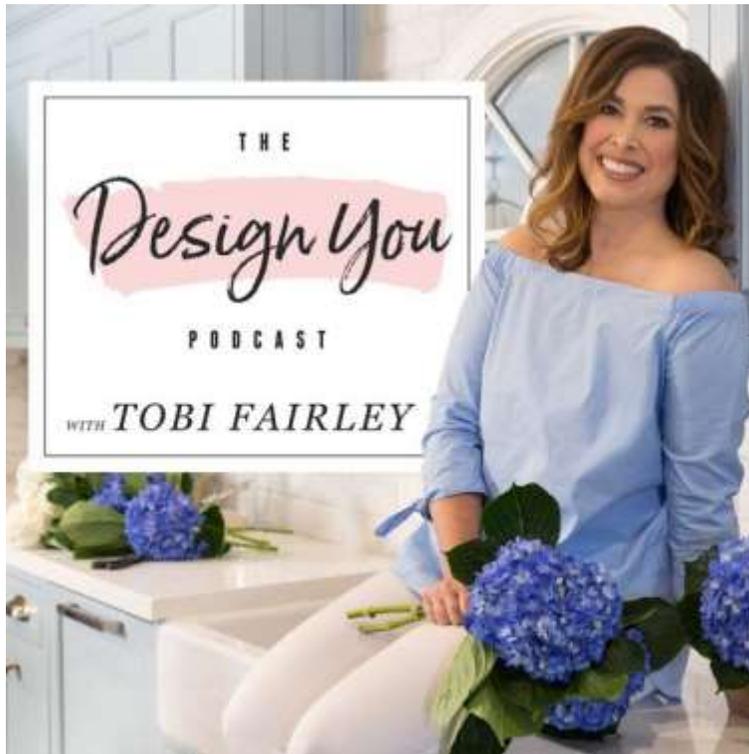


Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg



Full Episode Transcript

With Your Host

Tobi Fairley

[The Design You Podcast](#) with Tobi Fairley

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

You are listening to the *Design You* podcast with Tobi Fairley, episode number 141.

Welcome to the *Design You* podcast. A show where interior designers and creatives learn to say no to busy and say yes to more health, wealth and joy. Here's your host, Tobi Fairley.

Hello friends. One week closer to the end of the year. It's almost over. Yeah, and so hopefully, hopefully that's a good thing. For me it's a good thing, this is one of my very favorite times of the year. I always love, not just the holiday season, but I especially love planning. It's just, gosh, it's so much fun to me, planning for the new year, thinking about my goals, my dreams, my word of the year, all that stuff. And part of planning is financials. And if it's not, it should be.

So today I've brought on Emily Sandberg, my CFO. And we talk all about how to start looking at your business in a different way and what a healthy business looks like, the handful of things that you really should get your head around, what she says are some of the biggest problems for people. So get out your notepad friends, so you can take some notes and really do the work to get your business financially healthy in 2021. Okay, enjoy.

Tobi: Hey Emily, welcome to the Design You Podcast, I'm so glad you're here.

Emily: Hi Tobi. Thank you so much for having me.

Tobi: So it's almost the end of the year and it's the time when everybody looks at their money to see if they made any and especially this year. They're like, "Please, please tell me there's something in the bank account." And so I thought this would be a great time to talk about money and people's relationships with money to get them thinking differently for the New Year.

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

So before we get into that topic, besides the fact that you're my CFO, tell them who you are, what you do to kind of set the tone for why you're an expert in this. Because you really come at money differently than a lot of financial experts, and I kind of want everybody to know that before we get into this cool conversation about our relationship with money.

Emily: Yeah. So I went to school with the intention of becoming a math teacher. I got my degree in math, and so I love numbers. I love the way they work together. I just love numbers. But I had kids a little bit sooner than I thought I would. And so I decided to stay home and raise my kids, still loving math, I actually tutored high schoolers for a long time. But I discovered my true love was business and marketing. And I just would devour business books while I was at home with my kids. I was loving the business books.

And what I really loved was the behavior that's around business, why people bought. What did they buy? How do we sell? Why do we sell, these kinds of things. And so my kids kind of grew up there, you know, actually I have a group in high school and then I had a surprise a few years ago, so I have one who's six and a bunch who are older. But once I got to where I wasn't full-time mothering, it didn't feel like it was everything I did. I got into this business.

I started helping a neighbor with his orthodontics business. His business was actually failing. He brought me in, he found out his bookkeeper was stealing from him. He asked me if would come help him. He trained me as a bookkeeper, or his accountant did. And I started helping him and within a very short time, applying the business principles I knew, and the fact that I wasn't afraid of numbers, and I really wanted to dig into them. We turned that business around in a very short time and that was so fun to me. I love the behavior side of it.

So then I started working, that job got too big. I didn't want to work full-time and that's what he really needed. So I left that job and started working for my brother who was doing the same kind of financial coaching online

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

instead of brick and mortar businesses I had been. I started working for him and life coaches were really the people that were seeking us out.

Then I decided to go ahead and certify as a life coach and bring in some more training on the behavior piece, and then my love of money. And seeing how looking at the money can really turn a business around. Or even if it doesn't need to be turned around it can have such an impact, and it's so empowering for the business owner.

Tobi: That is so interesting. I mean how many times, which the answer to me is never, but has anybody ever heard of a person who has a life coaching, or even mindset background paired with money? It is so cool. And I think that it's so fascinating, because to work in mindset and thinking, it's sort of a meta experience, like quantum experience. But money feels so exact and concrete to me. So in a lot of ways they seem almost like polar opposites, although when we really start looking in our thinking there's a whole lot of data in there too, isn't there?

There's a lot of information that we have no idea, patterns and all kinds of things that are happening in our thinking that when you really dig into it that way I can see how they would make so much sense together.

Emily: Yeah. I mean really what led me into this was the discovery that finance is about behavior more than it is about numbers.

Tobi: That's so good.

Emily: Yeah. So bringing that in and realizing that we have a lot more – we often think that the numbers are out there in front of us or wherever they are, but we can't touch them, we can't affect them. But that's not true, it is 80%, at least 80% behavior around money is what makes the difference, it's not the actual numbers.

Tobi: Yeah, that's so huge. And wow, I just have to sit with that for a minute. It's like 90% the behavior, not the numbers. And then there's the whole other piece that you and I both know from being trained as life coaches and seeing kind of all the baggage that people attach to money.

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

And how we think money is like a bad thing, or it's hard, or it's scary, or it's bad, or all these, like this baggage and these adjectives and things we attach to money. And you and I come from the same life coach training to really teach us that it's just neutral. It's just some green pieces of paper.

It's just the numbers on a spreadsheet, it's really, it's none of those things that we try to put onto money is it, the fear and all the things?

Emily: Exactly. The numbers are completely neutral. I can have clients making the same amount of money and one of them is completely thrilled about it and one of them thinks it's the worst thing ever.

Tobi: That's so true. One could be like, "Oh my gosh, I just made a million dollars, this is in my wildest dreams." Another person is like, "I wanted to make 10 million. Why in the world are we at a million?" That's so fascinating. So it's all about perspective. It's all about our relationship with money. And is it true to say that most people, or is it just some people that have a negative relationship with money do you think?

Emily: I don't think it's necessarily all negative or all positive in any person. We all come with a lot of preconceived ideas, really the programming that's been taught to us since we were little kids, most of it not directly taught to us, most of it is in indirect learning. And so I would say it depends on the person. I can't say mostly negative or mostly positive. But there's a mix in there but nobody's willing to look at it. And that's the thing I see that's the problem.

Tobi: Yeah, afraid of it. It's almost like if we don't look at it, whatever it is it won't be true or it won't be scary, we won't have to deal with it. We can just avoid it and just hope, hope that it's secretly growing over there. But the problem with that, that's what so many people do. And then we get to a time just like we are right now, we get to that moment where we're like, okay, let's look at it. Let's peek behind the curtain. And then all kinds of things come up for people, good, bad or otherwise.

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

But as you and I both know, coming from my accounting background and MBA, if you just look at money at the end of the year, you don't have any, like it's too late to change anything for that year. You can learn some stuff for next year but you're really giving up the opportunity to create the money or the business that you dream about, right?

Emily: It's so true. And the other thing is that I find that people are only looking at top line revenue. What was my gross sales this year? They're looking at that and they're looking at their bank balance. And those are the numbers they use to make decisions and they're missing out on a wealth of information.

Tobi: So talk to us about that, because I think this is when we can get people some really clarity. I think we can also take a lot of the fear out of financials for people when you break this down, because it seems scary. And people think they're not good with money. And so I think probably by default they look at those two things. They've heard of what other people are making, so they can get gross revenue.

And then they literally run their business by looking at the bank account and saying, "How much is in there? We've got \$60,000, we're fine. We've got 200; we can purchase something or hire someone. We've got \$20; we're going out of business." But that's kind of what their whole financial system looks like is sort of bank balance accounting, right?

Emily: Completely, yes. So where do we start? That was a big question.

Tobi: So if you were going to break it down for people, the basics, if all they do know is their bank account balance and gross revenues, where can they really start to lean in to understanding two or three key things that are going to start to make a difference for how they look at and think about their money?

Emily: Yeah. Number one thing is stop comparing. Stop comparing yourself with other people because that is the thing, as soon as we start comparing we never compare ourselves favorably with people that we want

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

to be compared with. We're compared favorably with the people we think are below us or behind us. But we never compare ourselves favorably with the people that we are trying to become like. And we're only looking at top line revenue which is not the most important number in a business.

One of my clients whose only making maybe 250, 300,000 in a year, he has a fantastic business. He's like 80% profitability. He pays himself, not a ton of money but well, he lives well. We have him budgeted out, which means we know that his business could be fine for the next 12 months with no more revenue.

Tobi: Wow, that's [crosstalk].

Emily: Yeah. And then I have some clients...

Tobi: Peace of mind, yeah.

Emily: Total peace of mind.

Tobi: Right, total peace of mind. And when you can come from that place it's so – I mean although we could shift into abundance thinking any time we want to if we know how to think correctly. It sets us up for that to be a little bit easier when we have that information that says you don't have to panic ever. We don't have to get in a gigantic hurry, nothing's super dramatic, all of those things that most of us are dealing with, with money. It just sort of dissipates a lot of those things, right?

Emily: Completely. On the flipside I have clients making 750,000, a million dollars, 1.2 million in a year and their profitability is so low that they're not paying themselves as well as they want to. They can't buy the mastermind they want. They can't invest in another employee. They can't do, whatever it is that they need to grow because they haven't watched their profit. And so here we have two businesses where one top line looks so good compared to the other. And yet the facts of the business are it's not nearly as enjoyable to run as the other one.

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

Tobi: That's amazing. I love that because a lot of us talk about that. We want to create businesses that we love. And if you're not willing to really look at your numbers, you can't truly, I mean even if you're enjoying the work you do on a day-to-day basis, the fear, and the worry, and the stress that can come from the money can kind of really suck all the joy and life out of a business if you're not careful I think.

The other thing I see a lot with creatives, so often, and I'm sure it's true with a lot of businesses, is that they just don't pay themselves at all, especially people who have secondary businesses, they have [inaudible] some other source of income. And so they're working really hard, a lot of times to the point of exhaustion, but they have a belief that they can only afford to pay everybody else. And they just never start paying themselves, which is fascinating.

So where does that fit into this process if you start looking at your numbers? How do you start moving in the direction of your books and your business financially looking the way you want it to?

Emily: Yeah. So when I see that problem, people not paying themselves or not paying themselves enough, it's often there's two problems. One of them is a pricing problem. They are not pricing whatever they're selling well enough that they can pay themselves. They don't see their own value.

The other problem would be that they're paying other people to do work that they could be doing themselves, or they're overpaying people to do that work. So if the business can't support those contractors or those employees doing that work as well as the owner getting paid, to me that's not really a business, you're running a non-profit basically.

Tobi: I completely agree, I say it all the time. I call it a hobby or a jobby or whatever. And I think I see people, I think they get this backwards. They're like, "Well, I'll pay everybody else and then at some point when we magically start making enough money then I'll pay myself." And I think it's exactly the opposite. If you're not paying yourself from day one like you said, I agree with you, I think you're running a charity. And that's

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

exhausting because – and I think burnout is really high when – because there's not enough reward.

Yes, sometimes you have an amazing experience with a client, or if you're an interior designer like me, you have a beautiful install and it looks so pretty. But those things are fleeting. And then you're still stuck with those thoughts of why am I working this hard, what's it for? And I think a lot of burnout comes with setting yourself up for that kind of failure with not paying yourself.

Emily: Absolutely. A business that does not support itself is not a business that is enjoyable to run long term. There's just no way.

Tobi: Right, okay. So what are the other things that people need to start thinking about besides – so what was the first one that we talked about, revenues and bottom line and then you said the most important?

Emily: Yeah, well, your relationship, what you're making, stop comparing. Stop comparing.

Tobi: Stop comparing, yeah, stop comparing was number one. And then what's the next step in this relationship with that?

Emily: I think you kind of hit it on the head, let's make sure we're making enough profit that we can pay the owner.

Tobi: It's so good. So a lot of people they're not engineering that, they're not thinking that way, they're just assuming at some point in the future, if they check and it's the same, December next year if I look. I mean this is what I hear a lot of people do. They're like, "Well, when I need money I just kind of look at my bank account and I'll take a draw." And I'm like, "But that's really not setting up a legit business."

I teach people all the time that don't even need money, if they haven't been paying themselves, I have people start drafting a payment to themselves even if they're giving it to charity or their church, to their kids or something, just to start getting in the habit of proving to themselves that their business

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

can make money. And I think also it holds you accountable to show up to a real business too.

Because I also see a lot of people, and I don't know if you see this as well, that they technically have a business they say, it's really a hobby. And as long as they don't have obligations to pay themselves or anybody else, they can kind of slough off. They can kind of work if they feel like it. And that's fine if that's the business you want. But when you're coming to a consultant like me or a consultant like you and saying, "This isn't working."

I think a little bit of accountability there for yourself of well, that's going to draft out of the bank account. I better know there's enough in there kind of lights a fire under us to, like you said, charge more, or show up more, or work more, what do you think about? Do you see that same thing happening?

Emily: Absolutely. And I love the idea of let's put it on auto draft and pay you something. Honestly, I don't care if it's only \$20 a month, if that's where we have to start. But let's look at our books. Let's look at our, you know, I don't know, we might want to just go through the profit and loss. Profit and loss is top line is gross revenue, that's why we call it top line revenue, it's literally the top line on the profit and loss.

Below that you find expenses and that's all of your business expenses. So people, employees you pay, contractors you pay, suppliers, you buy education for yourself. And then you take the top line minus the expenses and you come up with bottom line which is your profit.

Tobi: And what's a good amount of profit for a business, is it a percentage? Is it a number? How do we start to know, what's sort of the minimum amount of viable profit we want to have in our business?

Emily: It varies industry to industry. My clients are typically in the online space. And I want to see at least 50% profit.

Tobi: 50, five zero?

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

Emily: 50, five zero, yeah. And that can go up as high as 85% on somebody who's running a really sleek business, meaning they don't have a ton of expenses.

Tobi: Awesome. So here's another thing I see that's kind of the other side of the coin. And I talk to a lot of creatives about this because a lot of them are in businesses that are having much lower profit margins than the online space. Now, we start working on scalable products and things. But when they're talking about selling product, like interior design, or event planning, or other creative things, they may be if they're lucky, in a 30, 35, 40% profit margin. I mean that's a pretty good margin for those businesses.

But I also see a lot of people afraid to spend any money. So not only are they not paying themselves, they think they can't hire employees, which sometimes having another person can actually help you create revenue, because we both know that if you're not hiring, something's done, you're doing the kind of lower level work. You're not in your zone of genius. You're not really creating money.

But I often remind people that a net profit, even of 15 or 20% in the business, which may be the least that you want to see. But when you're looking at a business like that, people are spending quite a lot of money to run their businesses. They're not afraid to spend. They're not hoarding all the money somewhere. They're literally, they may be on a million dollar business but they are spending several hundred thousand dollars to run their business.

And so I have to remind creatives of this too, and it kind of blows their mind sometimes because they're like, "Well, I want a million dollar business." But right now they have maybe a 200,000 or 300,000 dollar business and they're not even willing to spend \$5,000 a month in overhead or even 15. And I try to remind them, "You might need to spend in a million dollar business, 600,000 or 700,000 dollars to run that business." And it kind of blows their mind, they're like, "Wow, I wasn't thinking that way."

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

But I think this other side of the coin is so important because until we start to open up, like you said, with the relationship with money, this idea that being in business means both earning money and spending money in the right places. I think that's – you've got to kind of – for some people, learn to exercise the spending muscle too, on the right things.

Emily: Absolutely, yeah.

Tobi: You don't want to spend it on all the wrong things, which a lot of us creatives do. We're like, "Let's buy all the pretty things", that never make us any money. But learning the difference, but getting comfortable, spending tens of thousands of dollars on your overhead if that's what it takes and you're still maintaining the correct profit margin. So can you speak to that a little bit because I think all of this is important?

People, they believe they can't afford things, but even just practicing hiring people and seeing that you can pay other people or yourself and still survive. And you're still in business, and yes, there's still money in your bank account. I think that's like a muscle too that we kind of have to learn to flex a little bit.

Emily: Totally. One of the things that happens when you start looking at your numbers is you start understanding how cash works in your business. Cash is king. Cash is what keeps your business alive. But you have to start understanding, when does it come in for me? When does it go out for me? What do I spend it mostly on? Do I like that? Where does it come in? Why does it come in? All of these questions that we start looking at, as we look at our numbers consistently month by month, sometimes week by week, we start to understand the way cash moves through our business.

Once we start doing that then an exercise I love to go through any time during the year, but especially end of the year, October through December, start talking to my clients about, "What are you going to bring in next year?" And so that's top line revenue, what are we going to bring in top line? And okay, if you have a goal of – we'll use a nice round number, a million dollars, then what months is that going to come in? Is that going to come in

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

a lot in the spring? Do you have a seasonal business? Is it going to come in \$83,000 every single month? Nice and even.

So we just start talking about how that works in your business, then I want to start talking about what are the expense requirements for a business that's doing that much money in a month. If we decide that it's 83k a month, well then what are the expenses going out? What are the people that I need to sustain that kind of revenue?

If it's \$300,000 in February and then another 200,000 in March, and then nothing until August when we take in our 500,000 and we're done for the year. Who are the people? What are the expenses? What's the marketing cost that I need in place in those months and really in the months prior to that because I want to be getting ready for whatever sales activity is happening. What are the expenses that I need to spend in order to make that? And then I can also predict my profit, which gives me a really good idea about the health of my business.

And I do want to say 15% is where – that's my bottom line, I've got to have 15% profit.

Tobi: Absolute bottom line, yeah. And not that you're aiming for that at all, but there are some years as you and I have worked on with my business, that you know it's a growth year, you know it's an investment year. And you're like, "Okay, well, let's at least make sure we hit 15, or 20, or 25." And then other years you're going to be like, "No, this is a year we want to really turn on the kind of the money spout. And let's try to hit a 50% profit margin."

But those are conversations that we're having. We're not just waiting to see if we hit. Well, because you're not going to hit it if you're waiting until the end of the year. And I think I see so many people even make money decisions on who to hire. And I did this for years. I made a lot of mistakes doing it, even with my financial background. I'm just kind of going on gut instinct, or just feeling like well, I have to have that person or whatever. And not really putting the data behind it. And that can add so much stress.

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

I always would then just say, “Well, okay, well, now I’ve got to work really hard to make sure I afford this.” But there’s other ways, like you’re saying, to plan to give yourself more peace of mind to know this is a good solid decision that you’re making, when to update your website or when to add a new person, or any of the things that you’re doing. And one of the other things that I love about working with you, and we talk about a lot is I would much rather generate more money than have to cut my expenses. I like to get to spend the money I want to spend.

And so you’re smiling right now, people can’t see you. But I’m not the one over here like pinching pennies. I’m like, no, I want to get to do what I want to do, how much money do I have to make to run my business that way, to get to say yes to exciting opportunities, or people, or whatever? Not that we don’t ever cut expenses, we do.

But that’s a whole other approach too because you help me project, okay, to hit what you’re telling me, you’re going to need this amount in this launch. Or we’re going to need to bring in this. We’re going to have to have another revenue stream between these months if you’re going to spend the way you’re spending. And I think that’s when money gets fun to me, when you can have enough of a relaxed and confident relationship with it, but take it seriously so that you can start to play around with it a little bit.

And that’s what I think you gave me the confidence, because you’re in the back room going, “This is probably not a good idea, Tobi, yeah, you can afford this, it looks good, you’re fine.” But when people – I think when leaders and CEOs can get to that place of confidence, don’t you think it does something totally different for how they show up in business? But also what they’re capable of making instead of this kind of fear based approach that so many people come from?

Emily: Absolutely. I think what you’re hitting on right here is that when you see people who are just hoarding their money in the bank, they’re just like, “I’ve just got to stack up more money. I’ve got to stack up more money.” They’re putting their reliance in the cash that’s there.

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

Whereas you are taking an approach, you may not even know this right now, but that you are trusting the business rather than the money. You trust that the business that you as the leader of this company can make more money when you need it. You will figure out how to make more money rather than I'm going to sit on this pile of money because it is the safest thing I know to do right now. And then you start your growth.

Tobi: Totally. I love that because that is exactly how I think. And I don't know that I would have called it that. I like what you're saying. But yes, you're exactly right because I know that whatever idea I had was not the one hit wonder idea and I'm never going to have another one again. I practice all the time coming up with new innovations, and creations, and listening to my customers. And that's the fun part. That's why I'm in business, for me to get to create, and do new things, and meet new needs.

And so yeah, I know the business is always – I don't know what they are yet sometimes, but I have a confidence that whatever our customer base needs in the future we're going to figure out how to meet that need. And that's really fun, you're right. So I'm not putting apocalypse money back and getting my bunker ready like it may never make another dime. Which of course, there is a component of that, having a cash reserve is a beautiful thing, right?

Emily: It's so important, yeah.

Tobi: Yeah. So let's talk about that a little bit because there's a difference in doing what I'm talking about, which gets to be more fun. There were times when I spent and I didn't have a safety net and it was a really – it was not a smart thing to do in business. And I had business failures and I got in debt at times. And so there is a difference between kind of what's the minimum baseline of how much money I'm comfortable having in the bank, or that we know is recurring revenue that we can then go be a little more playful with our money versus when we shouldn't make those decisions.

So what should people be thinking about as far as that goes, the cash reserve piece?

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

Emily: Yeah. You really have to think about, assess the risk of your business. What risk am I facing right now? Is it that people will stop buying from me? Maybe that's the risk. Depending on the business that you have, if I have more clients that's less risky to me than if I have fewer clients, that they're all going to quit buying from me or that a significant portion of them are. Maybe your risk is the economy, if you're a designer and the economy tanks you don't have a lot of people who are going to be spending money on updating their spaces probably.

So you've got to look at what – you've got to keep a tab on the economy. Again, not in I've got to create a bunker, but in the idea of I have to be thinking ahead, what are the forces that affect my clients, my customers being able to purchase from me. Another thing right now that my online clients are worried about, what about Facebook? What's going to happen with Facebook? Can I rely on Facebook to be my only means of advertising? So we're just thinking about that, we have no idea what's going to happen with Facebook.

But we're always thinking about that's a potential risk to my business. For other people it might be what if one of my people got sick? What if somebody gets Covid? What are my plans there? It's not necessarily just Covid, but what if my assistant, something were to happen to her or to me?

Tobi: Somebody has a baby, somebody has any kind of life change where they would be – it would change them showing up day-to-day.

Emily: Yes. So what are the implications on my business? How much cash do I need to feel kind of like I could handle one of those things happening? The rule of thumb is let's have at least two months of expenses in the bank. So again knowing that number, that average expense number for the last 12 months or whatever, is a really good number to know. Other people go buy let's do 20% of gross, so whatever you bring in, in a year, let's get 20% of that in the bank. And if you don't have it, let's do 20% every month. Let's just start stashing that away.

Tobi: I love that, yeah, I love that.

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

Emily: Yeah. Another way to do it is to think about how much time do I have between launches? If you're a business that only takes money a few times a year, you're going to want to make sure you have money for in between those launches. And then if something goes wrong with a launch, how much runway do I need to get another one up and going?

Tobi: Yeah. I love that. And that's why I also love to teach creatives to have things like digital products or things that they can launch as a mixture with their one-on-one clients because isn't it beautiful? You have both options, because when you just work one-on-one sometimes it's – well, a lot of times, it's hard to project how much business. You're like, "I kind of don't know."

It's not like we can just decide I'm going to have a launch and I typically get at least 40 or 200, or whatever, 3,000 people. It's that I hope the phone rings. I hope someone sees my marketing. I hope I'm doing enough to get a new client. And so having these other not only measuring all the risks like you're saying, but putting several poles in the water kind of as I call it, of revenue streams. Because then you can rely on those different ways to sort of mitigate those risks, right?

Emily: Yeah.

Tobi: Yeah. So I love this approach that you have about just starting small, so starting to put a little money back every month. And could you also have that same approach with your spending? So if you're like I hoard money and don't spend, or I spend all the money and don't save, in either instance you can say, "I'm going to start spending an extra 5% on the business next month, or 10%. And I'm going to put back that much as well in a cash reserve."

We can just take these incremental steps to start kind of having what I would call a grown up business, that's a mixture of the right expenditures, the right savings, the right cash generation, the right profits.

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

Emily: Yeah. We don't want anybody to go out and go, "Well, I wasn't paying myself anything, I think I'll start paying myself 50% of revenue."

Tobi: I was zero last year, I'm 300,000 this year.

Emily: Yeah. We don't want to do that because (a) that messes with your mind, (b) it messes with your business. We want to make sure that we can sustain it. So the same way you might draw 20, depending on the size of your business, whether you're drawing \$20 a month, \$200 a month or \$20,000 a month as kind of a starting place. Let's start putting money and reserve the same way.

And if we think we're going to need to hire another person, well, we can start putting money away that way too, just put it in a different account so that I know. I'm just going to test, if this money goes out of my main operations account, what happens? Does my money freak out?

Tobi: I love that.

Emily: Let's just test it out. The money's still there, I just can't see it in the same place that I usually do.

Tobi: Yeah, that's so good. So are there specific ways, speaking of that, because that really is kind of what I was talking about of like sort of practicing, practicing these different things. So are there certain accounts, number of bank accounts, or types of accounts that you think everybody should have when they start practicing this process?

Emily: Well, the one thing we haven't talked about yet is taxes. You for sure need a separate account, depending on your level of disappointment when it comes to spending money that you have in the bank. If you are not very disappointed and you like to spend whatever's there, get that tax account at a whole another bank that you have to drive to and fill out a withdrawal slip to get that money. And if you're pretty good at it, then just have a separate taxes savings account where you know you've put away 25% of profit, which is a good starting place, if you don't know.

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

If your accountant has said, “This is how much you need to put away.” Then be putting away that amount every week or every month, I don’t want it to be any less frequently than that, unless you take money less frequently. But let’s get small amounts of money moving into that tax account all the time. Then I recommend, I like for simplicity’s sake to keep one operations account.

And then for my clients I track all of that for them and I tell them, “Well, you have this much money earmarked for advertising next month.” And you have this much money earmarked for your employees.” If you don’t have that system and you’re comfortable moving money around, and you have enough cash that you’re not going to get overdraft fees, the “profit first” system recommends about four to six bank accounts. I’ve seen people rack up a lot in overdraft fees on those.

So you just have to commit to watching it at first every week, maybe every day, but at least every week until you establish a system. The most important thing is the system, it’s not which system you use, it’s that you have a system.

Tobi: And one of the things we also haven’t talked about is the whole budgeting piece, because that’s one of the things, I was always fairly good about this with my tax accountant/bookkeeper that’s worked with me for years. But one of the things that you’ve really done for me in my business is put all of our budgets into software. And we look at it consistently every other week at our money and where we’re spending.

And I’m sure, well, we’re about to do a year end and planning for next year and where we need to start putting more back or doing some of the things that you’re talking about. Maybe we haven’t started practicing yet. So can we talk a little bit about budgeting? Because I think again, the fact that people don’t look at their money. They don’t know where they’re spending it. They have no idea where it’s going, all of this stuff. All of that is so important for the data.

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

But I think for me the most important reason to look at it is because you get less afraid, in my opinion, the more information you have. Then one of the things, whether I was hitting your recommendations or not when we started working together. At least I pretty much knew what we spend in every category and how much I had and what bank accounts. Because I've been looking at that for probably 10 years on a regular basis knowing about what our payroll is and about what we spend on photography and other things.

And so we could have really good conversations. But I would say most people don't have a clue about a lot of that budgeting piece. So how should they start?

Emily: So yeah, the most important thing – the amazing thing about looking at your money regularly is twofold. You just start to understand your money better and it becomes, like you said, less scary. So that regular time spent with your money is so important. That's where you build the relationship, is spending time with your money. Okay, so budgeting is kind of a bad word for a lot of people, it feels so restrictive, and it feels so difficult and complicated. Choose another word. Let's call it a spending plan. I don't care what you call it.

Tobi: Exactly. Categorizing, I mean you're just categorizing your money, anything to get the data, right?

Emily: To get the data, to understand where we were. We typically spend a small part of our time seeing what happened in the past. Where did we spend the money? Was it on budget or not? Then we look forward and the reason we can look forward is because we know what happened in the past. We know what you typically spend on marketing. We know what you typically spend on people. We know how much it typically costs to run the office. So we're able to look forward on those really easily, and but then that informs our sales calendar, how often are we going to sell?

And it informs our pricing, we never want to forget how important pricing is to make sure that we have profit coming into the business.

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

Tobi: Yeah. I think that's such a great point. And what I do see happening often in various industries, especially creative industries, is a belief that there's a set amount of money I can charge, it's decided by the world. In my town I can only go to a 150 an hour and anything beyond that people won't pay. I don't believe any of that to be true.

But having those kinds of beliefs about your money and then just charging it, but not knowing if it's covering your expenses, if you're ever going to grow, if you're ever going to be able to pay yourself. Just really keeps you trapped and stuck in this kind of, you know, a job is what it feels like to me. And so I think that you're right, when you have this information, what I think it does is it helps you get leverage on yourself to have more confidence to raise your prices. Because you can no longer get away with thinking it's the going rate.

When you're like every time we charge that we're only making \$20 an hour profit. Or we're going out of business. We're losing money every time we take another job. When you have that kind of information whether it's scary or not, you'll think well, I can't keep losing money. I've got to do something. I guess we'll try it, because like you said, it's our mindset about money, not what the world will really do. At the very beginning you were talking about it's just how we think about things that make this so, and so that make our success and our results.

And so do you have anything to add to that, because I do think we've got to have facts, right?

Emily: I didn't really answer your question about how to actually do the budget. And the fact of the matter is there is a million different ways to run a budget. But the important thing is that when I sit down I'm not beating myself up with those numbers. I'm not looking at the fact that I planned to bring in \$10,000 and I brought in 8, or I planned to bring in a 100,000 and I brought in 50.

And then beat myself up and tell myself how terrible I am, instead what I want you to do is look at that information and say, "Okay, I brought in half

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

as much or 80%, or whatever, as much as I was planning. What can I do now? Am I going to go out and make more, is that a possibility? Or do I cut some expenses? Do I not actually need that other person I was going to hire now? Or I can cut back on hours or something like that.”

Tobi: Or double my fees or raise them 20% or anything. There’s so many different ways that you can come about this, cutting expenses, raising prices, re-categorizing things. We’re often finding sort of little pots of money in my business that we’re like, “Whoa. I kind of forgot I was spending that. Do we even need that anymore?”

Which is so fun because something that two years ago you thought was the most important thing on the planet and you had to have it, you had to have that support. You may be in a totally different place going, “That didn’t make that much business, we can just, we can cut that out or we can make a different decision.” Yeah.

Emily: Yeah. And that’s the power of looking at it regularly.

Tobi: Yeah. And having those budget numbers to the point of raising your fees, that’s so true. You need to know. So that’s so much more than just picking a price out of the air or because it’s the going rate. I say to people all the time, “If you pick the going rate, you could be picking the going out of business rate.” Because like you said, you don’t know that, you can’t just assume, in the same way it’s harmful to compare, you also can’t assume that their expenses look like yours, that their businesses look like yours.

Some people will think, well, I pay myself a \$125,000 a year. And you don’t know that that person’s not paying themselves at all. So they’re saving that 125,000 and putting it into something else. There’s no way to really just pick a price or a fee by looking around and going, “Well, that’s what they’re picking and that sounds good.”

Emily: Yeah. Tobi, the most powerful thing I have learned about pricing is that as a service provider myself, the more that I charge to a point, when I charge my clients more they get so much more from me. If I were to charge

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

bottom of the barrel pricing that every other bookkeeper is charging, if I were to just call myself a bookkeeper, they're not getting anything special.

They're not getting anything beyond bookkeeping which is just basically for tax, for tax compliance. And so by charging more I'm able to give the right clients, the people who need me and people who can use my services, not the people who aren't ready for me yet, that's not helpful for me to charge them more. But the people who need me, I can give them better service, get them better results. I do a better job, they do a better job. I support them in doing a better job. It's huge.

Tobi: Yeah, so good. Okay, so the last thing I want to talk about before we wrap up is how many people I see doing all this for themselves, doing their own books, don't believe they can afford even a bookkeeper. Yes, they have a tax accountant maybe at the end of the year or whatever, but some don't, some do their own taxes. And they're certainly not having a person like you, which yeah, you do some of the legwork for me but you're not – gosh, you're far more than a bookkeeper. You're like a money strategist is what you are.

So can you speak to that a little bit and how they're really shooting their business in the foot by, you know, they don't have even an accounting or business background like me a lot of times. They're just believing, well, I have a small business and I can't afford anybody, so my job is to do my own billing and bookkeeping, what's wrong with that?

Emily: Well, the first question I would ask myself on that is what is the cost of that to me? So yes, I may be saving \$200-500 a month on a bookkeeper. But what am I not doing because my guess is you're not looking at your numbers very closely. And you're not looking at it with an objective eye because I reckon, and even if you don't have someone like me, you need to get someone else in there with an objective eye who's going to say to you, "It's not that bad." Or, "We could do better than this. I think we could do better. What about this, this and this?"

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

We need somebody else in there to bounce ideas off with. So what is the amount of time you're spending on that? And don't forget the amount of time you are dreading doing it, because I don't know very many people that enjoy it.

Tobi: No, they put it off to the last minute, yeah.

Emily: In terms of how many times do you tell yourself I'm terrible at this? I can't own a business; obviously I'm not good at this. And just the dread you have in approaching your business because I'm not good at money. Or I don't know how to do this. Or I can't afford to have somebody else to do it. You are missing out on creativity and time that you could be coming up with new ideas, drumming up new business, actually adding value to your customers.

Tobi: Yeah. And I also see people get in the weeds when they're doing their own billing and starting down that kind of insecure fear based path of they're going to flip when they see this bill. I better lop some hours off of that. I better knock a \$1,000 off of that. They're going to hit the roof. And they don't even know that that's true. The person might have easily paid it. But whether or not they're happy about paying it or not, the work was still done.

And so that's one of the other big problems I see is when you don't have sort of a barrier, just like you were saying, if you're not good at saving money don't let yourself have access to those accounts. The same thing on the billing side, why are you, if you're consistently undercharging, knocking hours off, changing billing because you're insecure then why are you not putting some space between you and that task? Because that's just money out the door, and I see it all the time with people consistently. It's so good.

Okay, well, as we wrap up, people may want to know more about you and where to find you. And then is now the time to just pick one of these things we talked about and put it in place? Just pick budgeting, or just pick paying yourself, how do they get started with this and then how do they find you?

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

Emily: The first thing to do is to find out what are the facts. What did I make in the past? Choose a time period, six months, twelve months I would say. If you've had a big change in your business over the, you know, I mean you're like, "No, everything's changed in the last three months." So then let's just look at the last three months, let's get data that's accurate for how the business is right now. And let's discover, are we profitable? How profitable are we? And what are we spending money on that we don't need to be?

I mean that's absolutely step one. You have to know the facts of where you are right now.

Tobi: Yeah, totally, okay.

Emily: If you have a bookkeeper he or she can help you with those numbers. Have them write up a report for you, talk to them. They are people who you can talk to and you can get information out of. They may not be offering it but you could ask them for it and they could give you a report. And you could have them deliver it in a way that's actually useful to you. I only want to know top line and profit, that's all I want to know. And they can give that to you and you can start using that information.

Tobi: Yeah. And I think I love what you said because I think so often it's just kind of like with bankers, or lawyers, or other people, we're afraid, including our bookkeeper. We're like they're going to think we're naughty, or they're going to shame us, or they're going to judge us. And if you have the right person, like you said, it's not about – well, even if they do, it doesn't matter because it's not about that. It's really more about the data and having somebody else prepare it so you can then look at it and make some good decisions.

So I think just parking all of that fear of judgment or whatever, it is what it is, you are where you are. But you can't go to a different place in your business if you don't at least, if you're not willing to trust someone to have that conversation about the facts, yeah. Okay, and where do they find you,

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

if they want to know more from you or about your business, how can they find you?

Emily: Yeah. My website is emilysandberg.net. I'm assuming we can link to that.

Tobi: We can, yes.

Emily: And yeah, I work with clients one-on-one and I have a team of coaches that work with me to work with more clients. So we are increasing capacity and we just want to help people. This does not have to be hard. This can be a part of your business that helps you grow, not the part that holds you back because it feels so scary.

Tobi: I absolutely agree. And I think my favorite thing that's been happening; I think we've been working together, what, about six months or so. And my favorite thing so far about it is what we just talked about, the fact that we can come together and we can have conversations. We can look at launches, we can look at plans. We can look at everything and talk about the possibilities. And I haven't ever really had that before. I mean I've had people who prepared the numbers for years and helped me get things buttoned up.

But it's a whole other ballgame when you start talking about the possibilities and the strategies. And so I think that's so fun. And I'm sure that's what they'll find with you or any of your coaches that work on your team is that that partner, that's what I said to you. I'm like, "I need you to be my partner and talking about how we get from where we are to where we want to go."

Emily: Yeah, it's so fun, so powerful.

Tobi: Yes, so good. Well, thank you for talking about this. It's like one of those topics that I remember growing up going to a good southern – it wasn't Baptist, it was Methodist, so we were somewhat not Fire and Brimstone Church. But [inaudible] "So let's talk about money." And every time that it was the week that the preacher was going to talk about money,

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

everybody just groaned. And that's part of what we talk about, there's all this baggage about money.

So every time I bring a topic like this to something like the podcast or one of my programs I just have that tiny moment of knowing everybody's kind of secretly cringing. But my goal with having you here is to help people see that they don't have to feel that way. In fact they can start to feel like money is their friend, their ally, the people that work with their money are their friends, and allies, and strategists. And that's when life and business I think really get fun.

Emily: So much more fun, yeah.

Tobi: Yes. Okay, well, thank you so much. I will see you in a couple of days where we can talk about all of mine, I mean I was making notes this whole call going we don't have enough in that account, we should do that. Yeah, we've got to start doing that. I can't wait to look at this. So I will see you and I will look forward to strategizing more with you really soon.

Emily: Okay, we'll get it done. Thank you so much for having me.

Tobi: You're so welcome.

Emily: Bye bye.

Tobi: Bye.

Alright, I hope that we made that fun for you. I hope that we took the fear out of financials a little bit. I hope that we helped you understand that the more you know the better it is. And yeah, so reach out to Emily if you want to. Reach out to me if you have questions. I'm always, always, always happy to discuss anything in the realm of financials and financially healthy businesses. So I hope you enjoyed this. I hope you're enjoying your holidays. And I'll see you back here the same time next week. Bye for now.

Ep #141: Boost Your Financial Health in 2021 with Emily Sandberg

Thank you so much for listening to the *Design You* podcast, and if you are ready to dig deep and do the important work we talk about here on the podcast of transforming your mindset and creating a scalable online business model, there has never been a more important time than right now. So join me and the incredible creative entrepreneurs in my *Design You* coaching program today. You can get all the details at TobiFairley.com.