

The Importance of Keeping Good Records

When I taught the Small Business Tax & Accounting Workshops at the SBA's Small Business Development Center, the one thing I was emphatic about is the need to keep good records. I must've sounded like a broken record to the attendees! But, it is true. While you may groan about it and even hate it, recordkeeping is vital to the heartbeat of a business.

Benjamin Franklin said that there is nothing certain but death and taxes. The bible says that we should render unto Caesar what is Caesar's. Both are true statements. However, though we must pay taxes, we need to be sure to not pay one shekel more than we have to! Good recordkeeping will:

- ✓ Help you pay only the taxes you actually owe. By having an up-to-date and accurate set of books, you will be able to do very precise tax planning which will allow you to keep more of your hard-earned money in your own pocket.
- ✓ Give you all the information you need to make sound business decisions. It can track cycles in your sales, tell you which products or services you should keep and which you should stop selling, allow you to decide whether to hire new employees or let some go, and more.
- ✓ Allow you to prepare detailed budgets and forecasts. If you know where you've been and what it cost, you are able to project more accurately.
- ✓ Provide you a historical record of your business. The longer you are in business, the more important and informative looking back on your progress will be.
- ✓ Assist you in obtaining bank loans, lines of credit, vendor credit, and more. Lenders always require complete and detailed financial statements and projections before they will show you the money.
- ✓ Help you easily keep compliant with federal, state, county and local governing agencies.
- ✓ Make tax season a breeze! Since you will have done tax planning throughout the year, you will already know your tax bill. Your records can be easily sent, complete and accurate, to your accountant for tax preparation. You will make his or her life (and your invoice from them) much easier.
- ✓ Allow you to sleep like a baby at night! You won't be tossing and turning in turmoil because you will always know where you stand.

Think about this: Every \$100 you do not keep track of will cost you between \$15 and \$60 in taxes!

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