

## The Business Plan: Roadmap or Roadblock?

*Reprinted from the MoneyMatters NJ website, with permission of NJCPA*



New Jersey Society of  
Certified Public Accountants

ROSELAND, N.J. — “It’s the Great American Dream, to be your own boss,” says Marty Abo, CPA, describing the small business entrepreneurship. “If you’re not careful, you can end up earning \$1.50 an hour, working 90-hour weeks with the potential to lose your shirt.”

If the words “business plan” sound like something from business schools that are just for corporate America, Abo, the founder of Abo and Company, LLC in Voorhees, disagrees. He encourages all business entrepreneurs, especially start-up operations and small businesses, to take the time to plan. “Entrepreneurship and excitement but, then again, I don’t want to represent you in bankruptcy,” he says.

Many members of the New Jersey Society of Certified Public Accountants (NJSCPA) serve as business advisors, helping owners and managers solve problems and keep their companies on track for success. Many CPAs have the expertise to see the real-world factors that affect “the numbers,” and the experience to help guide businesses to greater success.

A good business plan is a good place to start, according to Paul Rich, CPA, of Rothstein, Kass & Company, PC, headquartered in Roseland. “But too many people see it like a dental chair,” he says. “They are not in touch with how important a business plan really is.”

According to Rich, fear is one of the biggest obstacles to business planning. There is fear that there is not enough time, fear associated

with where to start, and fear about what may be found at the end of the process. Rich doesn’t discount the last concern, but says, “You can walk away with a good plan and hopefully save years of effort put in the wrong place.”

Banks and the kind of business plans they require for loans may actually reduce the amount of effective business planning that takes place. Many business plans are created specifically because it is a requirement for getting a loan, the CPAs note. “To the businesses, it’s just homework,” Rich says. “Homework. Typically, it’s not something the businesses are using internally. That is a big error sometimes made by management.”

“The plan has got to make sense to you,” Abo says. “It’s the road map.”

Technology can be a major asset in making business plans truly useful, Abo says. Spreadsheet models are an extremely valuable part of a business plan. “They help you know, before you do it, if it makes sense,” Abo says. “It’s a dynamic tool that helps you adapt and adjust.”

Business plans can be made to be simple, Rich says. It can be as straightforward as having regular, documented meetings with your CPA or another business advisor to discuss important business issues.

First discuss your overall objectives, Rich suggests. Then deal with more specific issues such as finance, marketing, research and development, personnel, operational issues, and succession planning. “It’s like stepping back and taking a deep breath after working so hard for a

living,” Rich says. Take an hour a week or every two weeks, to step back and think about the business. Those can be the beginning steps to creating your plan.”

Abo and Rich agree that nearly any size business can benefit from a business plan. Size doesn’t matter. “Small business person? Big business person? It’s the same,” Abo says. “It just depends on where you put the decimal point.”

Even a “mom and pop” operation may have important business planning to do,” Rich adds. It might not have questions about operations,” he says, “but there could be significant areas such expansion, marketing plans, or personnel issues for consideration.

“Where are we? Where do we want to be in five years? Is what we are doing today getting us closer to where we want to be in five years, or are we just filling the day?”

With all the benefits that business plans offer, why do so few businesses — especially small businesses — have business plans? “People don’t want to do it,” Rich says. “It’s like having a will. They put it off. They don’t realize how valuable it can be.”

For more information about business and financial planning, visit the Money Matters website at [www.MoneyMattersNJ.com](http://www.MoneyMattersNJ.com). To speak to a CPA about fraud risk and prevention, you can use the NJSCPA’s free online referral service at [www.findacpa.org](http://www.findacpa.org). The Find-A-CPA service allows you to look for a CPA to serve you based on firm size, location, even languages spoken.

**ABO AND COMPANY, LLC**

Certified Public Accountants — Litigation & Forensic Consultants

Reprinted with permission from BIZ Spotlight, Tax Planning



## BIZ Spotlight

### Don't You Believe It

by Martin C. Daks

With all of the complexity of the federal tax code—and the desire of so many people to minimize their financial liability under it—perhaps it's natural that some myths have developed around the subject. But acting on them can get you or your company in trouble, says Martin H. Abo, a principal in the Voorhees CPA firm of Abo and Co.

*“One big issue is salaries and Subchapter S corporations,”* he says. Named after a section of the federal tax code, Sub S companies generally provide a degree of liability protection for their shareholders/officers and pass through the company's profit or loss to the individual owners.

*“Some Sub S officers think that they'll save on Social Security, Medicare and federal and state unemployment taxes—which can exceed 22%—if they don't take a salary. Instead they'll call the payments S Corporation Distributions, or perhaps Officer's Loan,”* Abo says. *“They think they're being smart, but showing little or no salary expense on a Sub S return is like waving a red flag in front of an IRS agent.”*

Instead, he says, salaries should be reasonable, based on the size of the organization and the responsibilities of its shareholders/owners.

Another myth Abo skewers is “audit roulette,” or betting that IRS doesn't have the manpower to chase down every shady-looking return.

*“Don't believe it,”* he warns. *“The IRS and state tax officials across the nation have established partnerships designed to combat abusive tax shelters and other schemes. For example, one category that's getting attention is automobile dealerships. The IRS says it has identified an increase in scams and fraud involving the automotive-sales industry and that its criminal investigation divisions is in the process of conducting investigations relating to tax evasion, employment tax fraud, money-laundering conspiracies and violations of the Bank Secrecy Act.”*

Another popular myth concerns non-corporate consultants or independent contractors who don't get a 1099 form—a statement of miscellaneous income that goes to the IRS and to the person who received the revenue. Some people think the absence of a 1099 means they can forget about reflecting the income on their tax return.

*“Taxable income is required to be reported on your tax return regardless of whether or not a 1099 is issued,”* Abo says. *“Besides, there are a number of ways to be 'caught' by IRS sophisticated software and audit techniques that will look at people other than the actual taxpayer.”*

And don't even think of suggesting that a payer “forget” to issue a 1099. *“That one will put the contractor and his or her company at risk for serious penalties and scrutiny,”* Abo says. *“The federal and state taxing authorities are increasingly focusing their attention in this area and are imposing tough penalties that otherwise might be avoided.”*

ABO AND COMPANY, LLC

Certified Public Accountants — Litigation & Forensic Consultants