

# YOUR BOOKKEEPER – WHO’S “IT”?

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First let’s define “bookkeeper”-- This is the person who (among other things) :

- ✓ “Keeps the checkbook”, knowing how much is in the bank.
- ✓ They invoice the customers and record customer payments so you know who’s paid and who hasn’t (or in the case of property owners, they know who’s paid rent),
- ✓ They pay the bills of the company
- ✓ They administer payroll so people get paid
- ✓ They may calculate and pay sales tax, if applicable

Then, let’s all acknowledge that every business *needs* a bookkeeper—at the very minimum you have to run the checkbook and be able to have some kind of numbers to create a tax return. And if we can get beyond the beginner’s lemonade stand mentality, you should be able to have a full and accurate picture of your income, expenses, liabilities, equity and assets so you can analyze the finances of your business in order to make smart decisions.

You basically have four choices of who will do the job—I will give you the pros and cons of each one:

1. You, the business Owner
2. A family member
3. An employee
4. A Bookkeeping Service Company

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## 1. YOU THE BUSINESS OWNER

### a. PROS

- i. You’re very affordable
- ii. You have most of the answers
- iii. You will be very on top of your numbers
- iv. No one can cheat you
- v. You may learn some new skills

### b. CONS

- i. You may be very expensive, if you’re taking time away from *making* money in order to do this task
- ii. You may really be bad at it or you may just hate it
- iii. You will likely get behind on it, unless you’re extremely disciplined, causing you to live with guilt and a weight on your shoulders all the time
- iv. It will use up your spare time and make you grumpy

All that being said, the business owner is almost always the first person to do the books in a new business. Why?

- a—There's no money to pay anyone else
- b—It seems logical and part of the process as you begin to do it yourself
- c—You think you're superman (or woman)

## 2. A Family Member

- a. PROS
  - i. They're affordable
  - ii. They care about you and want to help
  - iii. You can trust them not to cheat you (probably)
  - iv. They may turn into an amazing bookkeeper (or be one)
- b. CONS
  - i. They may get sick of the pay scale
  - ii. If it's a spouse, you may end up with an attorney, or at the very least a marriage counselor
  - iii. They may be really bad at it
  - iv. They might not give it proper attention or you may not be able to demand much of them, since they're not getting paid
  - v. You may not want them knowing your business (unless it is a spouse)
  - vi. It's hard to get rid of them without harming the relationship, especially if they happen to like it and yet they need to be replaced

That being said, a family member, especially a spouse, is the second-most likely person to be the bookkeeper at the beginning of the business for all of the reasons the owner is. When it's a spouse, many businesses are able to maintain that relationship and setup for the life of the business. I learned QBs by doing the books for my contractor husband. I actually think he married me to keep me working for free. Boy did that backfire on him! Even worse, I got so good at it that I went out and started a bookkeeping company, and now he has to beg me to get me to do his work.

## 3. An Employee

- a. PROS
  - i. You can probably get a quality bookkeeper for \$18-\$25 an hour
  - ii. Because they're being paid, you can tell them what to do and when to do it (as opposed to a spouse or other family member)
  - iii. You can possibly utilize them for other administrative tasks—combo bookkeeper, office manager, phone answerer
- b. CONS
  - i. If you don't have a lot of hours you need them (our average company takes us about 6 hours a month to do their work), you may not be able to attract quality. Settling for less experience or expertise may result in disastrous bookkeeping
  - ii. If you try to hire the all-in-one person, you must watch out that you don't pay too much for an office helper or hire a bargain bookkeeper. Imagine hiring an engineer that you also want to use to stock shelves. Many business owners don't appreciate the expertise that a good bookkeeper has. A *good* bookkeeper has many of the same skill sets as your accountant, but without the little letters after their name (CPA stands for couldn't pass again)
  - iii. You will have to pay Employer's Taxes, Worker's Comp Insurance, provide a working environment desk, chair, computer, software, office supplies, and so on

- iv. If you don't have an actual office (many businesses run from their homes) you will have to have an employee poking around in your home, using your bathroom, etc.
- v. You may not want an employee knowing the details of your business—how much you make, how much other employees make, etc.
- vi. If they steal from you, recourse is more difficult
- vii. If they quit, you are suddenly in crisis. You need to replace them quickly, and there is no one to train them. Often it is hard for the new person to figure out the system the former person was using, so there are transition issues

#### **4. A Bookkeeping Service Company**

##### a. PROS

- i. You are able to utilize a specialty skill for only the number of hours your business requires at any given stage of growth
- ii. There is no risk of transition issues in an actual bookkeeping company ( a bookkeeping company is differentiated from an individual who hangs out a shingle and you can hire as a 1099 vendor—that carries the same risk as an employee when it comes to them quitting)
- iii. You should be able to assess their skill level by references of existing clients and accountants they work with
- iv. You will not have to pay any employee costs; payroll taxes, wc insurance, vacation, sick time, benefits, providing desks, computers, software, office supplies, etc.
- v. They will most often work from their location, so you do not have to coordinate your schedule with theirs
- vi. If they steal from you, they should be bonded for that purpose, and recourse is much easier against a company with assets.

##### b. CONS

- i. #1 Reason people are reluctant: They will be more expensive by the hour by at least double although you will probably do the bookkeeping work in about ½ the hours you will pay an employee)
- ii. You don't have as much control over the when and where they do your work -- you may have to adjust to someone doing your work without actually seeing them very much if at all
- iii. You may have to get up to speed on some technology in order to make work go more smoothly. Scan & email; Dropbox or other file sharing, web-based software, etc.

#### **5. A Fifth Option!!**

Often businesses will use some combination of the above—perhaps they will do some, their spouse will do some, and an employee or bookkeeping company will do some. As long as the required tasks are all covered, each party knows how to do their part correctly, and the logistics of the software can be worked out, this can be a very effective method to get the work done and still keep the cost down, and the owner's hands in the pot.

So who's "it" in your business? You, A Family Member, an Employee, a Service, or a group effort?