

# THE **5** BIGGEST FINANCIAL MISTAKES **COMMERCIAL** CONSTRUCTION COMPANIES MAKE

AND WHAT YOU CAN DO TO AVOID THEM TODAY!



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# Introduction

## Hi There!

- Would you agree with me that running a commercial construction company like yours has become extremely complicated over the past few years?
- Materials cost and availability has become unpredictable and sporadic.
- This has made bidding on projects a time-consuming task. It has also made it very difficult to understand how much profit you're really making on each project.
- You may have also been impacted by the pandemic, and now have to worry about managing a tighter cash-flow as a result.
- Despite all of these obstacles, the commercial construction industry has remained strong.
- Did you know that the commercial construction industry in the U.S. alone is more than \$1.7 trillion dollars?
- So, what does this mean for you? It means that the opportunities for growth are waiting for you to claim them.
- But in order for you to achieve your full potential, you need to have flawless internal systems running your company. This is the key to accelerating your company's growth and profits.
- But before we get ahead of ourselves, we can't ignore the issues that every commercial construction company is facing right now. Rising material costs, fierce competition, customers taking extended periods to pay their invoices.
- As a commercial construction business owner, you make dozens of decisions every single day that revolve around finances, accounting, taxes, payroll, banking, etc....
- And these decisions aren't always straight forward. When's the last time you felt unsure of a business decision you had to make?
- Do you feel that you might be making serious financial mistakes when it comes to running your business? You may be making money, but is your money working for you?
- The truth is, a lot of the commercial construction company owners I talk with struggle with managing their finances. And if that is something you can relate to, I have some good news. There is a light on the other side of the tunnel!

- You've dedicated years of your life mastering your craft and building the foundation that is now your successful company. You should take pride in everything you have built and continue to leverage your love for what you do to take your company to the next level of success.
- Unfortunately, like many others in your shoes, you have probably struggled to find the help and advice you need when it comes to managing your company's finances.
- After serving companies in the industry as a public accountant and outsourced bookkeeper, and even working internally as a Controller for an 8-figure commercial construction company, I've seen many construction companies deal with the same struggles over and over again.
- Often, these companies succeed due to their sheer willpower, effort, and a love for doing great work. But they also expose themselves to unnecessary stress and uncertainty.
- In fact, I've discovered that most commercial construction companies make 5 financial mistakes that - when left unfixed - can force them to work way too hard for way too little (often without realizing it).
- The worst part is, making only one or two of these financial mistakes can have a huge impact on your bottom line.
- But don't worry - all of these mistakes can be fixed with the right help, saving you tens of thousands of dollars and dozens of precious hours every month.
- So let's go over each of the 5 biggest financial mistakes commercial construction companies make and the strategies that will help you fix them today.





# STRATEGY #1

## Take Control Of Your Cash Flow By Optimizing You're A/R Process

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- If you find that regardless of how hard you work, your bottom-line profits don't seem to be increasing, know you're not alone.
- I see this all the time, and one of the biggest factors contributing to this is past due Accounts Receivables (A/R).
- In the commercial construction industry, A/R can very quickly add up to a massive amount of money that's often overlooked. If companies put half as much effort into getting these funds in house as they do obtaining and completing the job, this would alleviate most of their cash flow and profitability pains.
- If the idea of chasing down clients for outstanding invoices sounds unattractive, I don't blame you. I've personally spent hundreds of hours following up on past due invoices for companies I've worked with in the past, and it can be a very stressful process.
- The good news is, there are simple steps you can take to automate You're a/R process to make it much smoother. In most cases, it's not even a collection issue, but actually an invoicing issue.
- What do I mean by this?
- Believe it or not, I've seen commercial construction companies in the past that had completed hundreds of thousands of dollars of work, but still hadn't issued any invoices!
- And neglecting this process is not only hurting your cash flow, but also creating stress for your administrative staff. The buildup of overdue invoicing over long periods of time can waste dozens of hours of your staff's precious time trying to recall what happened and how it needs to be invoiced.
- Were there any change orders? Changes in material pricing during the project? Over time? So many factors that could easily be missed, potentially costing your company tens or hundreds of thousands of dollars.
- While this all may sound crazy, it's the reality of the commercial construction industry. If you are not keeping accurate and timely records, there is a high likelihood that you are not billing your clients for everything you are entitled to.

- Now, this doesn't mean that your own situation is this dramatic; but there is a good chance that there is room for improvements in your cash flow through optimizing You're a/R process.
- So how do you fix this?
- Ensure you have a solid system and process in place to issue your invoices in a timely manner. When you prioritize sending an invoice immediately, it actually increases the likelihood that you will be paid faster since you are still top of mind. Additionally, you will need a system in place to track the age of your receivables to ensure you are following up in a timely manner and not letting anything slip through the cracks.
- If you're using AIA or another progress billing approach, you will also need to know exactly where you are on all projects and when those invoices need to go out. Which brings us to our next strategy...





# STRATEGY #2

## Establish and Update Your WIP Schedule

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# Establish and Update Your WIP Schedule

- Most commercial construction companies are working on several projects at any given time. It can be difficult to keep track of each of them, but it's very crucial to do so in order to accelerate your company's growth, profits and cash flow.
- The **Work-In-Progress (WIP)** schedule provides a brief overview of the completion percentage of each project and how much of that has been invoiced to date. This schedule is an essential tool for a commercial construction company that wants to take control of their business's finances.
- While most commercial construction owners have heard of the WIP schedule before, I still find that many aren't giving this report any attention.
- So, what happens to the companies that aren't using a WIP report?
- In my experience, the ones who aren't maintaining and analyzing their WIP reports are often the same ones who are having cash flow issues and underbilling their clients.
- What this means, is that essentially your company is providing your client 0% financing as you continue to complete their project and not get paid for it!
- Under billing can be detrimental to your cash flow, especially on larger projects. You will continue to pay for materials, labor, and other project costs, burning through your cash on hand faster than you are collecting it from clients.
- This also creates other issues within your internal accounting system. It makes it nearly impossible to track how much profit you made during a certain period and how much revenue has been earned or is still unearned.
- And lastly, there is the possibility of negative impacts come tax time. Poor record keeping can lead to overpaying taxes on revenue that hasn't even been earned yet, which is more cash coming directly out of your pocket.
- My job is to help my clients avoid these problems by establishing a simple WIP schedule that is maintained and reviewed on a regular basis.



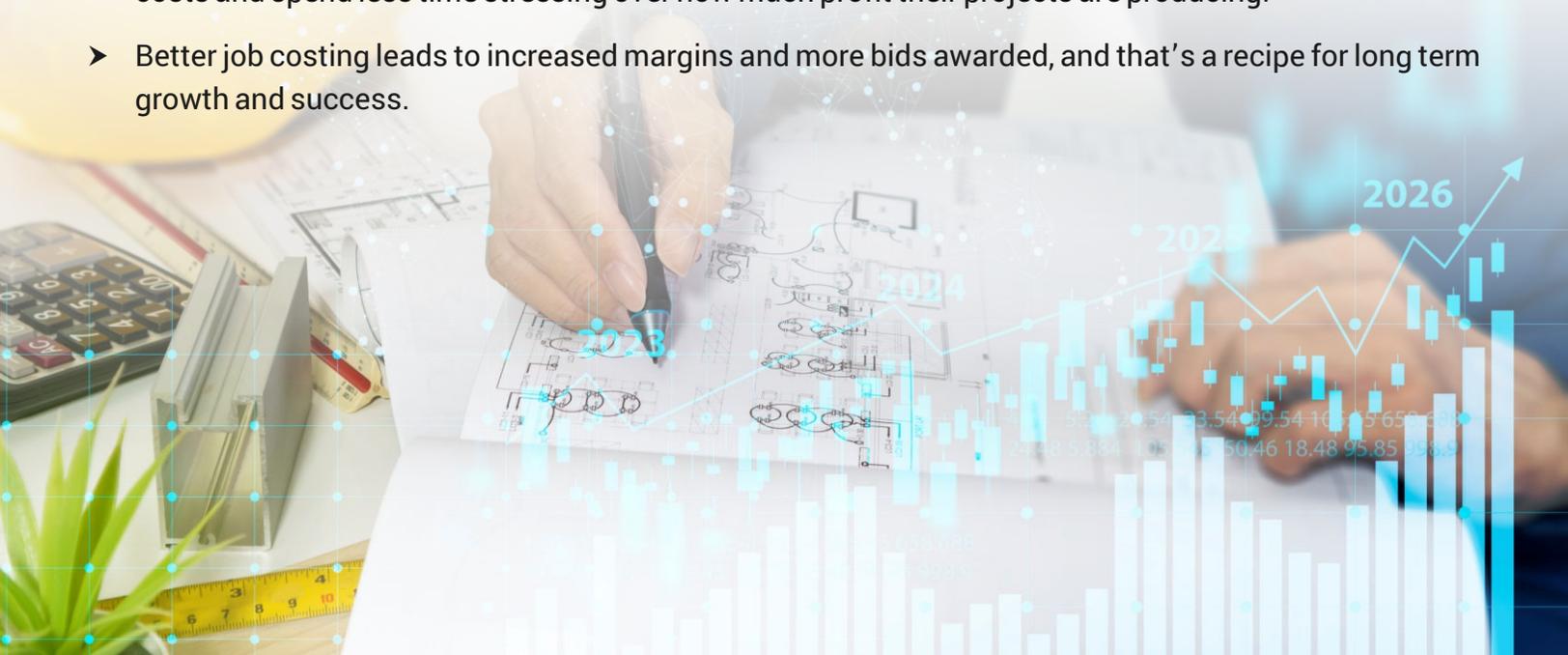
# STRATEGY #3

## Implement Job Costing To Understand and Maximize Your Profits

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- Maximizing your commercial construction companies' profit is essential from the beginning. You can cut your expenses as much as possible, but if your job isn't profitable, you'll never achieve the financial goals you really want.
- With the constantly changing material costs in the current market, job costing is more challenging than ever before.
- When job costing isn't done properly, budgets and schedules can very quickly get out of hand, resulting in even further reduced profits.
- Strong profit margins start with an accurate job costing system. Unfortunately, many construction companies price their jobs with outdated resources, resulting in inaccurate cost data and profitability. Even one slight error can result in tens of thousands of dollars in profitability disappearing.
- By implementing a simple system for tracking costs, you can accurately bid new projects based on the most recent and accurate material and labor costs. This allows you to take control of your profit margins and maximize what your company can earn.
- Through the proper software and systems, my clients have been able to accurately track their project costs and spend less time stressing over how much profit their projects are producing.
- Better job costing leads to increased margins and more bids awarded, and that's a recipe for long term growth and success.





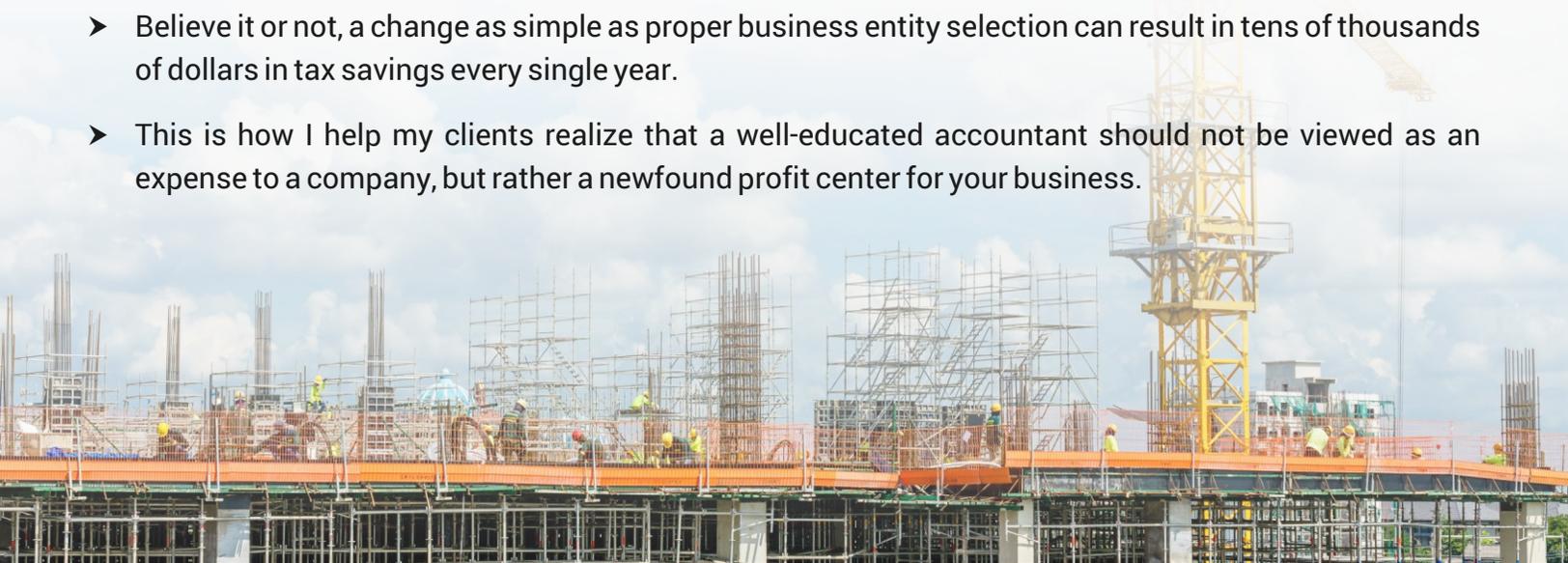
# STRATEGY #4

## Leveraging Proper Tax Strategies and Tax Planning

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- Now I know taxes aren't everyone's favorite topic. Especially when it comes time to pay Uncle Sam. But let's face it – every successful business owner at one point or another must start thinking about taxes.
- More importantly, how they can pay as little taxes as possible while also staying in compliance with the complex rules and regulations set in place by the IRS.
- As a business owner, the worst thing you can do is fail to plan for taxes at the end of the year and be hit with a massive tax bill during tax season and not have any cash available for it.
- This is why it's so important to educate yourself on advanced tax strategies that exist to help lower your year end tax liability and keep as much cash in your pocket as possible.
- Once you have identified and implemented the proper strategies, you can plan pro actively and never have to worry about a huge unknown tax bill each year.
- In my experience, many business owners work with an accountant who is just a 'tax preparer'. These tax preparers take the information provided, complete the tax return forms, and let you know how much you owe. There is no value provided in this process.
- What business owners really need is an accountant who is a 'tax planner', who can educate them on the available resources and strategies that result in less taxes owed.
- Believe it or not, a change as simple as proper business entity selection can result in tens of thousands of dollars in tax savings every single year.
- This is how I help my clients realize that a well-educated accountant should not be viewed as an expense to a company, but rather a newfound profit center for your business.





# STRATEGY #5

## Review Financial Statements To Maximize After Tax Profits

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- With all this talk about job costing and WIP reports, let's not forget about the importance of financial statements.
- I absolutely understand how easy it is to overlook balance sheets and income statements. After all, you probably didn't get into the construction business due to your love for accounting and complex financial reports.
- Nevertheless, this does not make reviewing and understanding your financial statements any less important.
- Financial statements serve as a blueprint for any successful business. For a company to grow and increase its profits, these statements must be reviewed on a regular basis.
- And even going one step further, it's crucial to review accurate and timely financial statements on a regular basis. This gives you a pulse of the financial health of your business and allows you, as the business owner, to make educated financial decisions on a day-to-day basis.
- Neglecting your financial statements is like turning up the radio when your car is making a weird noise. The longer you ignore it, the worse the problem gets, until it eventually breaks.
- With a little insight to your profits, costs and other key factors, you have the opportunity to add tens or even hundreds of thousands of dollars in additional profits to your bottom line.
- I spend the time preparing and reviewing financial statements with all of my clients on a regular basis to ensure they understand the financial health of their company and have the ability to create a proactive financial plan for their business.
- You can leverage your financial statements to boost your after-tax profits and improve cash flow, while actually decreasing stress and the time you spend making tough decisions. It's all right there in the numbers.

# Conclusion

- As you can see, making any one of these 5 mistakes can cost you tens of thousands of dollars and dozens of hours of your precious time each and every month.
- If you have read this book and discovered that you might be making one of these 5 costly mistakes in your business, and you feel that your mistakes are too far gone, guess what...
- There's hope for you too. This is what we do.
- We care about the commercial construction community. I'm here to help you overcome your mistakes and plan a better future for your business.
- I'd love to give you 30 minutes of my time for free where we can deep dive into your current business structure, financial strategy, and accounting system to make sure your hard-earned money is really working for you the way it should be.
- You can book your free discovery call with me here:
- <https://calendly.com/fred-hessfinancial/5-strategies>
- At the end of our call, you'll have a clear plan for what you need to do to turn your commercial construction business into a wealth-generating machine.
- And there's no obligation whatsoever. I won't hold anything back.
- The best-case scenario is that I help you save thousands of dollars every year and win back your time so you can live the life you want.
- Worst-case scenario, you get peace of mind from an experienced bookkeeper, accountant and tax planner who knows the commercial construction industry inside and out.
- Does that sound fair?
- If so, schedule your discovery call with me here:
- <https://calendly.com/fred-hessfinancial/5-strategies>



# About The AUTHOR



Hi there! My name is Frederick Hess. I own a bookkeeping and accounting firm that specializes in helping commercial construction companies leverage their business to create lasting wealth.

If you feel like you're working too hard for not enough money, or if you feel like your finances are a mess.

I might be able to save you tens of thousands of dollars and dozens of hours of your precious time every month with just one 30-minute phone call.

On this discovery call, we will go over your current business structure, financial strategy, and accounting system to make sure that your business is operating efficiently and that you're not wasting any of your hard-earned money.

This discovery call is complimentary, and there's no obligation whatsoever.

I won't hold anything back. When we're done talking about your business and

your goals, you'll have total clarity and peace of mind about where you're at and where you're going.

If you want my help implementing the plan we design on the call, then I'll be happy to talk with you about working together, but you absolutely don't have to become my client to get massive value out of our conversation...

If you want to take control of your financial future and keep more of your hard-earned money, book a free 30-minute discovery call with me here:

<https://calendly.com/fred-hessfinancial/5-strategies>

I look forward to talking with you and helping you get clarity on how to create lasting wealth for you and your family.

To your success,  
**Frederick Hess, MBA**