – One of the biggest, and most tempting, benefits of borrowing money is that you can start your business right now, while you have momentum and enthusiasm.

\* Tax write off – In most cases, but not all (please check with your accountant), you can deduct the interest you pay on a business loan.

\* Feedback – Depending on who you're borrowing from, you may receive feedback on your business plan or idea. This can be invaluable. Investors, banks, or personal lenders may be able to point out potential flaws in your plan. You can then fix them before you launch.

There are many ways to borrow money to start your business. You can borrow from a bank, from friends and family, or you can borrow from a credit card. Each lender comes with its own set of pros and cons, so weigh the decision carefully.

### Cons of Borrowing Money to Start a Business

\* Interest – The biggest downside to borrowing money is the interest you have to pay back. Sure, you can deduct it as an expense but this is still money that you won't have in your pocket. And it affects your personal revenue and profits. Paying interest means that it can conceivably take you longer to become profitable.

\* Stress – Owing money to anyone can be stressful. And it can be a downer when you're so excited about your business to have debt hanging over your head. Fluctuating interest rates and the application process can be stressful as well. And if you borrow money from friends or family, then the stress of owing money to a loved one can be overwhelming.

On your own or with financial help, the decision to borrow money to start your business is a big one. Weigh the pros and cons carefully. There may be a way to start your business with less capital than you think.

## **How to Modify Your Household Budget**

Budgets are exceptional tools that help you stay in control of your money. The simple act of creating a budget, and sticking to it, reduces stress and helps keep your finances in order. However, a budget isn't something you just set and forget. It's an adaptable document or plan that needs to grow and change as your finances and financial goals change. Here are a few tips to modify your household budget.

### **#1 Schedule a Time to Review**

It's important to spend time each month to balance your budget. Total your expenses. Did you stay in budget? Why or why not? Do you have any areas of your budget where you're under? Great - what will you do with the extra cash? Review your budget each month and make tiny modifications to help you

maximize your money.

## #2 Set Goals

One of the reasons people create budgets is to understand where their money is going and to make sure they have enough to go around. However, it's also a powerful tool to help you attain financial goals. In fact, if you're not using a budget to help you achieve goals, you're missing out.

Goals can include short-term goals like saving for a vacation and long-term goals like saving for college and/or retirement. Goals can include paying off your mortgage early or saving enough money to afford life insurance. There are any number of financial goals you can use your budget to help you achieve.

## #3 Look for Consistencies

When reviewing your budget, look for consistencies. Where are you always over or under budget? These are prime areas to capitalize on. For example, if you're always under budget in your entertainment category, then you can reduce that category and reallocate the money to a different category.

## #4 Look for Inconsistencies

Look for areas of your budget where you're always off. For example, if your utilities budget is always over or under budget, examine the reason why and see if there are steps you can take to create a consistent monthly amount. For example, many utility companies allow you to pay a predetermined amount each month. This helps you avoid changing your utility budget each season. And it helps you create a budget that's easier to track and control.

## #5 Don't Panic

Finally, it's easy to panic when your monthly expenses don't match your budget. Don't panic. Use your budget to help you make changes. It's also a

great tool to take to a credit counselor or a financial advisor.

Creating a budget is a great start. Now take the time to review it and change it as your needs, goals, and finances change. Small tweaks and modifications to your budget can really add up.

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