

# The Peaceful Productivity Podcast

## Ep #87: Financial Confidence



Full Episode Transcript

[The Peaceful Productivity Podcast®](#), with your host *Kim Christiansen*

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Welcome everyone. I'm Kim Christiansen and this is The Peaceful Productivity Podcast, where I share strategies to help you get the most outta your time and feel better in the process.

Hi everyone. Welcome to another episode of the Peaceful Productivity Podcast. So happy that you are joining me today for a conversation about financial confidence. When people find out that I'm a CPA as well as a business coach, I think the number one question that always comes up is, what numbers do I need to pay attention to in my business to ensure that my business stays healthy?

What do I need to be on top of? And I think where this question is coming from is this idea that. The reporting around our business is really complicated and the language that we use to discuss financial terms doesn't help at all in this regard. There's a lot of ambiguity around the terms, but there's also terms that can mean different things depending on the context that you use them.

So anyway, all that to say that it can be very confusing. So I thought I would dedicate an entire episode to helping make sense of the financial reporting that's coming out of your business in order to help you make stronger and more confident decisions in your business. So the three reports that I'm gonna talk about today are the balance sheet, the income statement, and the cash flow statement.

So let's start first with the balance sheet. The balance sheet is simply a summary of all of your assets and liabilities in your business. I like to think about it a little bit like if your business was your body, how can you take care of your business? Knowing what your assets and liabilities are in much the same way that you take care of your body.

It's kind of like going to the doctor and getting a physical, getting a checkup, and the doctor says to you, okay, your assets, the things that you can rely on to help give you energy in the future are your, your brain, your heart, your cardiovascular system, your sleep hygiene, your mobility, all of these things are assets to you when it comes to creating energy.

And similarly on the liability side, things like maybe a family history of medical conditions, maybe some existing medical conditions. Those are things that you want to pay attention to and tend to much the way that you would tend to your liabilities in your business. So the balance sheet is really just a summary of all of the assets that you have in your business.

Things like your cash, your inventory, your equipment, your employees, all of those things that you can rely on in your business to help you generate revenue. Those are your assets in your business. If you're a solopreneur. The interesting thing about the balance sheet is that it doesn't necessarily quantify those assets that you primarily rely upon in the beginning stages of your business.

Things like your ingenuity, your experience, your resourcefulness, your confidence, your time, and your own innovation. So those are all assets as well that you can rely on in your business, but they're not quantified on the balance sheet. Now, when it comes to liabilities, these are the things that you will want to monitor and pay attention to because they are things that you owe.

Things like loans or purchases that you've made on credit that you haven't necessarily paid for yet. So those are your liabilities. Now, the balance sheet is very, very helpful when it comes to strategic

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planning. Understanding what your unique set of assets and liabilities are in your business sets you up really well for understanding where your strengths and your opportunities are.

I like to recommend looking at the balance sheet when you're doing some strategic planning, and often you'll see that the balance sheet is one of the key reports that you need when you are sourcing capital investment. So often at the business planning stage, you'll do a bit of a balance sheet. I like to recommend looking at the balance sheet at least quarterly.

Maybe in the beginning more frequently than that, but especially when you're looking out long term, the balance sheet is very, very helpful. One way that's kind of interesting in terms of looking at this is to think about if you were selling your business or if you were buying a business, what are the assets and potential liabilities that you would be taking on if you were buying a business?

So what are those things that you're buying that would ultimately generate income in the future? That's the purpose of a balance sheet, is to give you a sense of what the capacity and potential of this business is for generating revenue in the future. Now, the next report that I want to talk about is the income statement.

Sometimes you'll hear it called the profit and loss, or the P and L. If we go back to the physical health analogy, the income statement is like going to the doctor and getting a snapshot of your levels at a point in time. So getting some blood tests run and seeing what your levels of cholesterol, sugar, seeing what those levels are, and getting a report back on those levels.

That's, similar to what an income statement is meant to achieve. So the income statement in your business is revenues, both those that have been collected, but also those that are owing to you and your expenses, things that you have purchased either on credit or with cash. Now the income statement can be very, very helpful for planning as well.

So it's a monitor of performance, but you can also use it to help you to predict the future. So when we're looking at cash flow, and I'll get to the cash flow statement in just a moment, but when we're looking at cash flow, it's very helpful to understand what our commitments were in the past so that we can better enable us to plan for the future.

In terms of regularity, I like to suggest looking at the income statement at least monthly, if not more frequently in the beginning. Just to give you a sense of what are those ebbs and flows of revenue? How long is it taking you to collect your revenue? What kind of purchases are coming up on a regular basis or on an irregular basis?

Things that you were able to anticipate, but maybe also those things that you hadn't anticipated. Getting a really good finger on the pulse, of your business helps you to predict and manage your business performance going forward. And then the last one is maybe what I would suggest is the most important one, and that's cash flow management.

Now, you don't have to get really sophisticated with cash flow management. Basically it's just the inflows versus the outflows. So where the income statement is talking about things that are owed to you or things that you owe, the cash flow statement is all about the ins and outs of cash, and cash is king.

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That phrase has become a cliché for a reason, because cash, it really indicates your flexibility. In accounting, we call it your liquidity, your ability to make commitments to your customers and follow through on those commitments. So it's a really good to have a, a finger on the pulse of your cash flow.

So cash flow in the physical health analogy is, really diving in and looking at what it is that creates energy for you today and what's depleting your energy today so that tomorrow you can have a better sense of what it is that you can commit yourself to. I like to recommend looking at cash flow at least weekly, in the beginning, maybe even daily.

The reason why we wanna look at it so frequently in the beginning is because we don't have a lot of financial history in order to make better predictions about what's coming up. So when you have your finger on it more closely, more frequently, then it just helps to set you up for making better decisions on a day-to-day basis.

So in the beginning, I would say at least weekly, if not daily. Now, the cash flow statement does not need to be complicated. In fact, I have a little tool in Excel that I use. And I'll offer that on my website on the free resources page of my financial wellness coach.ca website. And you can go in there and download it.

And basically what it does is it puts you in a position to look out for the next few weeks and understand how you're doing from a cash flow perspective. All of this information is intended to help you make decisions about your business from a more powerful place. If you know what to expect in terms of expenses coming up and you know what your sales revenue is going to be for the near future, then those almost become like levers that you can press in your business.

So you can understand what creates revenue for you, what creates sales. You can also understand the rationale that went into the expense decisions, and that puts you in a position of power, because then it simply becomes a lever that you push to either increase the sales or decrease the expenses. Or maybe make investments for growth, knowing what your cash flow is going to be, when all of that stuff is kind of flying under the radar, it makes it really hard to make informed decisions, and that's when we start to get into this position of feeling scarce and insecure about our money.

And then we start making decisions in a very reactionary mode. Based on what we think might be happening under the surface. My coach likes to say it's the difference between making decisions based on math and making decisions based on drama. So there's the numbers of what's actually happening, and then there's our thoughts and our feelings about those numbers.

And having these financial reports just allows us to differentiate the two. And you'll know if you listen to my last episode on self-doubt, that making decisions from a place of both logic and emotional intelligence is the sweet spot. That's the place where we want to be. So having these financial reports helps put you in that position to really make intentional, logical decisions.

But also based on a place of desire of service, of wanting to make a contribution of feeling fulfilled, feeling in control, rather than making decisions based on fear or intimidation or overwhelm. If you're looking for any help with financial confidence, with reading your financial reporting, setting up a cash flow statement, or just developing your financial confidence, I would love to be of assistance.

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A client wrote me the nicest email recently. She said, Kim's help in getting me organized and set up for my company, gave me so much confidence. She also said it's often lonely being a business owner and feeling like you have to do it all yourself. Having someone on your team rooting for your success is something everyone should have.

Within two sessions, I went from feeling overwhelmed and in over my head with my new company to feeling excited and prepared for the future. If I can be of assistance, please don't hesitate to reach out to my website at [financialwellnesscoach.ca](http://financialwellnesscoach.ca). Thanks everyone. Have a great week.

Are you looking for a coach who will help you increase your business profit while protecting your time and your wellbeing?

If so, I'll invite you to check out my website, [financialwellnesscoach.ca](http://financialwellnesscoach.ca).