

FINANCES AND TAXES



ESBA: ELITE SPORTS BUSINESS ACADEMY

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My number one takeaway from this video

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SHOW ME THE MONEY

Did you know that the second largest cause of money loss by professional athletes is divorce? In North America, debt is the number one cause of divorce. Before you skip this lesson on stewarding your money, it's vital that you understand the influence of money on every aspect of your life and business. Want to know the opposite of money? Relationship. That is why one so affects the view of the other.

At some point, you and your significant other will talk about money. The government will want to see your money. Friends and family might want to borrow money. And you might be stressed about money. Money stewardship should be one of the pillars of your business protection. This is not about having money but knowing where it's going and how. Most people are in debt for one of four reasons:

1. Medical debt
2. Credit card debt
3. Student loans
4. Auto loans

All but the first of these reasons are predictable for budgeting or preventable. But most people want instant gratification in their wants and aren't willing to live on a budget. And yet millionaires are everywhere. [More than 9 million households in the U.S. are millionaires](#) and the number is growing by 15% each year in middle-class households.

Why does this information matter to you? It tells you that **debt is mostly about what you spend and not what you earn**. But spending and saving are as much relationship issues as they are monetary issues. For example, if you're a saver and your spouse is a spender, how do you reconcile those differences in your marriage and your bank account?

RECOGNIZE THE ROOTS

How did you grow up? Perhaps you grew up like Jeremie: the opposite of rich. A single mom. Moving around often to multiple states, locations and lots of crazy stories. Did you go to college and have to pay for it? Jeremie had a scholarship and a job. These experiences affected Jeremie's mindset about money. So while playing pro, he spent money because he had it to spend. His grandfather had told him to save his money but no one told him how to save or why it was so important. How money goes more quickly than it comes.

No matter how you started, it's important to realize that money is a magnifier. Money will only make you more of what you already are:

Crazy family	>>>	more crazy family
Big jerk	>>>	bigger jerk
Shaky marriage	>>>	worse marriage

If all your pursuits and goals are predicated on having money, what happens when you crash? When you lose everything? Then what?

Examine your foundation

What has led to the situation you're in? Not just a financial situation but a relational one or an emotional one? Stress, depression, fighting...these are byproducts of debt or poor money management and lead to what many call a poverty mindset: the thought and decision-making patterns for your current and future situation based on your past experiences with money. Or, you may not have debt but you may be one paycheck away from it and one dentist bill will sink you. Do you recognize any of these roots?

- ☐ **Lack of unity:** How do you and your spouse manage money? Do you discuss money? Have a budget? Share goals about how to save or spend the money? Have common future goals that require money?

Lack of planning: Do you know how to sacrifice now for what you want in the future? A famous researcher tells the story that he can predict with great accuracy the future success of a child based on one question: if you can have one marshmallow now or wait a few hours and have two marshmallows later, which would you prefer? The children who want the marshmallow immediately typically struggle in life whereas the children who are willing to wait for the two will usually work harder and smarter and achieve their goals in life. What about you? Do you know how to set a budget? Can you live on less than what you earn?

Lack of contentment: Do you feel you deserve more than you have? Maybe you compare yourself to others and find them lacking. These thoughts often lead to impulse purchases as we look for *things* to make us feel more complete or *equal* to our counterparts. **Make no mistake: debt funds what we can't afford.** Not living with purpose leaves you vulnerable to living on impulse, fueled by emotion. This is a symptom that you don't have identity: operating in lack and filling your life with things instead of purpose. If this is you, talk to someone¹. Write out your thoughts here

Lack of humility: Pride says, "I deserve what I want, when I want it." What you want may be things, status, sex, cars, house. These are status symbols we use to communicate with others what our value is. Pride is a symptom of insecurity. Insecurity looks like actions we take to create the image we want others to view us as. The problem with insecurity is that it's all about influencing others instead of managing ourselves. Could this be you?

¹ Reach out to [Philip and his team here](#).

You reap what you sow

Money will not solve your problems. But it will put your problems on full display for others. Whatever you allow to remain hidden as you grow your business will eventually come to full display if not dealt with at the root. If you've ever helped plant a garden, you know that you cannot plant the seeds for green beans and harvest carrots. And yet many business owners seem surprised by what they reap in their business as it grows:

Sow	> > > > >	Reap
Poor hiring practices	> > > > >	no loyal employees
Poor saving habits	> > > > >	debt owed to the government
Poor money management	> > > > >	bankruptcy

The same principles apply to our lives and relationships. So often, people ask, "How did this happen?" with a crumbling marriage or an affair. The answer: you planted the seeds of discord or unfaithfulness 6 months ago or 6 years ago.

What will you do? Sit around and whine? Blame others? Fix it while you're still small! You don't want these roots coming up later when they're huge problems. The hole they'll leave now is very minor in comparison to what they'll leave later, if left alone.

MONEY WON'T SOLVE YOUR PROBLEMS

But money can make you more generous and comfortable when you have it and can manage it well. Fix your money and relationship issues now:

Get on a budget. Budgeting includes balancing a checkbook and understanding profit and loss, savings and basic accounting. Worksheets have been included for this but

for a great understanding of how to keep more profit, [check out this book](#).

Learn what you need to do for your taxes².

Fix your relationship issues. People often ask how Jeremie and I make our marriage work. The answer is simple: we come home to the same person every night. We wake up with the same person every morning. It's not rocket science. If your marriage isn't good, fix it.

Automate the money.

Checking

Owner's pay

Personal savings

Tax savings

Operating expenses

Never mix your finances. Keep personal accounts as personal and professional as such.

KEEP IT LEGAL

Did you know that GFT was audited for a single tax year and that audit turned into an audit of 3 years of tax returns? We were found to owe nothing additional to the IRS but we learned some valuable lessons from the experience.

1. A good CPA can make or break your experience. Our CPA knew the tax law, it's implications and latest changes better than our assigned IRS agent.
2. Scanned receipts don't count. Our expensive, fancy scanner was worth nothing; neither were the hours spent scanning receipts to keep them fresh and legible.
3. Disorganization only delays your case - and can upset your IRS agent. So be organized in your receipt keeping.
4. The IRS wants a triple copy of every. single. thing. You've ever done or purchased.

² A full breakdown of taxes is covered in the accompanying download from the Brand course.

The [Internal Revenue Service \(IRS\) website](#) offers a complete listing of the receipts required for record-keeping for your business. Pair this with the additional download on taxes for a full list.

1. Do NOT do your own taxes (unless you're a CPA)
2. Know your Federal & state tax IDs as well as income taxes owed
3. Contact your state about tax requirements for physical products vs. service or digital products
4. Physical goods require a sales tax; check with your state for percentage
5. Supplies to make a physical good is tax deductible, but a receipt is necessary
6. If you plan to sell overseas (online), make sure you don't owe Value Added Taxes (VAT) taxes. Many providers (e.g., online course platforms) will automatically handle this for you.

Get a [mileage notebook](#)

Keep this in your vehicle.

Write down beginning mileage of each trip >>> destination >>> end mileage on return home.

There are apps for this but the app can make errors & costs money. At the end of the year, you'll tally your total mileage for the year.

Why this matters: a standardized mileage rate (the amount of money you're paid per mile on your car) vs. depreciation (the percentage of vehicle use for business + maintenance expenses) can affect your tax deductions, often with the depreciation route resulting in a much higher deduction.

We suggest tracking both options and comparing at the end of year one as a baseline. Then, talk to your CPA about which is best for you.

Purchase a [receipt catcher](#)

Keep this in your purse or vehicle.

Tabbed ones [like this one](#) are great for organization by deduction (e.g., meals, vehicle maintenance, fuel, etc.). I personally use one from the dollar store in one vehicle but a larger one in Jeremie's vehicle. This allows him to keep track of paper releases as

well (although not optimal).

Why this matters: There are many [receipt scanners](#) out there that keep a copy of your receipt 'fresh' (read: without fading) & promote the benefits of streamlining your paper. However, after coming out of 3 years of audits (for which we came out completely clean), we learned that the IRS requires the original receipt, even if it's no longer legible.

We suggest a hybrid method of using both. The IRS rules can vary based on interpretation by the agent; that's why you need a good CPA.

Buy an [organizer / notebook](#)

Tab it for keeping track of schedule, appointments, passwords, important recurring events.

A [calendar notebook](#) also works well.

Sample checklist of tax deductions for end of year

Mileage

Cell phone

Health insurance

Medical expenses

Utilities

Business insurance

Liability insurance (professional or product, for trainers >>> [K&K insurance](#))

Blog insurance

Transaction / processing fees

Social media marketing

Taxes (15-25% of gross revenue)

Continuing education

Domain purchases

Website purchase / renewal

Contractors (need EIN or SS#, mailing address)

Employees (need taxes, workman's compensation, other state-required documentation; varies by industry)

Meals

Major purchases

Office supplies (including paper towels & trash bags)

Office furniture (save receipts)

Software

Maintenance fees

Legal fees

Important reminders

All money 'spent on the business' comes out of your pocket.

The lower your operating expenses, the more money you take home.

Plan your year of expenses³.

GOOD STEWARDSHIP

Being a good steward during lean seasons begins with understanding how you manage your own finances. The first several years may be more lean so having a good financial foundation with habits of excellence is vital to your success.

Know your personal debt

Personal debt (e.g., child support payments)

Amount _____, Lender _____, Current Payment _____

Amount _____, Lender _____, Current Payment _____

Amount _____, Lender _____, Current Payment _____

³ Recommended reading:

- ☐ [The E-Myth Revisited: Why Most Small Businesses Don't Work and What to Do About It](#)
- ☐ [Profit First: Transform Your Business from a Cash-Eating Monster to a Money-Making Machine](#)
- ☐ [The Total Money Makeover: A Proven Plan for Financial Fitness](#)

Credit card debt

Amount _____, Lender _____, Current Payment _____

Amount _____, Lender _____, Current Payment _____

Amount _____, Lender _____, Current Payment _____

Mortgage

Amount _____, Lender _____, Current Payment _____

Amount _____, Lender _____, Current Payment _____

Amount _____, Lender _____, Current Payment _____

Car payments

Amount _____, Lender _____, Current Payment _____

Amount _____, Lender _____, Current Payment _____

Amount _____, Lender _____, Current Payment _____

Medical debt

Amount _____, Lender _____, Current Payment _____

Amount _____, Lender _____, Current Payment _____

Amount _____, Lender _____, Current Payment _____

Student loan debt

Amount _____, Lender _____, Current Payment _____

Amount _____, Lender _____, Current Payment _____

Amount _____, Lender _____, Current Payment _____

Know your business debt

Do you currently have business debt?

Amount _____, Lender _____, Current Payment _____

Amount _____, Lender _____, Current Payment _____

Amount _____, Lender _____, Current Payment _____

Current business expenses per month _____

Business savings _____ months

Personal savings _____ months

Upcoming bills / payments due:

Month: _____

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday

Evaluate places you could cut costs:

Business expenses - necessary or unnecessary?

Meal & entertainment

Cell phone plan

Internet plan

Cable - consider ROKU or Amazon Firestick

Meal planning & prep

CALCULATE A BREAK-EVEN ANALYSIS

Taking what you owe in total, calculate a break-even analysis for home and business. This is especially important if your business will be the sole income for the home. A break-even analysis tells you at what point / income you will 'break even' for what you've invested or owe. This is all an educated guess at best (based on the market research you've done or are doing).

Fixed costs: Also called overhead, these expenses are always present in business: rent⁴, insurance, utilities, supplies.

A. Sales revenue: The gross (total, before taxes or expenses) income from sales you expect to make. You can break this down monthly or annually.

B. Average gross profit per sale: The money left after expenses.

C. Sale price _____ - wholesale / direct cost _____ = _____ profit

D. Average gross profit percentage: The percentage of each incoming dollar that is gross profit. Gross profit _____ ÷ average sale price _____ = _____ %

Break-even analysis:

Est. fixed costs (A) _____ ÷ by Gross profit % (D) _____ = _____ Break-even

The point of breaking even will pay for the fixed costs (A) and the gross profit (C); does not include salary or profit.

The most important thing to remember during lean seasons is that you have put in the work! You have the financial & lifestyle freedom to outlast the season or the storm! Review what matters most to you:

⁴ Working from a home office is one way to deduct a portion of your expenses for taxes and to save money on expenses. However, there are some drawbacks to this. Talk to your CPA.

My rich life _____

Who I'm working for _____

What I'm working for _____

And finally, focus on your blessings.

Where I'm blessed

How I'm blessed

Non-financial blessings I've received this year (e.g., health, kids' growth, good relationships, growing business)



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