



Ten Things You Need to Know About Money

It's hard enough to earn it—even harder to keep it.

BY WILLIAM J. LYNOTT

Money: It's part of our lives from the first day mommy tucks lunch money into our backpacks until we finally shuffle off this mortal coil. How much of the stuff we manage to earn, how much of it we save, what we do with it—these things will help to determine how successful we will be in today's financially-oriented society.

Money and our ability to manage it determine how comfortably we will live, how well we will be able to care for our families, how well we'll sleep at night and, yes, how well we will enjoy our golden years. That's why it's so important for you to keep up-to-date on the basics of business and personal money management.

Here are ten tips for becoming a better manager of the money generated by your practice:

1 Don't Overpay Your Quarterly Estimates Just to Avoid Owing the IRS Money at Tax Time.

It may feel satisfying to discover that Uncle Sam owes you money at tax time, but don't be fooled. The IRS gets the last laugh when you overpay your quarterly estimates. When you do that, you've handed them an in-

terest-free loan at your expense.

"The least expensive way for you to pay your tax liability is to try to have estimated payments come out as close as possible to the amount owed," says public accountant Jay Blumenthal, Abington, PA.

2 Don't Pay Your Income Taxes by Credit Card.

Should you take advantage of the pay-by-credit-card program now offered

The bottom line: Don't do it. Almost any other way to come up with the money you need for your payment will be cheaper.

3 Pass up Credit Life Insurance If You Take out a Loan.

Credit life insurance is expensive, more expensive than most other types of insurance. Although such a policy does offer some protection to the borrower, the prime beneficiary

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by Uncle Sam and a number of states?

On the surface, this option may seem attractive to some podiatrists. It will enable you to postpone your payment, even pay in installments to the credit card company. Then there are those perks offered by some credit card issuers—airline miles or cash rebates.

Here's the catch: You'll be charged a "convenience fee" of about 3% of the tax liability paid. This is in addition to any interest charged by the credit card company for installment payments.

is the lender. If you die before you pay off the loan, the proceeds of the policy will go directly to the lender. Nothing goes to your estate even though you paid the premiums.

Most financial advisors suggest that you offer a firm "no" when offered credit life insurance.

4 Be Cautious of Debit Cards.

Be aware of the unique risks of debit cards and how they differ from credit cards. When you use a debit

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card for your business or personal transactions, you must already have the money in your bank account. Debit cards give you no grace period for paying your bill; the bank deducts the money from your account immediately each time you use it.

Unless you're a fastidious record keeper, keeping your account in balance can be a problem. It's easy to misplace a receipt and forget to notate the transaction in your check register. That can result in overdrawn accounts and financial penalties.

With credit cards, you may dispute errors or unauthorized charges and withhold payment until the matter is resolved. With a debit card, you have spent the money the moment you complete the transaction.

If you're a "convenience user" of business credit—someone who pays off credit card balances in full each month—the last thing you need is a debit card. You're now enjoying up to 30 days of free use of someone else's money. This is an example of "using the float," taking advantage of the period between the purchase date and when the money is actually withdrawn from your account. In this

no easy way out. Debt consolidation may sound like an easy cure, but even successful professionals have found that this choice often leads to an even more burdensome debt load."

"Consolidating debts may be only digging yourself into a deeper hole," says certified financial planner, Brent A. Neisner, Greenwood Village, CO. "Before you take that serious step, you

able on a lease basis.

For more information on this subject, log on to: <http://www.lease-guide.com/lease03.htm>

7 Think Twice Before Signing Up For That Service Contract.

Service contracts are the most profitable items sold by many equipment vendors and retailers. Sellers of

It can make sense to lease if you will be able to use the cash in your practice or in your investments to earn a better return than the cost of leasing.

should ask yourself how you got into debt trouble. Overspending almost always involves emotional and psychological issues that aren't going to go away by treating the symptoms."

You can find further information on debt counseling at the website of the National Federation for Consumer Counseling: <http://www.nfcc.org/>

6 Consider Leasing.

Leasing products like cars or vans

contracts (sometimes called maintenance agreements) have a big advantage over buyers. By using their repair history records, they simply add a substantial markup to the average cost for maintaining a given product, thus guaranteeing them a tidy profit.

That's why only business owners who historically require more than the average amount of repair service for their equipment can hope to come out ahead by buying service contracts.

Of course, if you're one of those people who remains convinced that your products collapse 24 hours after the warranty expires, you're a good candidate for service contracts.

8 Use All of Your Money to Make Money.

Open a money market account at your bank and have it linked to your business checking account to allow for telephone or online transfers. Then, deposit all of your daily receipts into the money market account where they will immediately start drawing interest.

Never deposit receipts directly into your checking account. Keep a minimum balance in the checking account and transfer cash by phone or online only as needed to cover checks written. Modern technology has made telephone and online money transfers so quick and easy that you can't afford to pass up this profit-enhancing technique.

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case, you should congratulate yourself on your financial acumen and hang on to those credit cards.

5 Beware of Consolidating Credit Card Debt.

Debt consolidation comes in several varieties including debt consolidation loans, balance transfers to a zero-percent credit card, and home equity loans or lines of credit.

Are these services a magic cure for credit card debt? "No," says Chris Viale, C.E.O. of Cambridge Credit Corp., a nonprofit credit-counseling agency based in Agawam, Massachusetts. "Once you allow yourself to fall into unmanageable debt, there's

for personal use is often not economically advantageous. Most accountants agree that leasing is the most expensive way to maintain a car exclusively for personal use.

However, the rules of the game are different for business. The nature of business accounting is such that leasing can be the most sensible approach to many types of capital investment. It can make sense to lease if you will be able to use the cash in your practice or in your investments to earn a better return than the cost of leasing.

Talk to your tax advisor about this the next time you're considering any purchase of capital equipment for business use that might be avail-

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9 Don't Be In a Big Hurry to Pay Your Bills.

Ever notice how checks are slow to come in from people who owe you

sonal affairs can be problematic. When it comes to business, however, careful use of credit can be one of your most effective money management tools.

It makes more sense to spread

utation by keeping a spotless credit history.

How much money we earn is the yardstick by which many of us measure financial success. For those in the know, however, earnings are only one-half of the money equation. Equally important is the manner in which we manage those earnings. Making the right money decisions is an essential ingredient in the recipe for long-term financial security. **PM**

Pay your bills just before they're due— not before, not after.

money? That's because hanging on to cash as long as possible keeps that money available to draw interest or to work in the business.

Take the time to set up a system that provides for paying bills just before they're due. Don't go overboard and jeopardize your credit standing by paying bills late. Pay your bills just before they're due—not before, not after.

the cost of capital purchases out over time than to put stress on your cash flow by laying out large amounts of cash that you could put to productive business use. In addition, the costs of borrowing are legitimate tax deductions for businesses and professional practices.

Credit, when used in a sensible manner, can be a powerful profit enhancer. Once you make use of business credit, though, it is essential that you protect your credit rep-



Bill Lynott is a management consultant, author and lecturer who writes on business and financial topics for a number of publications. His latest book, *Money: How to Make the Most of What You've Got* is available in bookstores.

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10 Don't Be Afraid of Credit.

Extensive use of credit for per-