



MGE Power Program Executive Seminar

**Based on the works of
L. Ron Hubbard**

FINANCIAL PLANNING & PROFITABILITY

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What We're Covering at This Seminar!

1. THE **FINANCIAL MANAGEMENT HAT**.
2. YOUR **BIGGEST** MONTHLY EXPENSE (AND HOW TO LOWER IT DRASTICALLY).
3. **OVERHEAD**: HOW TO PROPERLY DETERMINE YOUR OVERHEAD, WHAT YOU SHOULD BE SPENDING BY CATEGORY AND WHAT CATEGORIES CAUSE THE MOST TROUBLE.
4. HOW TO ORGANIZE PRACTICE FINANCES TO **CREATE A SURPLUS**.

What We're Covering at This Seminar!

5. THE **EXACT** STEPS TO TAKE IF YOU'RE **SPENDING MORE THAN YOU MAKE!**
6. HOW TO ENLIST YOUR TEAM TO INCREASE INCOME AND **CREATE A SURPLUS** - AND TAKE MORE RESPONSIBILITY!
7. HOW **YOUR** ATTITUDE AFFECTS YOUR ABILITY TO MAKE AND **HAVE** MONEY (AND WHAT TO DO TO IMPROVE THIS).
8. CREATING A BONUS SYSTEM FOR YOUR PRACTICE!
9. IMPLEMENTATION STEPS.

Who is in Charge of Finance?

What is the seniormost executive position in relation to Finance in an organization?

THE C.F.O. or
CHIEF FINANCIAL OFFICER

Chief Financial Officer Hat

Exec	1	2	Treasury	3	5	6
CFO						

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CFO vs. Bookkeeper

Exec	1	2	Treasury	3	5	6
CFO			Bookkeeper			

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CFO vs. Bookkeeper

CFO: Senior executive position in an organization. Manages company finances. Responsible for the overall financial success, viability and profitability of the organization. Duties would include financial planning, strategy, management, managing financial risk, etc.

Bookkeeper: A position that maintains the financial records of a company and may record or pay bills, reconcile accounts, etc. Sends reports to owner and financial management to help make decisions.

Viable

"Viable: capable of supporting itself and thus staying alive."

L. Ron Hubbard

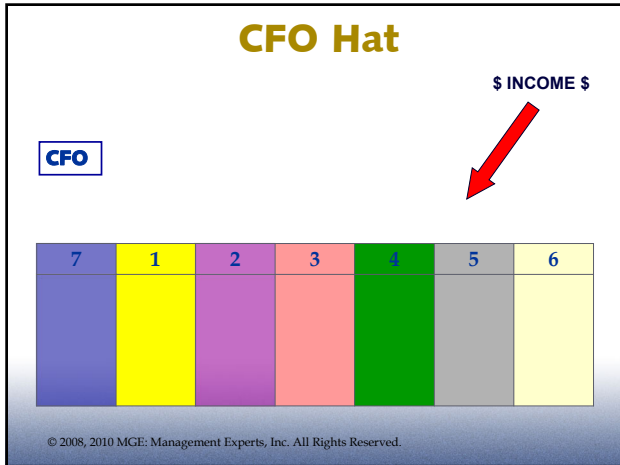
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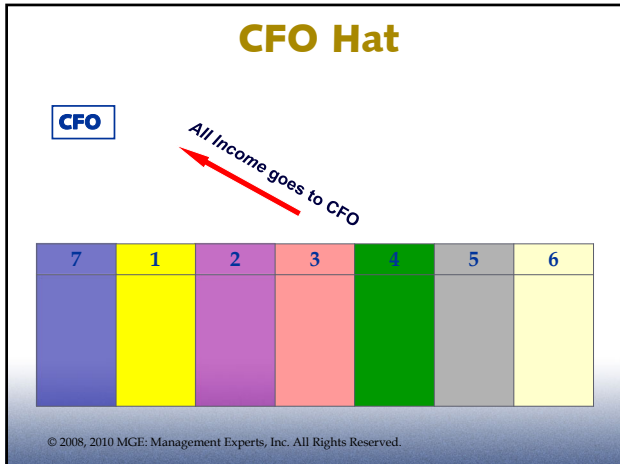
CFO Hat

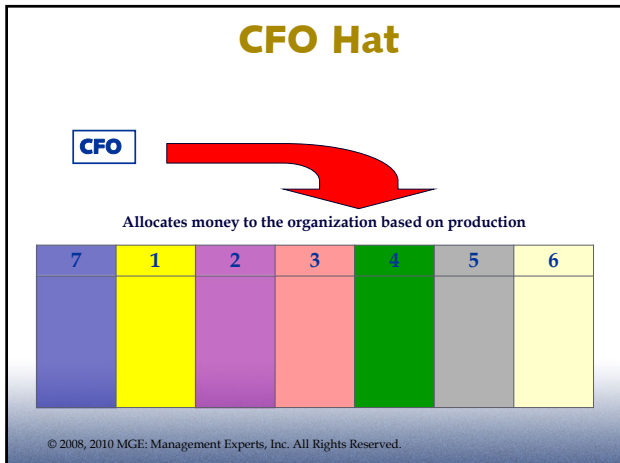
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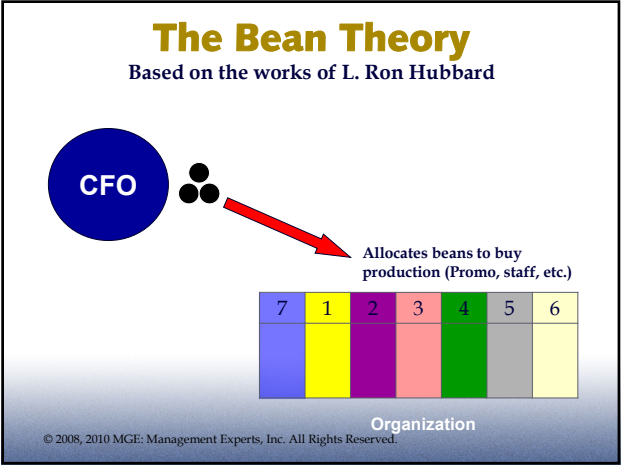
7	1	2	3	4	5	6

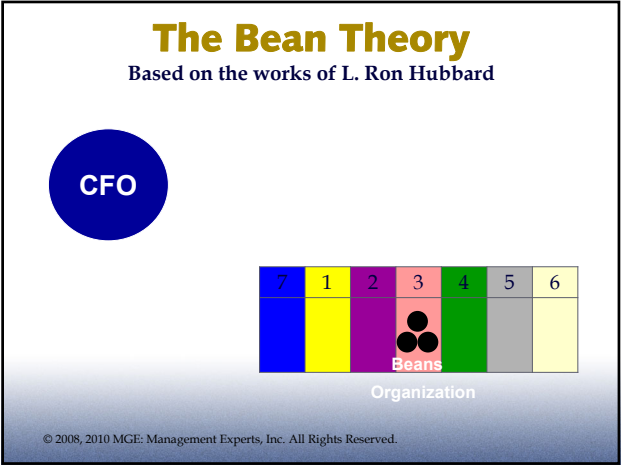
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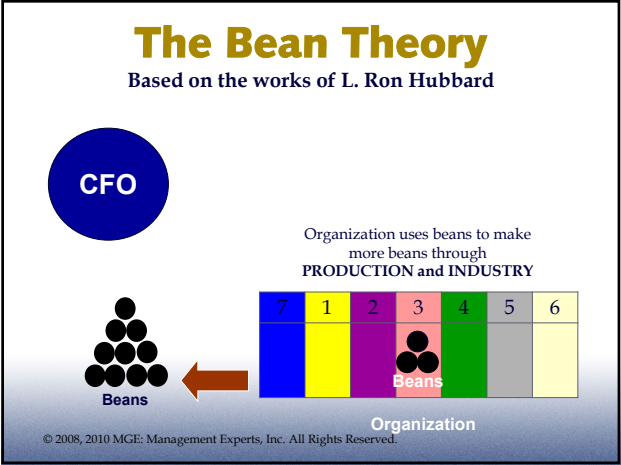






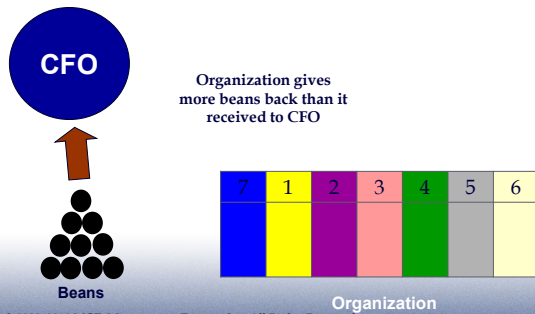






The Bean Theory

Based on the works of L. Ron Hubbard



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Your Greatest Monthly Expense

By L. Ron Hubbard

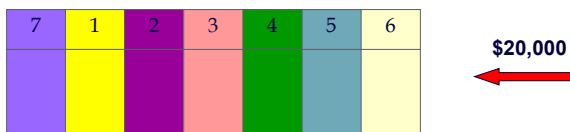
“Foolish or unreal expense is prevented because it’s a poor investment.”

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Your Greatest Monthly Expense

Based on the works of L. Ron Hubbard

But an org of \$50,000 income potential making only \$20,000



Income potential \$50,000

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Your Greatest Monthly Expense

Based on the works of L. Ron Hubbard

"Is a weekly loss of \$30,000 to Finance."

Potential \$50,000

Minus

Actual \$20,000

LOSS: \$30,000!

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Exercise

1. Work out the monthly **income potential** for your practice. If you have trouble with this, then do the following:
 - a. Determine what would be a good (not "great" production day in your practice),
 - b. Production amount must be adjusted or collectable.
 - c. Then multiply this by the average days you work per month.
2. Now determine what your *actual* collections have been (average) for the past three months.
3. Subtract "1" from "2" to work out your monthly loss.
4. If you're watching with others from your office, you can work on this exercise together.
5. When done, type "potential" in the chat.

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Exercise – Example

1. Monthly income potential:
 - a. "Good" day of production in the practice is \$8,000,
 - b. Average days worked = 17.
 - c. $\$8,000 \times 17 = \$136,000$.
2. Last three months of collections: \$110,000, \$95,000, \$107,000 = average is \$104,000
3. $\$136,000$ minus $\$104,000 = \$32,000$

Monthly "Loss" is \$32,000 or \$384,000/year!

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Sample Payroll related taxes - Employee

Employee "A" is paid \$500.00 per week
\$150 is held for withholding (income) tax.
\$38.25 (7.65%) is withheld for FICA.
\$15.00 is withheld for state tax.
\$326.75 is the employee's net pay

The remainder, in addition to employer
matched taxes, are paid to the applicable
government tax agencies per the schedule set
up with them.

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Sample Payroll related taxes - Employee

Gross Pay	\$500.00
Less: W/H	\$120.00
Less: FICA	\$ 38.25
<u>Less: State Tax</u>	<u>\$ 15.00</u>
Net Pay	\$326.75

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Sample Payroll related taxes - Employer

Employee "A" is paid \$500.00 per week
Employer allocates pay for employee. \$500.00
Add: Employer must "match" the FICA \$38.25
(7.65%)
Add: Unemployment (Example 3%) \$15.00
Total employer expense \$553.25

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Weekly Allocation Amount

Basic monthly expenses needed to run the office can be determined by using the overhead sheet. As Financial Planning is done **weekly**, you would need to determine your weekly allocation amount. Two easy ways to do it are as follows:

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Weekly Allocation Amount

EXAMPLE:

Monthly Allocation $\$40,000 \times 12 = \$480,000$.

$\$480,000$ divided by 52 = $\$9,230.77$.
 $\$9,230.77$ would be your weekly allocation amount.

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Weekly Allocation Amount

2. Take your monthly overhead, and divide by it four. This can be useful if you are not open a full 52 weeks a year.

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Weekly Allocation Amount

EXAMPLE:

Monthly Allocation \$40,000

\$40,000 divided by 4 = \$10,000 per week.

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Common Overhead Mistakes

1. Undercounting monthly payroll or expenses, by multiplying weekly amounts by "4," as opposed to multiplying by 52 and dividing by 12,
2. Incorrectly calculating estimated employer tax costs for payroll.
3. Missing quarterly or semi-annual expenses,
4. Overestimated expenses by using only past expenditures for budgeting.

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Percentage by Category

<u>Category</u>	<u>Percentage</u>
Rent and Mortgage Expense	4-5%
Lease Expenses	**
Loans and Lines of Credit	**
Credit Cards	**
Insurance	2%
Outside Services	1.65%
Utilities	.6%
Communication & Phone	.6%
Dues & Licensing	**

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Percentage by Category

Category	Percentage
Subscriptions	**
Payroll Expense (Includes Taxes)	22.5%
Advertising	3-5%*
Continuing Education	1-5%
Office Expense	1.25%
Dental Supplies	6-7%
Lab Expenses	8-10%
TOTAL	50.6-60.6%
GROSS PROFIT	39.4 - 49.4%

* = Depends on how *aggressive* the practice wishes to grow - could be upwards of 10% + if so desired.

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Overhead Trouble Spots

1. Leases/Loans,
2. Payroll,
 - a. Low TX Accept.
 - b. Paying the person – not the position
 - c. Underproducing
 - d. Misallocated personnel,
 - e. Incorrectly compensating associate
3. Marketing/Advertising,
4. Dental Supplies,
5. Lab Expenses.

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Plan/Planning Defined

Plan: 1. An action or course of action (determined beforehand) which one intends to do in order to accomplish something. 2. To design or prepare a method, program or series of actions for.

Basic Account System

Control Account

All Deposits &
Income go into this
account

Reserve Account

10% of Income

Main Account

All disbursements
(i.e. bills, payroll, etc.)

Profit Account

Remainder after
allocation goes
here

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Weekly Financial Planning

\$20,000

Control Account

All Deposits & Income
go into this account

Reserve Account

10% of income

\$2,000

Keep saving!

Main Account

All disbursements
(i.e. bills, payroll, etc.)

\$10,000

Income \$20,000
Less: Reserves \$ 2,000
Less: Allocation \$10,000
Left (Profit) \$ 8,000

Profit Account

Remainder after
allocation goes
\$8,000 here

Use to pay down debt or take additional profit
while ensuring you keep enough to pay taxes
as applicable per your accountant

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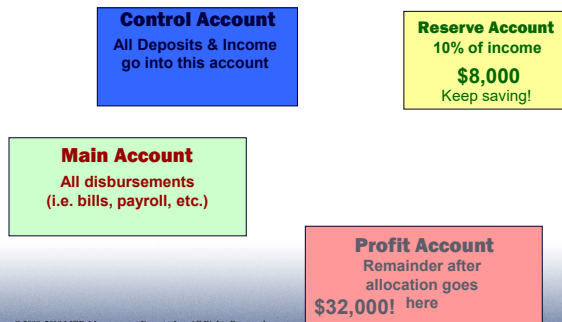
A Note Regarding The Control Account

As a precaution, you may wish to leave an adequate sum of money in the Control Account to cover (among other things):

1. Bounced checks.
2. Bank or accounting errors.
3. Delays in receiving funds (i.e. credit card payments, etc.).

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Four Weeks Later...



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Exercise

1. List out any areas of your practice that are not operating at exchange condition 4. If you are watching this seminar with someone else, you can work on this list together.
2. Now determine how to bring these areas up to exchange condition 4.
3. When done, type "exchange" in the chat.

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Exercise

Based on the works of L. Ron Hubbard

1. If you are watching this seminar with someone else, you can work on this exercise together. Otherwise, make this list on your own and send it into MGE at seminar@mgeonline.com to side check.
2. Come up with three examples that either of you has observed for each point listed.
 - a. Raising the standard of living of employees above what is earned.
 - b. Raising his own rewards above what he personally is earning in terms of VFPs.
 - c. Ignoring the real producers of the group and not seeing that their standard of living is comparable to their individual production.

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Exercise, Continued

Based on the works of L. Ron Hubbard

- d. Ignoring the nonproducers and the overt product makers.
- e. Listening to a bunch of PR from a staff member about how valuable that staff member is and surrendering to it without ever really counting up the real VFPs that staff member is not producing (or even preventing).
- f. Working himself or herself half to death without demanding production from others.
- g. When done, type "Production" in the chat.

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DRILL

- 1. Write a sample C.S.W.
- 2. If you are watching this seminar with someone else, see if they would approve it or not. If not, fix the points that need fixed and get it approved.
- 3. If you are watching this seminar alone, send a copy to seminar@mgeonline.com for a side-check.

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"Can't Have" Defined

By L. Ron Hubbard

"A 'can't have' means just that—a depriving of substance or action or things."

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"Enforced Overt Have" Defined

By L. Ron Hubbard

"Means forcing upon another a substance, action or thing not wanted or refused by the other."

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PTS Personnel and Finance

By L. Ron Hubbard

"A PTS person will run a can't have on the org and its staff by:

- a. Refusing income,
- b. Wasting income made,
- c. Accepting wrong customers and forcing them on the org,
- d. Fail to provide staff or service,
- e. Advocate overt products."

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"Overt Product" Defined

By L. Ron Hubbard

"A bad one that will not be accepted or cannot be traded or exchanged and has more waste and liability connected with it than it has value."

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More on PTS Handling

By L. Ron Hubbard

"PTS is a connection to an SP. That is true. But what may be overlooked is that persons of the middle class (which is a culture, not an income bracket, to which belong all the puritan hypocritical mores of the cop and get-a-job-be-a-moderate-plugging-success) frown very terribly on anything that the least bit tries to make a better world. The middle class wants the world of a job and order and even hypocrisy and cops because they are AFRAID. They hold their narrow views because any other views may disturb their twenty-year house mortgage, the store, the job."

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More on PTS Handling

By L. Ron Hubbard

"So when someone decides to make a better world, they look on him as a direct menace even though the dull middle-class world is a sort of slavery and suicide. It is the middle class that tries the hardest to keep the down-and-outer out and down, who go along with a cop America and hate support of anything not their class. And nearly every PTS you have will be found one way or another to be PTS to the middle class. As a group, not as individuals, the middle-class-parent world suppresses anything different. So you have PTSES."

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More on PTS Handling

By L. Ron Hubbard

"The bulk of your PTSES may very well be PTS to a class, the middle class of which their particular SP is simply a member. Few of them realize this or even that the middle class (bourgeoisie) ARE very suppressive to anyone who tries to do something in the world besides support the system. My attitude in this is that both the capitalist and communist are alike old hat and a bore, that they've made a ruddy mess of things, exhausted the planet and, with their senseless wars, smashed up mankind."

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More on PTS Handling

By L. Ron Hubbard

"The person has to handle. If he does so, he will begin to get well and cease to have problems. The reasons he cannot handle are because he tries to do it in the heroic fashion that is required in a disconnect. Handling can be very, very gradient. It doesn't have to be an explosive handling. It can be very gentle. All you want is the person at cause and that is attained on a gradient toward the SP."

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More on PTS Handling

By L. Ron Hubbard

"The whole crux of PTSes is HANDLE. And the misunderstood on it is how gently one can handle.

Many of them are caught up in the mystery of why they are snarled at and have no conception of the middle class as a formidable and jealous force that goes psychotic when it feels anyone may get away from the treadmill and threaten their uneasy and doomed lives."

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Exercise

1. List out any area where you would like to increase your reach or havingness.
2. If you are watching this seminar with someone else, you can (if you wish) share what you came up with.
3. Keep this list to review with your MGE Power Client Manager.
4. When finished, type "reach" in the chat.

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Exercise

1. Figure out at least five ways that you could extend your practice's communication lines out further. Note these down.
2. If you are watching this seminar with someone else, you can work on this list together.
3. You could also have us side-check your list by emailing it to seminar@mgeonline.com
4. When finished, type "comm" in the chat.

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Choosing a Weekending

Beyond basic day-to-day management functions, overall company management is done on a *weekly* basis. At the end of each week, you'd collect and post stats, do Financial Planning, Exec Meetings and Staff Meeting.

What follows is an *example* of a practice that is open Monday through Thursday. Their week ends Thursday evening, and their new week begins Friday morning.

Choosing a Weekending

SUN.	MON.	TUES.	WED.	THU	FRI	SAT
Week 1 (Continued)					Week 2	
	Staff Meeting			Stat Collection	Exec Mtg. & FP	
Week 2 (Continued)					Week 3	
	Staff Meeting			Stat Collection	Exec Mtg. & FP	
Week 3 (Continued)					Week 4	
	Staff Meeting			Stat Collection	Exec Mtg. & FP	
Week 4 (Continued)					Week 5	
	Staff Meeting			Stat Collection	Exec Mtg. & FP	

Weekly Financial Planning

1. Get all banking done for income that week.
2. Using your deposit slips and batch reports, total all income for the past week and verify it against reported income (from day sheets or the like).
3. If not done already, enter your deposits into your Control Account.

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Weekly Financial Planning

4. Do your allocation sheet.
5. Do account transfers.
6. Ensure your bank account information is up to date.
7. Ensure all bills on hand are entered (into software or on a bills summary).

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Weekly Financial Planning

8. Based on your allocation, pay your bills. Keep an eye out for any categories that may have exceeded their budgeted amount and investigate.
9. Take your allocation sheet, any worksheets, and administration from your Financial Planning for that week and place them in a manila envelope. Put the date of the FP on the outside of the envelope and file.
10. At least on a monthly basis, review your Profit account and determine what these funds will be used towards and do so.

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