



**WEALTH IS THE ABILITY
TO FULLY EXPERIENCE LIFE.**

- HENRY DAVID THOREAU

Profitability Redefined

In the business world, profit is the life blood of your business. Without profit, businesses can't sustain themselves for long, and they certainly can't grow. Yet profit, in the last 100 years, has been vilified in such a way that it's not uncommon to see business owners staking claims at opposite ends of the financial spectrum.

On one side, there are "people first" entrepreneurs that insist on putting people ahead of making a profit. The problem with this is that they're often over-generous, underpricing or undervaluing their work and worth in the world. At the other end of the spectrum is the company that represents what I call "the evil empire" - where the bottom line profit is all that matters. While the company makes a tremendous amount of money, everyone in town knows the owner is a jerk.

There is a middle ground that comes when we put principles ahead of profits, and profits ahead of people. Simply put, if you put profits first, you jeopardize your long-term health and well-being. If you put people first, you jeopardize the long-term health and well-being of the company. By putting principles first, you can successfully build a company that makes a healthy profit and serves people (staff, clients, and YOU) in a sustainable way.

In order to do that, we need to redefine the word "profit".

In the past, profit looked solely at the money that remained after expenses were subtracted from the income. It's purely a monetary assessment. But in a personality-based business, where the business is an extension of *you*, it's important to remember the other key areas of success. I've seen business owners make a lot of profit and still be miserable. Likewise, I've seen business owners put their principles and priorities in order, break even in their business, and find incredible happiness.

I've also seen clients make a healthy profit, enjoy life more, and be able to help even more people once they learned that "profit" is about more than the bottom line dollars and cents.

Profit is really about the total investment of resources (time, energy, money, and attention), and the return on that total investment. In the business world, this might seem frivolous, because it's hard for shareholders to put a dollar value on how much energy or attention a company is investing in serving their clients. But you are fully capable of building an awareness of and tracking where your resources are being invested or spent. Understanding this nuance gives you a keener sense of clarity around your career.

A profitable, sustainable business (and life) is one where you derive a positive return on all the resources you invest. It allows you to "fully experience life" as Thoreau said about wealth. Sustainable means you can keep operating this way – without killing yourself – indefinitely. THAT is the kind of business and life we want to lead.

Personal Income

No one wants to talk about budgets, but there are three critical numbers you need to help you get a handle on financial planning for the next 12 months – **Total Income, Total Expenses, and Total Paid Toward Freedom.**

Total income is the *total* amount of money you've received from *all* sources (yes, including gifts, bonuses, and other surprise monetary blessings). Most people track their paycheck (or owner's income if you're not paid a company salary). It's the other bits of money that most entrepreneurs I meet fail to track. It's pretty difficult to have an awareness of how much money you're really bringing in if you're not tracking it.

Personal and business income should be kept separate, but that doesn't mean you shouldn't track them both. Typically, I find that entrepreneurs in the early stages of business track very little of their income – It's still often co-mingled, and as long as they've got enough coming in to cover what's going out, they think they're doing fine. The result is that they actually end up struggling a lot longer because they haven't been tracking their income AND expenses.

On the other hand, entrepreneurs that have hit their stride, and are having fun in their business typically track the income and expenses, to make sure there's at least some kind of profit coming in regularly. It's the other income that doesn't always get tracked, yet contributes to an overall sense of living a life of good fortune.

If we track every penny in a business, why not in our personal finances, too? What gets in the way? The stories we tell ourselves.

Money Stories

We all have money stories. You may not think it's important to track the money you got for your birthday, or the cup of coffee your colleague bought for you. The level of importance you put on every penny you own is rooted in your money stories.

I remember being in a workshop with my coach where she had me holding over \$32M in cash (in addition to over \$700 in hard currency, there were a few million dollar bills in the stack to increase the value of the pot). I'd never held that kind of money before, and the big money story that kept pounding my head was that I needed to be responsible for this money, to not let it go, because it belonged to other people in the room.

The deeper story in my head was that *I wasn't capable of having that kind of money*. If anything happened to the money while it was in my care, what would happen? I was literally paralyzed by the fear. I was gripping this cash so tightly, the strongest man in the room couldn't pull it out of my hands.

Then my coach opened the outside doors. It was a chilly, breezy November afternoon in Minnesota – the wind was really whipping. She asked me to come outside. I panicked, thinking that the wind would blow all the money away, and then what would I do? She reassured me and slowly I walked across the room and out the door. The wind was swirling around us, and I felt confident that I had done what she asked. As I started to head back into the event room, she stopped me and asked me to hold the money up over my head.

I started crying. There was no way I could replace that money if something happened to it. ***I didn't want to be responsible for that money*** anymore (another money story!), but she persisted. Finally, I held the money up over my head and the room erupted in thunderous applause.

Now I have no problem believing I'm capable of handling millions of dollars because I've done it. I've worked with best-selling authors and clients who bring in millions of their own, so it's reasonable for me to believe that I'm able to handle that kind of money.

As a solo-preneur, your personal money stories can also trickle over and impact your business income.

Total expenses is the total amount of outgo from all sources. That dollar you found on the street and then spent on a pack of gum? That's income and expenses that need to be tracked. Again, found money is often the money that doesn't get tracked, as if it's not really money after all. My clients ask "it doesn't count – does it?"

Absolutely. Every penny. Think of it like calorie counting. It's not always fun or sexy to think about going on a diet, but when we track the calories, we see the results. Same with your money. It's not a sexy analogy, but it works. Track the pennies and the dollars take care of themselves.

Paid toward freedom is the portion of your expenses that is devoted to your freedom. It could be debt reduction, savings, investments, or vacations, anything that you define as part of creating a total sense of freedom for yourself. Your PTF number doesn't include daily living expenses like groceries, utilities or rent, but does include mortgage payments, since the idea is to re-frame your debt and high-ticket expenditures in a way that's empowering and encourages you to stay the course with positivity.

It's so easy to discount the money we're putting away for the future, or begrudge the debt payments we're making. Paid toward freedom gives us a new perspective.

Begin to develop an awareness around these three numbers in your personal income to get clarity on what's really going on. Then, coupled with a spending plan (aka budget), you can take action to build a strong financial foundation and a solid financial future.

Personal Financial Awareness

These are the three critical numbers for your personal finances. Answer these questions to the best of your ability. If you don't know, make your best guess for now and circle back to this exercise when you DO have the actual answers.

How much money/income/revenue did I take in during the last 12 months from ALL sources? _____

This is a list of all my personal income sources for the last 12 months:

These are my expected sources of personal income for the next 12 months:

What were my total expenses during the last 12 months? _____

These are my expected expenses for the next 12 months:

My total Paid Toward Freedom in the last 12 months was _____

The time it took me to find these answers: _____ minutes

Business Income

In much the same way we looked at your personal finances, we're going to examine your business income. If you were a multi-national corporation, you'd need more complex financial analysis, but for now, knowing where you're actually making money (and where you're not) is a powerful first step in gaining more financial awareness and clarity.

Profit First

Relax, I'm not telling you that people aren't important (they are), but as I've mentioned before, you've got to be making a profit, or you can't take care of the people, whether they're clients, staff, or yourself! Mike Michalowicz, author of several business books for entrepreneurs, wrote a book called "Profit First" - which essentially advocates the "pay yourself first" approach to building your business. Mike says that profit is the truest test of a healthy company and most businesses do it backwards. They see profit as an event that happens after all the expenses are paid, and the standard accounting formula typically looks like this:

$$\text{Income} - \text{Expenses} = \text{Profit}$$

Mike flips that equation so that it looks like this:

$$\text{Income} - \text{Profit} = \text{Expenses}$$

It's a simple concept, yet most entrepreneurs are slow to embrace it, over spending in areas that they think will help the company move forward. Instead, they end up trying (as financial guru Dave Ramsey likes to say) "to over earn their stupidity."

But you're not stupid. You just need a simple approach to deal with this.

In the toolbox, you'll find a **Profit First Instant Assessment** worksheet (compliments of Mike!) that you can customize to your level of business income. Plug in your numbers and you'll see right away that you're probably not keeping enough profit from your business - and you'll have immediate clarity around what needs to shift in order to fix it.

In looking at your personal and business finances, what new awareness do you have? How will you translate that into action in the coming year? When it comes to money stuff, there's always room for more, but check yourself to be sure that "more" is really what you need. Perhaps "different" is a more appropriate choice than "more".

Use the following pages to take the learning deeper and pick out your Key Area goal for living a life of good fortune during the next 12 months.

Business Financial Awareness

This is a list of all my business income sources for the last 12 months:

These are my expected sources of business income for the next 12 months:

My total business expenses during the last 12 months _____

These are my expected expenses for the next 12 months:

These are the areas I'd like to invest in developing over the next 12 months:

The time it took me to find these answers: _____ minutes

Pick One Goal

As you look at both your business and personal financial situation, what *one* goal would give you the most cause for celebration in the next 12 months?

How would you benefit from achieving this goal?

What would you miss out on if you didn't make the shifts needed to accomplish this goal?

Money Stories I Tell Myself...

Throughout the year, you may hear yourself saying things like "I can't afford that" or "I feel guilty charging that much" or other conditioned responses to situations that crop up in your financial life. Use this sheet (and extra pages if need be) to jot them down when you hear yourself saying them. If you hear it once or twice, it may not be an issue, but if it's a recurring theme, or it comes with strong emotional reactions (like freezing up or getting sick to your stomach), it might be an important place to look for disempowering "money stories" that could be limiting your financial growth or your experience of financial peace.