

# Nagel on Finances: Looking forward to next quarter, 2021

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BY ROGER NAGEL

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RIO RANCHO, N.M. — By the time you read this article, we will be half way through the fourth quarter of 2020.

Whew! What a grind. Only six weeks to 2021.

Then what?

This may be the most challenging fourth quarter many small-business owners will ever encounter. Generally, this is the time we reflect on the past and plan for the future.

Instead, today, small-business owners face new decisions, the implications of which have few known answers. Consider some of the bigger issues of the day:

- In person, remote or hybrid?
- Accelerate income recognition, defer expense or both?
- Pay back your Paycheck Protection Program loan or ask for forgiveness?
- Will you require testing, quarantine or both for traveling employees?
- What technology investments can enhance remote worker efficiency and effectiveness?

If you do not have a crystal ball to predict the future, do not worry. I have one. It does not help.

Business owners are left to their own devices to sort through these issues and make decisions now that will impact the next year. How do we do that?

This is a great time to get closer to your standard financial statements.

- Do you routinely study the content of your balance sheet and income statement each month? If not, do it now.



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- Do you produce a monthly cash flow statement and use it to consider the past and predict the future? If not, do it now.
- Do you really understand the messages your financial statements tell you about your business? If not, or even if you are not sure, get good counsel now.

Knowing where you have been, and why, can greatly assist your plans for next year.

The task of year-end planning does not end by looking back on recent history. What do you know with confidence about the next quarter?

Will you make changes in your workforce? Will those changes be reactive or based on a desired outcome only you can influence? What are the training costs to keep that workforce relevant and current?

Are your key people all on board and communicating their expectations well? What are they telling you about the market place and changes in demand?

What are your “boots on the ground” telling you about trends in innovation and your competition? Are you prepared to take on a new line of revenue, product sales or services?

Think about your technology investment. Do you have compelling equipment needs that you have been reluctant to act on?

Remember, those investments support your workforce in better serving your customers. These investments often yield the best rate of return of any investment you can make.

Do not be tempted to buy that new truck or car instead.

In reflection, I am reminded of what Oskar Schindler told his accountant, Itzhak Stern, about success in business. I paraphrase, but it went something like this: “You need three key people to be successful in business, including a good accountant. I do not have much regard for the other two.”

If you need a reminder, watch “Schindler’s List.”

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