HIRING FINANCIAL SERVICE PROVIDERS

INTRODUCTION:

Not everyone, in fact very few small business owners, start their business having a strong grasp of managing their financials. Such a critical aspect of a business' success, however, needs to be understood on an ongoing basis. The owner should always understand how much money is coming in and how much money is going out of the business so they can make the best decisions for the business. Luckily, there are professionals who can help, and that help can range from occasional support to fully managing the business financials. Picking the right support for the needs of your business and then hiring the right person is a critical skill in growing your business. You as the business owner should always maintain final control and approval of all financial decisions and be actively engaged in the work of the people you hire to avoid errors, general mistakes, and potential fraud.

KEY POINTS:

1. **Bookkeeper:** A bookkeeper is a financial professional who manages the day-to-day financial transactions of a business. They can work directly for you as an employee or be part of a service and work with multiple businesses at any given time. While a bookkeeper should have regular communication with the business owner, the topics are generally transactional in nature and not for supplying strategic decisions or opinions. Tasks your bookkeeper can do for your business include:

   - Prepare monthly/quarterly/yearly financial statements
   - Maintain the chart of accounts[1]
   - Record transactions in the general ledger
   - Handle accounts receivable and payable
   - Reconcile bank statements each month
   - May manage payroll[2]

   When hiring a bookkeeper, it is important to establish the complete list of tasks you expect this person to be responsible for, and what authority they have to take action on behalf of the business. Establish early on how often you will communicate with each other and what reports or updates you expect and when. As are all the positions listed here, a background check and references are essential because this is a position of trust who will have complete access to the business' financials.

2. **Accountant:** An accountant is a financial professional who inspects and analyzes financial accounts. While any accountant you hire should have established professional and educational experience sufficient to perform the tasks you need, there are also certified public accountants (CPAs) who have obtained a higher level of education and passed an exam specifically to be licensed as a CPA. While a general accountant may fulfill many or all of the roles of a bookkeeper, any accountant should also offer more strategic functions and advice that can help the business owner make larger financial decisions. Additionally, some accountants focus only on a business' tax liability and filing taxes but be aware that an accountant, CPA or otherwise, who is only focused on a business'

1 A Chart of Accounts is a system for coding your business financial transactions so that when activity happens, it is properly assigned for what it is to the business e.g. asset, liability, equity or expense.

2 There are separate services and positions you can hire for payroll that may be appropriate given the type or number of positions your company supports.

tax liability will have less frequent communication with the business and the day-to-day operations must still be managed in another way. A business owner should also be aware that a common practice for accounting focused on your tax liability could make both getting financing and the sale of the business difficult if the tax returns show a business without profit to minimize tax liability.

When hiring an accountant make sure you understand the extent of their services and the manner in which they will advise your business. Make sure your accountant understands your long-term goals for your business and you establish the frequency of your communication with them. This is incredibly important if you are considering a loan or selling your business as you will be required to provide three years of tax returns showing you can make the loan payments and/or that your business has been profitable depending on the transaction.

3. **Financial Advisors:** This broad category of financial professional can cover many topics and offer a wide variety of services from investment advice to wealth management, and financial planning[3]. In all of these areas the best place to start is to define your long-term personal and professional goals. Do you know when you want to retire? What happens to the business when you get to that point? What happens if you get sick or injured and can no longer work in the business? When your business is profitable what are the pros and cons of investing that money in or outside the business? How can you invest your profits to reduce your tax liability? Talk to your financial advisor about all the topics you want them to manage and understand their methodologies and core beliefs to make sure they align with yours before you move forward. Because you will be taking action that will impact you personally and professionally, based on this person's opinion, establishing a good rapport and relationship with your financial advisor is critical to success.

4. **Payroll Services[4]:** Once you have hired employees ensuring those people get paid the correct amount, on the right day, and that all taxes and paperwork are filed quickly becomes a full-time job. If hiring a payroll specialist to work inside your company is not yet an option, there are also companies who offer these services. It's important to understand the pricing structure for as your company adds more employees and how these services will integrate with your other financial systems or service providers.

To discuss your business' financial service needs and plan for your next stages of growth, reach out to the Department of Economic Development's Launch Loudoun program at www.launchloudoun.com or call 703-777-0426 to speak to a member of staff.

3 This article reviews the broadest categories of financial advisors and understanding what each does and does not do: www.forbes.com/advisor/investing/financial-advisor/types-of-financial-advisor/

4 www.forbes.com/advisor/business/software/best-payroll-services/