

Collette Professional Accounting

Why Proactive Planning is More Important Than You Realize

There's an old saying that reminds us "if you fail to plan, you plan to fail." Whoever coined that phrase was talking about the world of small business accounting whether they realized it or not.

Financial and tax literacy aren't just an important part of running a business. They're literally the foundation upon which everything else is built. Tax literacy helps to make sure that you're not only taking care of your obligations but that you're not paying more money than you should ultimately have to. Financial literacy helps to avoid problems like cash flow issues which could cause even a seemingly successful business to close prematurely.

These are also important concepts to know for individuals, too. It helps avoid problems like not budgeting properly, they can help you understand the true impact of inflation and more. All of this is in the name of avoiding common problems that typically hold people back.

But the thing to understand is that these are not skills that you're born with - you have to be proactive about learning them. You also want to make sure that you have the right partner by your side to help make this process as easy as possible.

The Power of a Well-Laid Plan

One of the major reasons why planning is so crucial in this context is because it helps avoid one of the single biggest problems that both businesses and individuals often face: not budgeting properly.

Indeed, the lack of a sound (and realistic) budget is often one of the major contributors to money problems for most people. When no semblance of a plan is in place, it's far too easy to overspend. It's also likely that you're not paying nearly as much attention to your finances as you should be. This in turn leads to a significant amount of financial stress, which isn't something that you can just get rid of overnight.

What people don't realize is that by coming up with a plan and creating that budget, it can actually put them closer to their goals - not farther away from them. Yes, it may take a bit of additional time to make that big purchase, but you're not going to overspend. You're not going to use funds that were allocated for something more important. You can also see the progress you've made and how far you have left to go, which can help create a much-needed perspective on the entire situation.

Another way in which financial and tax literacy - along with planning - can help both businesses and individuals comes down to avoiding the dreaded trap of "living paycheck to paycheck." It's something that far too many private citizens know all about, and it can even rear its ugly head for business owners, too, albeit in a slightly different context.

For individuals, it's safe to say that they're up against a number of hurdles in addition to a lack of financial literacy. The current job market is nothing if not rough. Economic uncertainty abounds, especially given everything going on right now with the war in Ukraine.

But at the same time, you have to start somewhere - and that "somewhere" involves gaining the knowledge you need to take control of your finances. Not everyone has the opportunity to earn extra income - like by picking up a second job or by moving to a new position that pays more.

Instead, try prioritizing your interests in a way that better aligns with the funds you do have available. Sure, private citizens may want to travel more or purchase a larger home, but your plan may illustrate to you that it just isn't in the cards right now.

The same is true of businesses - you may want to aggressively expand into a new market, but doing so without some type of plan in place is little more than a recipe for disaster.

In the end, financial and tax literacy are two of the most important elements of our society that people just aren't paying enough attention to. But by making an effort to understand your situation and the world around you, you'll find yourself in a much better financial position than the one you were in when you started.

If you'd like to find out more information about why proactive planning is far more important than you may realize, or if you just have any additional questions that you'd like to go over with someone in a bit more detail, please don't hesitate to contact us today.

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