



QuickTakes

*Ideas You Can Put
to Work Immediately*

1 How's Your Integrity?

"Would I want everyone to know what I am doing?"

It's a great question to ask yourself. When you live with integrity, your private life and your public life match up. You don't have secrets. Life is less complicated and much less stressful for a person with integrity.

On the other hand, poor decisions and a lack of integrity lead to secrecy. Before you make a questionable decision, ask, "Is this worth sacrificing my integrity?"

2 Getting Paid Quickly

Don't limit house-account billing to end-of-the-month statements. Send out invoices at least every week.

The quicker you send out the bills, the quicker you will get paid. And remember: The sale isn't really complete until you've collected the money.

3 Perception Is Reality

If another person is bothered by something you are doing, that is their perception. Explaining why you are doing it probably won't help the situation.

The bottom line is that your behavior may need to change in some way if you wish to alleviate the problem. So be willing to consider making changes even when you think you are right.

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REACHING YOUR GOAL



One summer, I climbed Mt. Yale. It's one of the so-called "14ers" (mountains more than 14,000 feet tall) in Colorado.

It took almost three hours to go from the trailhead to the top—

and the journey was more intense than I had planned.

While I was enjoying the magnificent scenery from the summit, it struck me that climbing a mountain is like accomplishing a major goal.

You start with the end in mind. It's exciting to think about meeting the challenge and reaching your goal.

Then you head up the trail. The first part generally is pretty easy. You go at a steady pace, applying what you know. The woods are beautiful.

The farther you go, however, the steeper the climb gets. Your pace slows. Breathing is labored. You stop frequently to catch your breath.

And when you're walking, you can't look at the scenery or even see the top of the mountain. You have to keep your gaze on the path just ahead. If you don't, you'll miss your footing.

Pursuing a big goal works the same way. The goal is exciting, but you achieve it one step at a time.

The trek is long. You may find yourself tired and low on resources. You may wonder if you'll ever get there. Every step of the way, you have to keep your head down and concentrate on the task at hand.

Ultimately, however, if you persevere, you will reach your goal, enjoy the thrill of your accomplishment and once again be able to look at the scenery.

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THE TROUBLE WITH TAXES

A Mix-up Could Cause You to Lose Your Shop

It happens every year. Retail florists find themselves in trouble with one or more tax authorities. The fines, penalties and interest can lead to financial ruin.

Many—if not most—individuals starting a new business don't have a complete understanding of what taxes to collect or when, and how to remit payment. Although non-compliance may be unintentional, the consequences of not meeting your obligations can be disastrous.

Following is a brief rundown of the most common taxes facing small business owners.



SALES TAXES

Most states and local communities require that retailers collect and remit sales tax. The tax is collected at the point of sale (POS) and is usually remitted monthly.

Before you open your business' doors, contact the offices responsible for collecting sales taxes in your state and locality. You will have to fill out the appropriate forms and get a tax identification number.

Make sure you understand the procedures and due dates for submitting the taxes. Once you go through a cycle or two, it will become fairly routine.

A word of caution: Although most sales are taxable, a few are not. Ask your taxing authority for a list of tax-exempt sales. For a retail florist, the most common tax-exempt sale is incoming wire orders.

INCOME TAX

Almost everyone knows they have to pay taxes on the money they earn. No surprise there.

However, different types of business entities have to file different income tax forms.

Sole proprietorship income tax is handled on the owner's tax return. (Note: Although this form of ownership is common, it gives no protection against liability.)

The owner must still keep good business records to document sales, expenses, assets and liabilities. This information goes onto the owner's individual tax return.

Corporations file separate income tax returns. The tax may be paid by the corporation (in the case of a C corporation) or by the individual (in the case of an S corporation or a limited liability corporation).

Ask a certified public accountant (CPA) which entity is best for you, and what your requirements are for filing and paying income taxes.

PAYROLL TAXES: THE SMALL BUSINESS KILLER

Payroll taxes give small business owners the most trouble. These taxes



involve numerous requirements and deadlines to meet.

You not only have taxes you must pay as an employer, you also must handle withholding for your employees. Here's a summary of the basics:

- **Federal Withholding.** Your employees must pay federal income taxes. But you are responsible for withholding the appropriate amount based on their W-4 forms. You also must remit the taxes to the federal government.
- **State Withholding.** Same story. You must deduct and remit employees' state income tax. The schedule by which you remit state withholding may be different than the federal timeline.
- **Local Withholding.** A few cities impose local income taxes. If so, you must withhold and remit these taxes as well.
- **Social Security.** This normally runs 6.2% for both the employee and the business. You withhold the employees' share from their paychecks. When you deposit the employees' social security taxes, you also pay the business' share. The maximum amount of income on which social security taxes are collected changes each year.
- **Medicaid.** Medicaid works the same way as social security. Both employers and employees

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must pay, although the amount is lower—currently 1.45% for employee and company.

- **Federal Unemployment Taxes.** This is a minor tax, dollar-wise. However, it is easy to overlook.
- **State Unemployment Taxes.** This also is not typically a lot of money. Many states require quarterly payment of state unemployment tax. When tax payments are due depends on how frequently you pay your employees and the size of your payroll. Check each taxing authority's guidelines carefully.

Fortunately, federal withholding, social security and Medicaid taxes are all paid together on the same schedule. That eases the burden a bit.

THE BIG PROBLEM

For most retail florists, the trouble with payroll taxes is not understanding the schedule. The problem is making the payments when they are due. The money just may not be there.

In essence, struggling small business owners too often borrow money from the government by not paying their taxes on time.

This is a bad practice for two reasons. First, late payment interest and penalties are large. You could easily end up paying double what you originally owed. It's like using credit cards

to fund your business—only worse. Flower shops don't make enough money to afford exorbitant interest and penalties.

If you need money to operate your business, find a source of capital that will give you a business loan at a reasonable rate.

Second, if your business eventually fails, payroll tax obligations do not disappear. You as the owner remain responsible. Even a bankruptcy filing will not shake payroll taxes loose.

Don't mess with Uncle Sam on this one.

WHAT CAN YOU DO?

Undercapitalization is one of the most common causes of small business failures. The business owner does not have enough money to navigate through the startup phase or a downturn in business.

If you are facing such a situation, the only answer is to run a tighter operation. You have to be profitable to survive. A business without profit won't last long.



THE BOTTOM LINE

It's been said that only two things in life are certain: death and taxes.

To postpone your appointment with death, you must live a healthy lifestyle and take care of yourself.

To avoid a dreaded confrontation with the taxman, you must remit the taxes you owe on a timely basis.

Since every community has its own tax, permit and license requirements, consult a local CPA for a complete list of your obligations.

Finding out too late about a missed deadline or uncollected tax could cost you dearly. 🌀



WHY FLOWER SHOPS SUCCEED

Although intangibles like a good image and a strong reputation are important, this article will focus on the biggest measure of success: profitability. A successful retail florist is a profitable retail florist.

All small business owners dream of success. However, many shops fail. Why do some shops succeed while others falter?

CONCERTED EFFORT

Success does not come easily. It takes hard work and persistence. The place to start is with a commitment to succeed.

Are you willing to do what it takes to give your business the best possible chance at success? Answering “yes” to this question will keep you pointed in the proper direction at key decision points.

OPERATIONS

To achieve a solid profit, you have to run a tight ship. (*Floral Finance* defines a solid profit as 10% of sales after paying the owner/manager a reasonable salary.) This has four primary components.

1. Design Room Control

Profitable shops don’t stuff extra flowers into their arrangements. They fill out a design room control form for each arrangement. They price each arrangement correctly.

2. High Productivity

Designers produce more in less time by making more than one copy of an arrangement. Using standard recipe

arrangements all year, not just at the holidays, is the key. Production design techniques boost productivity.

3. Payroll Control

Payroll is the largest expense for most retail florists. Too many people doing too few tasks will ensure low, or no, profitability.

If the owner/manager takes a salary, the total spent on wages, payroll taxes and employee benefits should be no higher than 30% of sales.

Permanent staffing must be kept at the level needed only for non-holiday sales. Maintaining high productivity makes this goal possible.

4. Charging for Services

Many retail florists lose money on delivery. Make sure you don’t. On average, a single delivery will cost \$5.50 to \$6.50 for wages and vehicle expenses. Your delivery charge should be high enough to cover the costs and make a profit for the shop.

The service charge on outgoing wire orders also should be sufficient to cover costs and make a profit.

Finally, charge for labor outside your shop. Wedding and party setup and tear-down use up a lot of time. Don’t be afraid to charge for the services you render.

FINANCIAL FOCUS

Owners of profitable shops get good, floral-specific monthly financial statements. And they know how to read them.

Numbers are important. The successful shop owner understands the financial side of his or her business. How do this year’s sales compare to last year’s? Is cost of goods sold (COGS) above or below target? Is there enough cash to get through the end of the month?



Using standard recipe arrangements all year, not just at the holidays, is the key.

The faster you get your numbers, the better. Problems can be identified and corrected before they get too serious.

GOOD EMPLOYEES

Successful shops hire and retain good employees—employees who know how to service customers, while keeping productivity up and costs down. 🌱



WHY FLOWER SHOPS FAIL

On page 4, we looked at why flower shops succeed. Now we'll look at the less pleasant side of the picture: why shops fail.

First, let's define failure. Again, our focus is on profitability. A retail florist that doesn't make a profit is a failure.

The single biggest reason for failure is not operating the business properly. Payroll is too high or cost of goods sold (COGS) is not controlled well. However, even if the owner knows how to run the shop, other problems still can spell disaster.

Most business failures occur in the first five years after opening. This indicates that a fundamental mistake in the start-up phase never was fixed. Here are the five biggest mistakes.

1. Too Little Money

It's called *undercapitalization*. The owner has enough money to get the doors open but not enough to keep them open.

New owners often count on sales to keep the operation going. Unfortunately, most shops grow steadily, but slowly, in the early years. Very few new shops show dramatic sales growth.

Owners should not plan to take a salary during at least the first year. All the proceeds will be needed for marketing and other expenses until sales grow.

2. Poor Site Selection

Determining a location's viability requires that you look at more than traffic patterns.

Can the community support another flower shop? What is the population? How many other shops are in the area?

Only after you have decided there is enough flower demand to support your entry into the market should you turn to site selection.

What kind of clientele will you try to attract? Pick a location where those people are likely to be.

There is a fine line between paying too much rent and ensuring the best location for serving your customers. Strike the appropriate balance. And don't get more space than you need.

As a rule of thumb, your facility expenses (rent, utilities, maintenance and insurance) should not exceed 10% of sales.

3. Paying Too Much

Instead of opening your own shop, you may decide to buy an existing operation. The historical sales levels are known.

Employees already are in place. There is some operating history.

Beware.

In the excitement of the moment, buyers often agree to a price that is beyond what the operation will support. If the buyer can't make his or her payments, the shop goes back to the original owner.

4. Economic Downturns

It's helpful to understand what makes the local economy tick. What economic changes have led to past retail business failures?

We all love improved roads and new freeways. But your perspective will quickly shift if the "progress" will harm your business. Restaurants and other retailers often fail when traffic patterns change or road construction restricts access.

Check with local bankers to gauge their outlook for the local economy. This is one variable you can't control. However, being informed will help you make better decisions.

5. Purchasing Unneeded Operations

If the business also has a garden shop, nursery or greenhouse, make sure you purchase only the pieces you want. And before you settle on a purchase price, get enough financial data to know each business unit's profitability. Many profitable flower shops fail due to the demands of another business that "went along with the deal." 🌻

IT ALL MATTERS

A common thread in profitable shops is that they excel at everything.

The operation is set up to succeed from the beginning through careful planning to lay a solid footprint. The shop is well run. Its financial affairs are controlled properly. The owner builds a productive, caring staff. Success starts with commitment and ends with follow-through. Where are you in the process?

Retirement Plans



What to Consider

Few florists offer company retirement plans. The reasons are simple: the cost and the complexity.

However, there are relatively inexpensive and hassle-free alternatives. If you are looking for a way to build employee loyalty, it's worth at least considering the options.

FIRST, THE BASICS

Traditional pension plans that pay retirees an income for life and offer benefits such as health care come in two varieties: **defined benefit** plans and **defined contribution** plans.

In a defined benefit plan, the employer agrees to give the retiree certain retirement benefits without regard to the ultimate cost. The defined contribution plan outlines how much the employer must contribute but does not define what the employee will receive in retirement.

These two pension plans are expensive and quite complex to administer. As a result, they don't fit most small companies.

Realizing that many individuals would not be covered under traditional pension plans, the government long ago created other alternatives. One such plan—the **Individual Retirement**

Account (IRA)—has nothing to do with employers.

An IRA is owned by the individual. All contributions are made by the individual. The employer is not involved at all.

Realizing that many individuals would not be covered under traditional pension plans, the government long ago created other alternatives.

Money put into an IRA is not taxed until it is taken out. That allows the money to grow tax-free during the individual's working years. When the money is taken out during retirement, the individual's tax rate is usually lower.

Most banks and financial institutions offer easy-to-manage IRAs. As with all plans, there are limits to how much can be contributed in any one year. The financial institution you select will tell you the limits and other requirements.

COMMON BUSINESS PLANS

Company-sponsored **pension plans** and **profit-sharing plans** are governed by a law called the Employees' Retirement Income and Security Act (ERISA).

ERISA says who has to be included in a plan, what kinds of contributions are allowed and how the money can be distributed.

There are a lot of rules. Some are very broad. Some are very specific. All are very important. However, two rules form the foundation for all ERISA plans.

First, the plan must be in writing. The employees must be informed of the plan's terms. There can be no secrets.

Second, all employees must be treated fairly and equitably. Owners can't sock away large amounts of money for themselves and leave the employees with little or nothing.

TWO MORE OPTIONS

Although **401k plans** are used by many businesses, they come with some baggage. The employer must pay annual maintenance fees (normally around \$3,000) and file special tax returns.

The better choice for many small retail florists is the **Simple IRA**. With a Simple IRA, the employee can withhold up to \$13,500 from his or her compensation (if under age 50) or up to \$16,500 (if age 50 or older). The employer is required to match the employee's contribution dollar for dollar up to 3% of wages.

In other words, if an employee elects not to make a contribution, you don't either. If the employee does contribute, your exposure is limited to the amount of the contribution or 3% of his or her wages, whichever is lower.

And with a Simple IRA, you don't have to file any special tax returns. You simply have to issue employees 1099-Rs, showing the amount of the contributions along with their normal W-2s.

Simple. Easy. Helpful to your employees. And low exposure for you. 🌸

USING CREDIT CARDS TO PAY BILLS GOOD OR BAD IDEA?

Many florists today use credit cards to pay shop bills.

The idea has merit. There are several pluses to using credit cards.

On the other hand, there also are some dangers, including a potential accounting nightmare.

If you adopt this practice in your shop, you need the full picture.

THE PROS

Paying shop bills with a credit card has two advantages.

First, cash flow. You get an extra three weeks (on average) to come up with the cash to pay a bill.

Second, using a credit card can give you other benefits, such as airline miles or hotel points.

These advantages are real. In fact, they are such good reasons that every shop owner should at least consider paying their bills this way.

THE PITFALLS

Unfortunately, using credit cards to pay shop bills also comes with two potential dangers.

First is the risk that you will use the credit card as a line of credit but not pay off the balance each month. When this happens, you pile up debt and expensive interest.

And credit card interest rates are outrageous. The average is around 1.5% per month—or close to a 20% annual interest rate.

The second problem is that improper accounting can cause your bookkeeper or accountant many extra hours of work each month.

THE SOLUTIONS

To avoid succumbing to the pitfalls, you just need a little discipline.

High Interest Rates

The solution here? Pay off your credit card balance in full each month. You will not be charged any interest.

By the way, this is the only way to use a credit card—whether business or personal. Not paying off the full balance and incurring high interest charges will lead you to the poorhouse.



If you can't pay your balance in full each month, you are spending too much. You should stop using credit cards immediately. Otherwise, you will have much less money to spend in your lifetime.

Accounting Issues

Accounting for this type of credit card use is fairly simple. However, you must handle every purchase correctly.

When you use your card, mark the invoice as being paid by credit card. (Get an invoice or receipt for every purchase.) Enter these items as expenses in your general ledger.

Debit the proper expense account and then credit an account on the balance sheet called “credit card payable.” When the credit card bill comes due, pay it with a check that debits the credit card payable account. Everything is taken care of.

People get into trouble when they don't make any expense entries until the credit card bill comes in. Making all the debits when you pay the bill will result in expenses in the wrong accounting period. Trying to remember and properly categorize the individual charges also can be a nightmare.

Make sure you have a separate credit card for your business. Do not use your personal card. Mixing up personal and business expenses on the same card also causes bookkeeping headaches.

DO IT RIGHT

There are real benefits to paying shop bills with a credit card. Just pay the balance off in full each month, use a dedicated business card and not your personal ones, and keep proper track of all the expenses. 🌸

FAMOUS FINANCIAL WORDS

“The race is not always to the swift, nor the battle to the strong—but that's the way to bet.”—Damon Runyon

“There is hardly anything in the world that some men cannot make a little worse and sell a little cheaper.”—John Ruskin

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INQUIRIES & ANSWERS Letters

UNSIGNED CHECKS

“If a customer sends an unsigned check as payment, do we have to send it back to get a valid signature?”

No.

If you try to deposit an unsigned check, it normally will be rejected. However, there is one trick that usually will work.

On the blank signature line write the word “over.” Then, on the back of the check, write “Lack of signature guaranteed,” followed by your shop name, account number, your name and your title. More than likely, the bank will clear the check.

The bank knows that if the customer objects, the bank can get the money back from you because you guaranteed it.

This is really no riskier than any other check you deposit. If the customer’s bank doesn’t honor their check for any reason, it always will be charged against your account.

HOLDING ONTO YOUR CASH

“What bill-paying strategy will allow me to keep my cash as long as possible?”

Mail your payment on the due date.

If you mail the check on the date the invoice is due, most suppliers will credit it as being paid on time. Just watch for exceptions—vendors who have stated clearly that payments must be received by the due date.

Two other actions will make this even easier.

First, use one of those expandable folders with a slot for each day of the month. File each invoice for the day it is to be paid. Process each day’s payables as they come due.

Second, for recurring bills, such as utility payments, set up an automatic withdrawal from your checking account, if possible. You will be forewarned of the payment amount and due date for you to record. The payment will be taken out precisely on the due date. No earlier and no later. And no hassles.



NORMS

WEBSITE AWARENESS



The number of ways a person can find your website.

The first and most common way is through a search engine like Google or Yahoo. The searcher puts in key words, such as your city name and the word “florist.” Your shop hopefully will be one of the results. To appear at or near the top of the list, your website designer should use SEO (search engine optimization) techniques.

The second way is through personal referrals. People who like your shop may post to social media.

The third is through links from other websites. Market your shop by getting other businesses to link to your site via theirs. A funeral home would be a perfect example. Offer reciprocal links as incentives to encourage other businesses to participate.

FLORAL FINANCE is published 12 times a year by Teleflora LLC

Annual subscription rate is \$89.95 domestic and \$129.00 (Canadian) in Canada.

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