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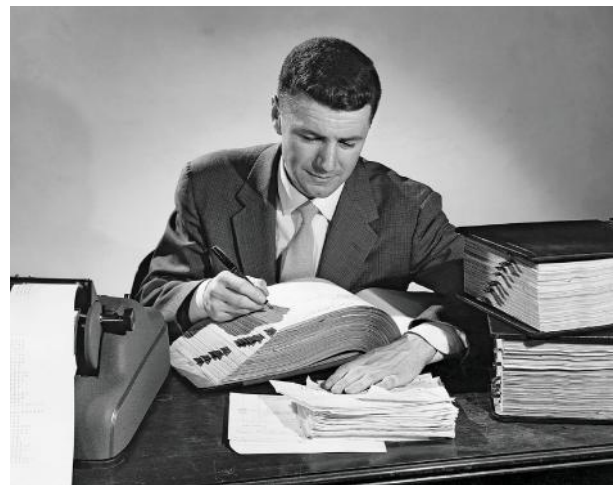
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## Knowing When To Hire an Accountant Matters for Small Businesses

*By Finance New Mexico*

At some point in the life of most businesses, finances become complex enough that the owner decides to delegate financial oversight to someone with the training and expertise to provide more than basic bookkeeping or tax preparation services.

If the business is being audited, for example, the owner might hire an enrolled agent to represent it. Enrolled agents are tax-law experts authorized by the U.S. Treasury Department to advise and represent individuals, businesses and other organizations in such situations.



But if the business needs someone to help with strategic planning or complicated and momentous financial decisions, it's time to consult an accountant.

Accountants can advise businesses on a range of financial decisions and perform specific tasks that require their expertise.

This doesn't mean the business has to keep an accountant on retainer or hire one as a full-time employee. It just means knowing when to delegate certain tasks to the experts so the owners can use their time on revenue-generating activities.

**Preparing a business plan:** Not every business involves an accountant this early in the game, but doing so can spare the business preventable problems down the road. Accountants can prepare financial projections and other reports that give a business plan the professional polish and realistic tone needed to impress a lender or investor.

**Selecting a legal structure:** An accountant can tell a sole proprietor when it's advantageous to incorporate or choose another structure to maximize tax savings and protect the owner from liability. This is especially useful for small operations that rely heavily on the owner's personal finances. For example, a self-employed entrepreneur can write off some home

office expenses to offset tax liability, but she's also personally vulnerable to lawsuits filed against the business until she adopts a structure that limits her liability.

**Helping with finances and strategic planning:** Business accounting becomes more complicated as a company grows, and most of it is beyond the know-how of the average business owner, who is typically distracted by day-to-day business management. While a bookkeeper can track accounts receivable and prepare financial reports, an accountant can help the owner analyze the reports, understand the metrics and make decisions based on these numbers.

The time to hire an accountant is when things move to a level that exceeds the expertise of a bookkeeper or registered agent and when the owners are ready to trust a professional to manage their financial interests so they can focus entirely on seizing opportunities and avoiding threats.

When hiring an accountant for ongoing consultation or specific services, the owners should look for someone who specializes in small businesses and understands the industry in which the business competes. Friends and trusted associates can offer referrals, or the owners can consult the American Institute of Certified Public Accountants or New Mexico Public Accountancy Board.

Because this relationship is based on trust, business owners should interview accountant candidates just as they would any other employee or contractor to ensure the individual is qualified and offers the fee structure and specialized services they need.

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