



**MGE Power Program
Executive Seminar**

Based on the works of
L. Ron Hubbard

**FINANCIAL PLANNING
& PROFITABILITY**

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Chief Financial Officer Hat

C.F.O. = Chief Financial Officer

7	1	2	3	4	5	6
CFO						

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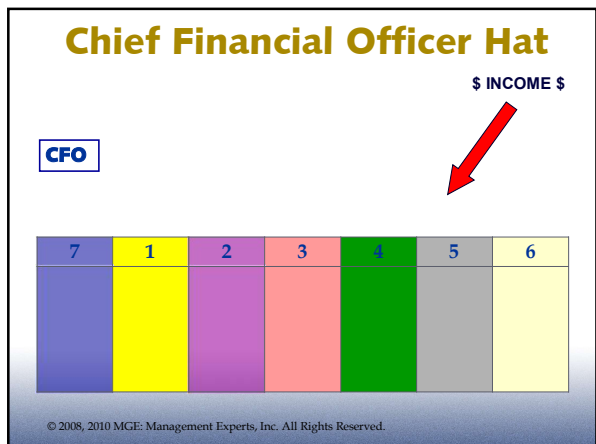
Chief Financial Officer Hat

CFO

7	1	2	3	4	5	6

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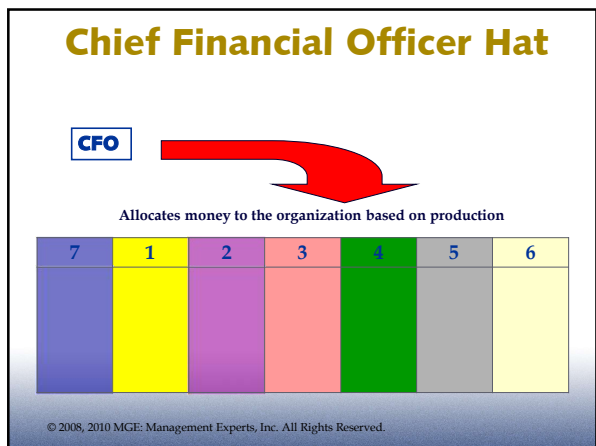
3



4



5



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Viable

“Viable: capable of supporting itself and thus staying alive.”

L. Ron Hubbard

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The Bean Theory

Based on the works of L. Ron Hubbard

The diagram shows a blue circle labeled 'CFO' on the left. To its right are three black dots representing beans. A red arrow points from these beans to a horizontal bar representing an organization. The bar is divided into seven colored segments labeled 1 through 7 from left to right: 1 (yellow), 2 (purple), 3 (pink), 4 (green), 5 (grey), 6 (light yellow), and 7 (blue). Below the bar is the word 'Organization'. Text next to the arrow reads 'Allocates beans to buy production (Promo, staff, etc.)'.

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The Bean Theory

Based on the works of L. Ron Hubbard

The diagram shows a blue circle labeled 'CFO' on the left. To its right is a horizontal bar representing an organization, divided into seven colored segments labeled 1 through 7 from left to right: 1 (yellow), 2 (purple), 3 (pink), 4 (green), 5 (grey), 6 (light yellow), and 7 (blue). Below the bar is the word 'Organization'. Three black dots representing beans are positioned above the pink segment (3). Text below the beans reads 'Beans'.

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The Bean Theory

Based on the works of L. Ron Hubbard

The diagram shows a blue circle labeled 'CFO' at the top left. Below it is a pyramid of 10 black beans labeled 'Beans'. To the right is a horizontal bar divided into seven colored segments: blue (7), yellow (1), purple (2), pink (3), green (4), grey (5), and light yellow (6). A small pyramid of 3 black beans labeled 'Beans' is positioned above the pink segment. An arrow points from the 'Organization' (the bar) to the 'Beans' pyramid. Text above the bar reads: 'Organization uses beans to make more beans through PRODUCTION and INDUSTRY'. Below the bar is the label 'Organization'. Copyright text at the bottom reads: '© 2008, 2010 MGE: Management Experts, Inc. All Rights Reserved.'

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The Bean Theory

Based on the works of L. Ron Hubbard

The diagram shows a blue circle labeled 'CFO' at the top left. Below it is a pyramid of 10 black beans labeled 'Beans'. To the right is a horizontal bar divided into seven colored segments: blue (7), yellow (1), purple (2), pink (3), green (4), grey (5), and light yellow (6). An arrow points from the 'Beans' pyramid to the 'CFO' circle. Text above the bar reads: 'Organization gives more beans back than it received to CFO'. Below the bar is the label 'Organization'. Copyright text at the bottom reads: '© 2008, 2010 MGE: Management Experts, Inc. All Rights Reserved.'

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Your Greatest Monthly Expense

By L. Ron Hubbard

“Foolish or unreal expense is prevented because it’s a poor investment.”

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Your Greatest Monthly Expense
 Based on the works of L. Ron Hubbard

But an org of \$50,000 income potential making only \$20,000

7	1	2	3	4	5	6

\$20,000
←

Income potential \$50,000

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Your Greatest Monthly Expense
 Based on the works of L. Ron Hubbard

“Is a weekly loss of \$30,000 to Finance.”

Potential \$50,000
Minus
Actual \$20,000
LOSS: \$30,000!

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Exercise

1. Work out the monthly **income potential** for your practice. If you have trouble with this, then do the following:
 - a. Determine what would be a good (not “great” production day in your practice),
 - b. Production amount must be adjusted or collectable.
 - c. Then multiply this by the average days you work per month.
2. Now determine what your *actual* collections have been (average) for the past three months.
3. Subtract “3” from “2” to work out your monthly loss.
4. If you’re watching with others from your office, you can work on this exercise together.
5. When done, type “potential” in the chat.

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Exercise – Example

1. Monthly income potential:
 - a. "Good" day of production in the practice is \$8,000,
 - b. Average days worked = 17.
 - c. $\$8,000 \times 17 = \$136,000$.
2. Last three months of collections: \$110,000, \$95,000, \$107,000 = average is \$104,000
3. $\$136,000$ minus $\$104,000 = \$32,000$

Monthly "Loss" is \$32,000 or \$384,000/year!

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Sample Payroll related taxes - Employee

Employee "A" is paid \$500.00 per week
 \$150 is held for withholding (income) tax.
 \$38.25 (7.65%) is withheld for FICA.
 \$15.00 is withheld for state tax.
 \$326.75 is the employee's net pay

The remainder, in addition to employer matched taxes are paid to the applicable government tax agencies per the schedule set up with them.

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Sample Payroll related taxes - Employee

Gross Pay	\$500.00
Less: W/H	\$120.00
Less: FICA	\$ 38.25
<u>Less: State Tax</u>	<u>\$ 15.00</u>
Net Pay	\$326.75

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Sample Payroll related taxes - Employer

Employee "A" is paid \$500.00 per week	
Employer allocates pay for employee.	\$500.00
Add: Employer must "match" the FICA	\$38.25 (7.65%)
Add: Unemployment (Example 3%)	\$15.00
Total employer expense	\$553.25

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Weekly Allocation Amount

Basic monthly expenses needed to run the office can be determined by using the overhead sheet. As Financial Planning is done weekly, you would need to determine your weekly allocation amount. Two easy ways to do it are as follows:

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Weekly Allocation Amount

Basic monthly expenses needed to run the office can be determined by using the overhead sheet. As Financial Planning is done weekly, you would need to determine your weekly allocation amount. Two easy ways to do it are as follows:

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Weekly Allocation Amount

1. Take your monthly overhead, multiply by 12 (months) and divide by 52 weeks (weeks in a year).

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Weekly Allocation Amount

EXAMPLE:

Monthly Allocation $\$40,000 \times 12 = \$480,000$.

$\$480,000$ divided by 52 = $\$9,230.77$.
 $\$9,230.77$ would be your weekly allocation amount.

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Weekly Allocation Amount

2. Take your monthly overhead, and divide by four. This can be useful if you are not open a full 52 weeks a year.

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Weekly Allocation Amount

EXAMPLE:
 Monthly Allocation \$40,000
 \$40,000 divided by 4 = \$10,000 per week.

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Common Overhead Mistakes

1. Undercounting monthly payroll or expenses, by multiplying weekly amounts by "4," as opposed to multiplying by 52 and dividing by 12,
2. Incorrectly calculating estimated employer tax costs for payroll.
3. Missing quarterly or semi-annual expenses,
4. Overestimated expenses by using only past expenditure for budgeting.

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Percentage by Category

<u>Category</u>	<u>Percentage</u>
Rent and Mortgage Expense	4-5%
Lease Expenses	**
Loans and Lines of Credit	**
Credit Cards	**
Insurance	2%
Outside Services	1.65%
Utilities	.6%
Communication & Phone	.6%
Dues & Licensing	**

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Percentage by Category

Category	Percentage
Subscriptions	**
Payroll Expense (Includes Taxes)	22.5%
Advertising	3-5%
Continuing Education	1-5%
Office Expense	1.25%
Dental Supplies	6-7%
Lab Expenses	8-10%
TOTAL	50.6-60.6%
GROSS PROFIT	39.4 - 49.4%

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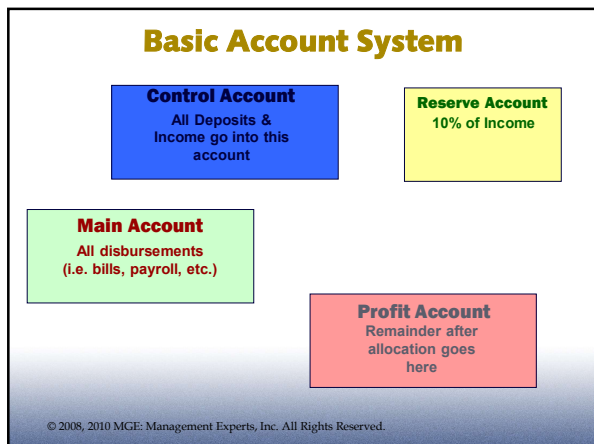
- ### Overhead Trouble Spots
1. **Leases/Loans,**
 2. **Payroll,**
 - a. Low TX Accept.
 - b. Paying the person - not the position
 - c. Underproducing
 - d. Misallocated personnel,
 - e. Incorrectly compensating associate
 3. **Marketing/Advertising,**
 4. **Dental Supplies,**
 5. **Lab Expenses.**
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Plan/Planning Defined

Plan: 1. An action or course of action (determined beforehand) which one intends to do in order to accomplish something. 2. To design or prepare a method, program or series of actions for.

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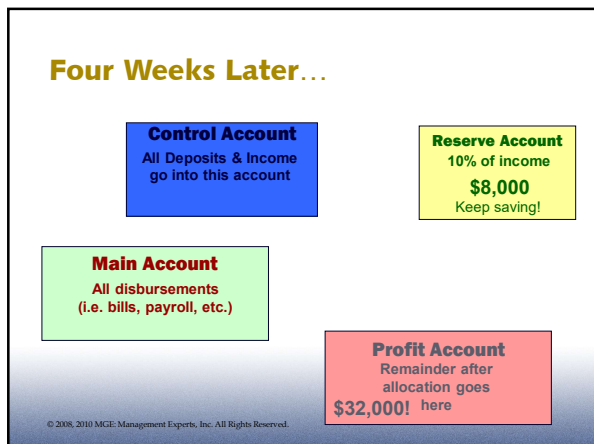
A Note Regarding The Control Account

As a precaution, you may wish to leave an adequate sum of money in the Control Account to cover (among other things):

1. Bounced checks.
2. Bank or accounting errors.
3. Delays in receiving funds (i.e. credit card payments, etc.).

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"Can't Have" Defined
By L. Ron Hubbard

"A 'can't have' means just that—a depriving of substance or action or things."

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"Enforced Overt Have" Defined
By L. Ron Hubbard

"Means forcing upon another a substance, action or thing not wanted or refused by the other."

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PTS Personnel and Finance

By L. Ron Hubbard

"A PTS person will run a can't have on the org and its staff by:

- a. Refusing income,
- b. Wasting income made,
- c. Accepting wrong customers and forcing them on the org,
- d. Fail to provide staff or service,
- e. Advocate overt products."

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"Overt Product" Defined

By L. Ron Hubbard

"A bad one that will not be accepted or cannot be traded or exchanged and has more waste and liability connected with it than it has value."

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More on PTS Handling

By L. Ron Hubbard

"PTS is a connection to an SP. That is true. But what may be overlooked is that persons of the middle class (which is a culture, not an income bracket, to which belong all the puritan hypocritical mores of the cop and get-a-job-be-a-moderate-plugging-success) frown very terribly on anything that the least bit tries to make a better world. The middle class wants the world of a job and order and even hypocrisy and cops because they are AFRAID. They hold their narrow views because any other views may disturb their twenty-year house mortgage, the store, the job."

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More on PTS Handling

By L. Ron Hubbard

“So when someone decides to make a better world, they look on him as a direct menace even though the dull middle-class world is a sort of slavery and suicide. It is the middle class that tries the hardest to keep the down-and-outer out and down, who go along with a cop America and hate support of anything not their class. And nearly every PTS you have will be found one way or another to be PTS to the middle class. As a group, not as individuals, the middle-class-parent world suppresses anything different. So you have PTSes.”

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More on PTS Handling

By L. Ron Hubbard

“The bulk of your PTSes may very well be PTS to a class, the middle class of which their particular SP is simply a member. Few of them realize this or even that the middle class (bourgeoisie) ARE very suppressive to anyone who tries to do something in the world besides support the system. My attitude in this is that both the capitalist and communist are alike old hat and a bore, that they’ve made a ruddy mess of things, exhausted the planet and, with their senseless wars, smashed up mankind.”

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More on PTS Handling

By L. Ron Hubbard

“The person has to handle. If he does so, he will begin to get well and cease to have problems. The reasons he cannot handle are because he tries to do it in the heroic fashion that is required in a disconnect. Handling can be very, very gradient. It doesn’t have to be an explosive handling. It can be very gentle. All you want is the person at cause and that is attained on a gradient toward the SP.”

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More on PTS Handling

By L. Ron Hubbard

“The whole crux of PTSes is HANDLE. And the misunderstood on it is how gently one can handle.

Many of them are caught up in the mystery of why they are snarled at and have no conception of the middle class as a formidable and jealous force that goes psychotic when it feels anyone may get away from the treadmill and threaten their uneasy and doomed lives.”

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Exercise

1. List out any area where you would like to increase your reach or havingness.
2. If you are watching this seminar with someone else, you can (if you wish) share what you came up with.
3. Keep this list to review with your MGE Power Client Manager.
4. When finished, type “reach” in the chat.

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Exercise

1. Figure out at least five ways that you could extend your practice’s communication lines out further. Note these down.
2. If you are watching this seminar with someone else, you can work on this list together.
3. You could also have us side-check your list by emailing it to seminar@mgeonline.com
4. When finished, type “comm” in the chat.

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Exercise

1. List out any areas of your practice that are not operating at exchange condition 4. If you are watching this seminar with someone else, you can work on this list together.
2. Now determine how to bring these areas up to exchange condition 4.
3. When done, type "exchange" in the chat.

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Exercise

Based on the works of L. Ron Hubbard

1. If you are watching this seminar with someone else, you can work on this exercise together. Otherwise, make this list on your own and send it in to MGE at seminar@mgeonline.com to side check.
2. Come up with three examples that either you have observed for each point listed.
 - a. Raising the standard of living of employees above what is earned.
 - b. Raising his own rewards above what he personally is earning in terms of VFPs.
 - c. Ignoring the real producers of the group and not seeing that their standard of living is comparable to their individual production.

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Exercise, Continued

Based on the works of L. Ron Hubbard

- d. Ignoring the nonproducers and the overt product makers.
- e. Listening to a bunch of PR from a staff member about how valuable that staff member is and surrender to it without ever really counting up the real VFPs that staff member is not producing (or even preventing).
- f. Working himself or herself half to death without demanding production from others.
- g. When done, type "Production" in the chat.

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DRILL

1. Write a sample C.S.W.
2. If you are watching this seminar with someone else, see if they would approve it or not. If not, fix the points that need fixed and get it approved.
3. If you are watching this seminar alone, send a copy to seminar@mgeonline.com for side-check.

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Weekly Financial Planning

1. Get all banking done for income that week.
2. Using your deposit slips and batch reports, total all income for the past week and verify it against reported income (from day sheets or the like).
3. If not done already, enter your deposits into your Control Account.

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Weekly Financial Planning

4. Do your allocation sheet.
5. Do account transfers.
6. Ensure your bank account information is up to date.
7. Ensure all bills on hand are entered (into software or on a bills summary).

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Weekly Financial Planning

- 8. Based on your allocation, pay your bills. Keep an eye out for any categories that may have exceeded their budgeted amount and investigate.
- 9. Take your allocation sheet, any worksheets and administration from your Financial Planning for that week and place in a manila envelope. Put the date of the FP on the outside of the envelope and file.
- 10. At least on a monthly basis, review your Profit account and determine what these funds will be used towards and do so.

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