



## TEL EPISODE #013:

### ***The Financially Savvy Entrepreneur with Emily Chase Smith***

Show Notes: <http://theelpodcast.com/tel-013-financially-savvy-entrepreneur-emily-chase-smith/>

*Welcome to The Entrepreneurs Library, the only book-centric podcast that reviews all the top-selling business books and shares author's perspective, firsthand. This is your resource to finding the next great book that will enable you to grow personally and professionally. Welcome your host, Wade Danielson.*

**WADE:** Thank you for joining us on The EL. Today we have Emily Chase Smith, author of *The Financially Savvy Entrepreneur*. Welcome, Emily, and thank you for joining us on The Entrepreneurs Library.

**EMILY:** It's great to be here.

**WADE:** Will you take just a moment to introduce yourself and tell us just a little bit about you personally?

**EMILY:** Sure. I kind of come from an entrepreneurial family; my great-grandparents were self-made citrus farmers in Santa Barbara, central California. My dad's been a self-employed architect for many years. And I am an attorney by I guess education and trade for many, many years, and have morphed that through the experiences I've had over the years into being a financial educator for small business.

**WADE:** Okay, great. Thank you for sharing that. Now let's jump right into your book, *The Financially Savvy Entrepreneur*, which was just made available for purchase on June 23rd, 2014. Emily, we're going to move quickly, but here are some of the top questions our listeners would love to get answered.

The first one is, what was the inspiration behind writing *The Financially Savvy Entrepreneur*?

**EMILY:** It was interesting. I had a heavy influence in my legal practice in the area of bankruptcy. I worked primarily with small business owners filing personal

bankruptcies, so I had the occasion to be in depth into people's personal and business financial lives. I did that for many, many years, and after awhile I started to see the same patterns emerging over and over again, and it was really hard to watch, because I felt like – I'm sitting across from these entrepreneurs, they're smart people, they're hustlers, they have great ideas, but this financial piece is missing from their business.

And if they had just had some simple systems in place, I felt like a lot of them wouldn't even be sitting in my office needing to file a bankruptcy. So I kind of moved from what I consider like the Coast Guard, pulling people out of the water, to the lighthouse, saying "Hey, let's avoid these rocks entirely and really be successful."

**WADE:** What would you say makes your book different from others regarding the same topic?

**EMILY:** It's interesting, because there's a lot written, of course, on personal finance. A ton on personal finance. And there's a lot written for much larger businesses or people who are very focused in the financial realm. So a lot of MBA stuff, a lot of big business finance stuff. But there's not a lot for the small businessperson, a couple million and under, that really addresses the realities of what they're going through in terms of building a business and trying to dovetail that with their personal life.

Because when your business is really small, what's going on in your personal life and your business, they're just intricately linked. I was not finding anything out there; as I was wanting to send my clients to some resources, I wasn't really finding anything that was talking about the stuff that I was seeing on a daily basis with my clients, the stuff that was really biting them.

**WADE:** Okay, excellent. Now that we have a little bit of background behind the book, this is my favorite part, where we're going to actually go through, take a deep dive into your creation. Whether you want to do it chapter by chapter or section by section or skip around, let's give the reader an awesome idea of what your book's all about.

**EMILY:** Sure. It's really directed towards that target reader, somebody who's probably \$5 million and under in business, and who's really trying to understand how to bring some financially savvy principles into their business, but they're not a CPA, they don't have an MBA necessarily with a concentration in finance, but they know that that piece is important, and it's been something that's just been hanging in the background.

But they understand that if they were really on top of the financial piece in their business, that could really help them read the story of what's going on, and they could really move forward from there. The book really addresses that interplay between the business and personal.

So it really starts out, I just start out by laying out "Hey, here's how we're different from the regularly employed people, and why everything out there on personal finance doesn't really apply to us necessarily." I list out some differences, like we're not just responsible for ourselves and our families as somebody who owns a small business; we employ a lot of other people, either as direct employees or as independent contractors.

So we have a different burden on us than just a person with a regular job does. We have to supply all the tools and everything we need to do to do our work as opposed to if you have a history – like I do; I worked for several different law firms. They had the office, they had the computers, they had the support staff. And then when I started my solo law practice, all of a sudden that was me that had to do all that and figure out, how do I get this done in a way that really makes sense and lets me continue driving a business forward. That's where I start and say "Hey, look, it's okay. We are a different animal, and as a different animal, we need a different skill set."

I start by telling – in the book, there's a ton of stories, and I start by telling different stories of different people that I had seen. I really focus, again, on that interplay between the business and personal. Because as a bankruptcy attorney, what I saw a lot was people coming in and they had a lot of entanglements



between their business and their personal in terms of what they were liable for – because again, I was an attorney, and so that’s kind of where we lived.

A lot of times – and this is the story I use to open the book – a lot of times people would come to me, and they’re coming to me as a bankruptcy attorney because they’ve had a tragic event. A lot of times the tragic event is a lawsuit, and a lot of times that lawsuit is around some sort of personal guarantee that they’ve given in connection with their business, but now they’re being sued personally. The one thing I saw over and over again was a commercial lease.

So I open with a story of how this happens, so that the reader can understand and see where they fit into this, and start to identify “Hey, maybe there’s some things that are really risky that I’ve done in starting my business, and now that I’m ready to be financially savvy, I’m ready to bring these principles into my business, I’m going to start undoing some of that stuff.” Because when we’re new entrepreneurs or we have a new business, even if we’re serial entrepreneurs, we move heaven and earth to get this thing started. And in doing that, sometimes we’ll take on some liabilities personally that can really come back and bite us later.

The first part of the book, we talk a lot about that entanglement. I go through a whole runway calculation. This is a pretty hands-on book, so I want you to be able to use what’s in there for your particular business. So we talk about runway. We talk about how much time do I have to make this business really fly, based on the resources I have at hand? We break out what those resources might be, we start to put some numbers to them, and we start to look at “Okay, so how long do I have?” Then we talk about how you use that runway calculation going forward as things change.

Let’s say you’re a brand new start, you have nothing coming in in the business, so how long do I have? A couple months down the road, you’ve got something going on in the business. It’s not quite enough, but you have a different runway now. You have a longer runway. So how to use that runway to bring some security in your mindset of “Okay, I know I have 6 months, I know I have a year to make this happen.”

We take away some of that scary that lives in the back of your mind like “Oh crap oh crap oh crap” as you’re going through this process. So knowing what your runway calculation is, “I have X number of months or X number of years to make this happen” can free you up on the creative side to say “Okay, great, now I’m just going to hit it hard.”

We talk a lot in the book, and there’s a whole couple chapters that talk about exactly what you should be doing with the finances in your business. What does a baseline P&L look like? How are you going to generate a P&L? What are some of the best practices for doing that? And the okay, so you have a profit and loss, or you have a cash flow statement – what should you do with that? It’s one thing to have it, but how do we look at the financials in our business and learn to read the story of our business in those financials? How can I look at the numbers and how can that help me guide my business?

I call that mining for P&L gold, like “there’s gold in them thar hills.” We mine through that information that’s in our financials to help us drive forward the parts of the business that are really working – because we can tell in the numbers what’s really working, and dial back on the stuff that’s not. It helps us keep our finger really on the financial pulse of the business and be able to make those pivots and shifts as they become necessary, before you have a problem rather than later.

Because one of the other things I saw as a bankruptcy attorney, staffing is one of your big numbers as a small business owner, and if you are really on top of the financials in your business, you can correlate that staffing to what’s going on in terms of income and what you’re generating. But if you don’t know, all of a sudden it just spirals out of control, and the numbers are so big relative to the other numbers. It’s just such a big chunk that a lot of times that’ll bring you to your knees really quickly.

And I’ve had more than one entrepreneur say to me, “Doggone it, if I had really known what was going on, I would’ve made some really different staffing decisions straightaway.” So there’s several chapters in the book that really talk

about okay, how do we do that? What would that look for me as a small business owner day to day? What are best practices here? What systems can I put in my business?

There's a whole section on drafting an exit plan. I'm a firm believer, again from my background, that when you start a business you should know how far you're willing to go in terms of time, money, and effort. Because again, as a bankruptcy attorney, I would have people come to me and they've had this catastrophic event, and when we start unpacking, I see that they rode that train all the way into the wall. They didn't leave any gas in the tank for themselves. They ran through their retirement, they ran up every credit card they could get their hands on. So not only are they having to file personal bankruptcy, which is personal, but they're in big trouble, like how are we putting food on the table next week?

So I'm a firm believer in marking that stuff out before you begin, so you know exactly how far we're going to take this, how much time are we going to spend on this business, how long am I going to let this run, how much money am I going to spend on the business? And then I also call it effort. I also think small business owners should really have a line in the sand – we hear a lot about “you win the whole world but you forfeit your soul.” What if you're really successful in business, but you've driven so hard that you've lost your family or lost your health or lost things that are important to you? The act of just writing those things out is very healthy, helps you draw a line in the sand. Hopefully you never even have to come close to those markers, but you know what those are.

We talk about cash flow projection in the book and how to do that. Then we have a whole section that talks about – I call it money spaghetti, that idea of entanglement. All those personal guarantees with loans or lines of credit or credit cards or commercial leases, and how to identify where you're vulnerable and then put together a plan to extricate yourself. I call it getting the Doritos-munching teenager off your couch. Your business needs to move from being a baby, and it needs to not get stuck in the adolescent phase, where it's just kind of hanging around and mooching off of you; it needs to keep on moving through that phase all the way to a grown-up adult, where it's standing on its own.

That's why Donald Trump gets away with filing bankruptcy once every couple years, because he's really good at keeping his personal stuff separate from his business stuff. So if he has a business go under, Donald Trump doesn't go under; that business went under. We should be following those same financial principles. So this section in the book is about identifying where you're vulnerable and putting together a plan to untangle that spaghetti and get that business to be a full-grown adult.

And then of course, because of my background, we talk about debt settlement, we talk about negotiation, and then there's a part in there too on bankruptcy. Like, is it time to raise the white flag? And if it is, this is kind of what it means and this is what you can expect. So that's an overview of the book.

**WADE:** Excellent. It sounds like there's a ton of fantastic information in the book, and that's what makes this next question pretty tough. I think the listener wants to know, if they could only take away one concept, principle, or action item out of your entire book, what would you want that to be?

**EMILY:** I'm thinking it's really an overarching concept, that there are financial systems that are necessary in your business pretty much no matter what size it is. If you're serious about your business, and if you're putting your time, your money, and your effort into it, you're serious, that's a necessary thing to learn – just like you've learned a ton of other stuff to be able to do your business. Have you engaged in self-development, have you learned how to work software systems that you hadn't worked before? What have you done in your business that's taken you as far as you have come, and what if we brought financial savvy right alongside of that?

The book is super encouraging. I'm a firm believer that if you can run a small business, you've got this. You can totally do this, but it's not something you've ever been taught. If you think back, like high school, college – I even went all the way through law school; nobody ever taught me any of this stuff. This was information that I went and sought out on my own. So I think small business owned would be very well-served by putting some effort into having that financial





savvy, because it's the gift that you get to keep your whole life. This business, next business, next business, you'll always have it. It's a really good investment.

**WADE:** Okay, great. Emily, our listeners love quotes. It might be kind of awkward, because hopefully this is giving you an opportunity to brag on yourself, but what's a favorite quote that you wrote in this book?

**EMILY:** It's funny, my favorite quote in the book is actually an Einstein quote, so I'm not really bragging on myself. But I love the concept of "everything should be made as simple as possible, but no simpler." I kind of think of it is as the "dental theory." I've got three kids, and every night I send them off to rush their teeth, and my little guy is 5, and he'll run back in in 5 seconds and he'll be like "I'm done!" And you know instinctively as a parent, "That's not enough, friend. Your teeth are not clean."

So that's what we want in our business. We want something that's going to be effective – not 5 seconds with a toothbrush – but I also don't send him back there with some Scope and some floss and make it this crazy thing that he can't do that's completely overwhelming. It has to be as simple as possible, but no simpler.

**WADE:** Very good. The last question we want to ask, and this is just as an author, as a reader, if there was only one book you could recommend to your listeners, based on the way that it has impacted your life, the way it's created a paradigm shift, what would that book be?

**EMILY:** You know what? I always refer back to Dan Miller's 48 Days to the Work You Love, because it was a paradigm shifter for me. So that is a perfect way to say it. I was an attorney working in a firm; my path was laid out. I was walking the Candy Lane path, I call it, up to the Candy Castle of retirement. I was going to be a lawyer and do my thing. I got my hands on that book, and the world just opened wide.

It's a great book for you if you feel like entrepreneurship is something that is enticing to you, but you just don't see the possibility yet. Dan Miller is all about possibilities. He says he has 15 ideas from walking to his house to his mailbox, and





it's the truth. (laughs) So if you're looking for that inspiration of "Where could I fit into this entrepreneurship world?", that's a fantastic place to start.

**WADE:** Okay. Emily, before we depart, can you recommend the best way for our listeners to get more information on you and your book, *The Financially Savvy Entrepreneur*?

**EMILY:** Sure. Everything about me is at [emilychasesmith.com](http://emilychasesmith.com). I have a blog there. I have a podcast called Money Morsels, so we do 15, 20 minutes; sometimes it's interviews, sometimes it's just me sharing a financial principle for your business. So that is housed there. And of course, my book is on Amazon and at fine retailers near you.

**WADE:** Excellent. Emily, thank you so much for coming on, and I look forward to finishing your book.

**EMILY:** Great.

**WADE:** Thanks again for listening in today. If you would like to get your hands on *The Financially Savvy Entrepreneur* or any of the other resources mentioned by Emily, just look at the show notes at [TheELPodcast.com](http://TheELPodcast.com).

*Looking for your next book idea? Head over to [TheELPodcast.com](http://TheELPodcast.com), where Wade shares his amazing resource, "The Top 10 Business Books Recommended by Over 500 Entrepreneurs," with you for free. That's [TheELPodcast.com](http://TheELPodcast.com). Till the next time, keep it on the EL.*

#### **LINKS AND RESOURCES MENTIONED IN THIS EPISODE:**

Buy [48 Days to the Work You Love](#) by Dan Miller on Amazon

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