



Why You Must Know How Much Profit You're Earning

WITH CLARISSA WILSON

ABOUT CLARISSA

Clarissa is an accountant and financial strategist for online business owners to help them make the accounting and bookkeeping tasks easy to understand and help you be able to grow your business and discern your numbers in your business. She is a former government tax auditor, who now makes sure that her clients are prepared ahead of time for an audit or are able to avoid an audit in their business.

<https://www.nerdynumberlovers.com>



**DON'T MISS OUT ON THE
NEXT BLOGGER
BREAKTHROUGH SUMMIT**

Join our Newsletter
bloggerbreakthrough.com

SUBSCRIBE TODAY!

[Apple Podcasts](#)

[Spotify](#)

[Stitcher](#)

bloggerbreakthrough.com/bbp093

The Blogger Breakthrough Summit Podcast You Need Know How Much Profit You're Earning

[00:00:07.930] - Liz Stapleton, Host

Does anybody else out there struggle with bookkeeping or is it just me? No. Oh, good. I'm not alone. Well, no matter what shape your business finances are in, there's one number that's going to tell you more about how your business is doing or any of the others.

[00:00:21.070] - Liz

Hey, I'm Liz Stapleton, host of the Blogger Breakthrough Summit. And welcome to the Blogger Breakthrough Summit podcast, where I share some of the incredible tips and tricks that were shared during our most recent summit. In today's episode, you'll be learning from online business accountant and financial strategist Clarissa Wilson. Let's get to it.

[00:00:36.520] - Clarissa Wilson

So what is the most important number that you need to know in your business? Is it your total revenue, your total sales that you bring in your business? Is it your expenses, your profit, your return on investment, the number of customers you have? The number of followers that you have on Instagram, Facebook, TikTok, on any of those? Is it how much tax you owe or how much you don't owe? Your email list size? The bank account balance that you have? So, what do you think is the most important number?

[00:01:09.830] - Clarissa Wilson

Out of this list, and in my personal opinion, the most important number that you need to know in your business is your profit, which is your revenue minus your expenses. When you have a profit in your business, it means that your business is actually making more money than you're spending.

[00:01:39.790] - Clarissa Wilson

So is your business actually healthy? Like I said, profit is the main indicator here, not the balance in your bank account. So many of the entrepreneurs that I have personally worked with, they go by the balance in their bank account. Is there enough money in my bank account to buy this course?

[00:01:59.540] - Clarissa

Is there enough money in my bank account to join this mastermind or hire this coach or hire this assistant? They go by the bank balance. That bank balance is not your profit. And it doesn't tell you whether you have enough money in your business to pay all of the bills that you have coming in.

[00:02:20.640] - Clarissa

That's where a budget comes in, is planning for those bills that are coming in on a regular basis. And like I said, the profit is your revenue, which is the total sales minus your expenses, which is the money that you pay out to run your business, gives you the profit. And that profit is what tells you whether you have a healthy business or not.

[00:02:47.770] - Clarissa

Now, some of you are going to say, But I don't really want to profit because I pay taxes on the profit. If you have a \$20,000 profit in your business, you're paying taxes on the \$20,000. Little side note here, that profit in your business that you pay tax on is one of the biggest differences of working for yourself versus working a W two job. When you work a W two job, you're paying taxes on the total amount of money that you are paid whereas in your business you get to take the total amount of money you're paid and subtract your expenses. That's why you're only taxed on your profit which is the revenue minus your expenses.

[00:03:34.970] - Clarissa

So knowing if your business is actually healthy or not and having a profit will help you to figure out more ways that you can continue to bring more money in. It'll help you have more money in your business to be able to continue to grow your business because there are things that you're going to have to buy to continue to grow your business. Maybe you're going to have to hire a coach. Maybe you're going to have to buy another course that teaches you specifically what you're looking for or maybe you're going to have to pay by advertising. So you need that extra profit to be able to continue to grow. That's part of why you need a profit.

[00:04:21.850] - Clarissa

But the other thing is you have to have a profit in your business to prove that you are a legitimate business. When you start your business, you have five years for your business. This is according to the IRS, for your business to be considered a business, three of those five years you should have a profit in your business. If you continue to have a loss after a loss after a loss that will usually flag an audit, you may have expenses that are going to get denied and then you will have to pay tax on what is being denied.

[00:05:07.470] - Clarissa

Yes, I have been an auditor where I denied expenses that they were trying to claim, okay? Now it wasn't exactly my choice, it was what I had to do. So it really depends you need to have that profit in your business to continue to grow your business, to prove to the IRS that you are an actual business and you are not just bringing in some money and then spending even more money than what you're bringing in because that's the other thing. You don't want to be spending more money than what you are bringing in. So how do you find these important numbers? Like I said, it's your revenue minus your profit. So when you do your bookkeeping okay.

[00:05:54.520] - Liz

Hopefully this episode has helped you understand why bookkeeping is so important to your business and giving you some ideas about which numbers are essential to know. Be sure to join me next time when we dive into the biggest mistake to avoid in content creation. I'll catch you next time.