

THE *aligned* FEMALE ENTREPRENEUR

12-Weeks to Creating a Profitable Soul-Centered Business

How to Set Up your Finances and Accounting

LEGALLY REGISTER YOUR BUSINESS

- ➡ Legally register your business
- ➡ Get an EIN (Employer Identification Number), which is also your Federal tax ID. You can learn more and do that here:
<https://sa.www4.irs.gov/modiein/individual/index.jsp>
- ➡ See if you need a State Tax ID: research and understand your state's laws regarding income taxes and employment taxes. The process to get a state tax ID number is similar to getting a federal tax ID number, but it will vary by state. You'll have to check with your state government for specific steps.

SET UP YOUR BIZ BANK ACCOUNT(S)

- ➡ Shop around for banks with lowest fees (biz accounts typically have a fee associated with them).
- ➡ Ask bank what's needed to open an account.
- ➡ Open checking account for your biz. LLCs, partnerships, and corporations legally required to have separate accounts, for sole proprietorships it's optional but DEFINITELY recommended.
- ➡ Optional to set up savings account as well to keep for emergencies, taxes, and organizing funds.

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SET UP BIZ CREDIT CARD

→ Research and apply for credit cards for your biz. I use SPARK Business card from Capital One. You can do a Google search for highest rated small biz credit cards as well.

→ Keep your business cards with you in your wallet and ONLY use personal cards/accounts for personal expenses and bills and biz cards/accounts for biz expenses and bills! Every expense related to your business is considered a "deduction" aka you subtract alllll these expenses from your profit and only need to pay taxes on what's left over – so more tracking means less taxation! Also comingling personal and business expenses and accounts is a major no-no for the IRS and makes tax time a nightmare.

DETERMINE HOW YOU GET PAID

→ Set up account to start accepting payments online. I use Paypal. This is helpful for making secure payments, creating payment "buttons" on your website and keeping all income tracking in one place.

→ You can also accept checks or cash deposited into your biz bank account when you are just starting out.

TRACKING YOUR EXPENSES

→ Set up how you will track expenses, and put on your calendar a weekly or monthly day to review and record these. This is a must-do

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for running a legit business and paying taxes correctly. You can do this one of 3 ways: 1. keep a shoebox of receipts and record on an excel spreadsheet all expenses and income, what it was, the date and how much 2. sign up for an online service/app that organizes them for you. I use QuickBooks Self-Employed, people also like ShoeBoxed. Or 3. Hire a bookkeeper/accountant to do this for you.

➡ The 5 major categories of expenses to track are:

1. Business-related meals and entertainment (ex bringing a client out to lunch)
2. Out-of-town business travel (ex. meals, lodging and expenses while traveling to a training or conference)
3. Vehicle –related expenses (driving to and from clients or work-related travel),
4. Receipts for gifts and entertainment related to business
5. Home office receipts. You can only deduct the part of your office, cell phone usage, driving etc that is DIRECTLY related to your business.

For a full list of what to track go here: <https://intuit.me/2u0s7ab>

PAYING YOURSELF

➡ When you are ready to start paying yourself you can either write yourself a check from your biz account or create a transfer/wire from your biz bank account to your personal account. See note on taxes below.

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TAXES

➡ Since no one is withholding taxes for you each month like a typical employer does each paycheck, you are responsible for this as a small biz owner. As a rule, set aside 30% of your income for taxes.

➡ If you will be paying more than \$1k in taxes, you need to pay in quarterly installments to the IRS, instead of being hit with a big bill at the end of the year. I use QuickBooks Self-Employed to track my income and expenses and estimate taxes and remind me when to pay them. Learn how to DIY here:

<https://www.sba.gov/blogs/quarterly-taxes-basics>

➡ If you have a product-based business you will also need to look into establishing sales tax procedures.

ACTION STEPS:

Biz is legally registered: yes/no

Banks in my area to look into:

1. _____ biz account fees: _____
2. _____ biz account fees: _____
3. _____ biz account fees: _____

Items needed to open account: _____

I have made an appointment to open my account on: _____

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Biz Cards to Choose From:

1. _____ fees: _____ perks: _____

2. _____ fees: _____ perks: _____

3. _____ fees: _____ perks: _____

The biz credit card I am going to open is: _____

Payment method I will use starting out: PayPal or online 3rd party /
check

Expense tracking system I will use: excel spreadsheet and
folder/shoebox for receipts / QuickBooks Self-Employed /
ShoeBoxed / Other / hire bookkeeper or accountant

I will start paying myself when I am able via: writing myself a biz check
/ transfer / wire / payroll through banking system that mails me a
check from my biz account

Estimated income in next 12 months: _____

30% of this income = _____

I will put this 30% aside by: _____

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Other considerations I need to make for my business finances and accounting: