

**FIVE TOP TIPS TO**  
HOW TO STOP WORRYING  
**KEEP YOUR BUSINESS**  
AND FOCUS ON YOUR BUSINESS  
**ON TRACK**

WRITTEN BY

**MARK TEW, CPA**

# Five Top Tips to Keep Your Business on Track

## Introduction

The question I most often receive in my inbox goes something like this:

*“I’ve been selling on [insert platform here] for almost a year now, and I have no idea if I am tracking things the right way or what I need to do for taxes...can you please help!??”*

In most cases, I recommend 5 simple steps.

Read on, my friends.

- 1. Separate your banking activity**
- 2. Track your income & expenses**
- 3. Make estimated tax payments**
- 4. Have the right business structure**
- 5. Review your business with an expert**

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# Separate Your Banking Activity

## **Business Bank Account**

Having a separate bank account for your business transactions is a must. It enables you to effectively track your business activity (tip 2).

Even if you have a business credit card, I recommend linking it to a separate business account. It just makes life a whole lot less complicated by reducing the chance of mixing up business and personal finances.

I currently use a [Spark Business checking account](#), which I recommend because of its simplicity and the fact that it has no monthly transaction fees or limits, no monthly fees, and no minimum balance required.

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# Track Your Income & Expenses

Many business owners recoil at the thought of managing “the books,” but these days it is less painful than ever.

Before you outsource your bookkeeping (or give up on it completely), consider the following solutions.

## **QuickBooks**

From the same company that provides [TurboTax](#) and [Mint.com](#), [QuickBooks](#) is the ultimate solution for small business bookkeeping. It is used by thousands of accountants to manage their client’s books and taxes.

QuickBooks gives small business owners the most flexibility and some of the best reporting available. It has everything you or your accountant needs to stay on top of your business financially.

## **Xero**

Xero has only been around a few years but has quickly become a strong competitor to QuickBooks. Totally cloud based with a sleek user interface, Xero boasts unlimited users and advanced permissions. You can't go wrong if you end up choosing either QuickBooks Online or Xero.

## **Freshbooks**

Also based in the cloud, [Freshbooks](#) has many similarities to Xero. The main difference is that it was originally built for service businesses and has robust invoicing capabilities. Freshbooks also has apps available that integrate with Amazon and eBay.

## **Wave Accounting**

Wave is one of the most popular free solutions out there, and is one of the few that includes unlimited invoicing. It is

designed specifically for freelancers and for businesses with less than 10 employees.

While I think it's generally worth it to pay for a good cloud bookkeeping service, if you are on a really tight budget and can learn how to use the interface, Wave is a great option.

## **GoDaddy Bookkeeping**

GoDaddy is very popular with online sellers because it integrates directly with Amazon, eBay, and Etsy.

One of GoDaddy Bookkeeping's main focuses is to keep your tax records in order, and it helps you estimate your quarterly taxes.

It does not, however, have balance sheet reporting. In other words, it doesn't have a good way to track your assets (inventory).

## **Excel or Google Sheets**

I know of businesses whose sales figures were well into the millions before they finally switched from Excel to a more robust solution. I only mention that to demonstrate that it is possible to keep track of your business activity on a simple spreadsheet. This is obviously not for everyone, but it is still viable option.

Google Sheets is a cloud-based free alternative to Excel, and its capabilities are quickly catching up. Even if you are using other software for the bulk of your bookkeeping, you may still end up tracking inventory in a spreadsheet for simplicity.

But just because you can do nearly everything in a spreadsheet doesn't mean that you should. Spreadsheets are inherently more manual and, therefore, more time-consuming. The extent to which you should use them depends on your experience and comfort level.

## **Summary**

The quantity of options out there can be daunting, but with some research and a few free trials, it's hard to go wrong finding a solution that best fits your needs.

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# Make Estimated Tax Payments

The mere mention of “estimated tax payments” sends many people into a panic. No one likes being surprised with an unexpected tax bill (not to mention the late penalties).

Do not worry! Figuring out how to stay on top of your tax payments is not as complicated as it might seem.

## **Who has to Pay**

Not everyone needs to make estimated payments. It essentially depends on your profitability and to the extent you have tax being withheld from other sources.

In general, you only have to make quarterly estimated payments if you expect to owe more than \$1,000 for the year (after subtracting prior payments and withholdings for the year).

For the nitty gritty details, you can read more [here](#).

I highly recommend using an online calculator (like [this one](#)) to give yourself a rough idea of your tax liability for the year. Divide the estimated taxes owed by 4, and make a payment each quarter by following the [IRS instructions](#).

## **The Easy Way to Pay**

Another option is to adjust the allowances you claim on your W-4 if you or a spouse is W-2 employee at another company. You can adjust the taxes withheld by the employer to cover the taxes you might owe on your business earnings. If you have the option, this is probably the simplest way to go.

The least favorite part of my job is breaking the news that thousands of dollars are owed because no quarterly payments were made during the year. Don't make that mistake!



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# Choose the Right Business Structure

Are you a sole proprietorship? Do you need an LLC, a DBA, an EIN? What's with all the acronyms?

## **Sole proprietorship**

The simplest and most common structure of new businesses. No formal action is needed to form a sole proprietorship. The startup costs are minimal, but there is no legal separation of personal and business assets. Unless the business is really taking off or operates in a litigious industry, I usually recommend new businesses to stick with this structure for a while.

## **LLC**

Provides liability protection that a sole proprietorship does not. It also is not taxed as a separate business entity, so all profits or losses flow through to the personal return. While more complicated to set up than a sole proprietorship, the process is still relatively simple in most states, and

you can always outsource the process to a company such as [LegalZoom](#).

## **Partnership**

A partnership is a single business where two or more people share ownership. Most businesses will need to register with the IRS, register with state and local revenue agencies, and obtain a tax ID number or permit. Although partnership agreements are not legally required, they are strongly recommended.

## **Corporation**

An independent legal entity owned by shareholders. Suggested for established, larger companies with multiple employees. This means that the corporation itself, not the shareholders that own it, is held legally liable for the actions and debts the business incurs. In some cases, corporations are taxed twice - first, when

the company makes a profit, and again when dividends are paid to shareholders.

## **S-Corps**

An S corporation is a special type of corporation created through an IRS tax election. Profits and losses can pass through to your personal tax return. Shareholders who work for the company must pay him or herself "reasonable compensation." S corps also have much stricter regulatory and filing requirements.

## **Other Terms**

### **DBA**

A DBA is not a business structure but rather stands for "doing business as." If you want to start a business under anything other than your real name, you need to register a DBA so that you can do business under another name.

## **EIN**

Employer Identification number or tax ID number refers to a nine-digit number issued by the IRS. You do not need one for a sole proprietorship but generally do for all other business structures.

You can read more detail about each one of these types of business structures [here](#).

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# Review Your Business with an Expert

It is worthwhile to have a knowledgeable professional occasionally review your business activity.

A bookkeeper or accountant can help you make sure your transactions are being properly accounted for.

A CPA or other financial professional can take it a step further to help you analyze your profitability and identify key trends.

I recommend using one of the services mentioned in tip 2 and to have someone periodically review.

If you can't stand numbers, you could always decide to completely outsource, but I recommend staying close to the numbers, because it is key to running a successful small business.

I answer quick email questions all the time at no charge as time permits. Don't hesitate to [contact me](#).

If you have a situation that requires a bit more attention, let me know what's going on, and I can help to create or recommend a solution that makes sense for you.

Mark Tew, CPA  
[notyourdads CPA.com](http://notyourdads CPA.com)