

MODULE 2

MAKE MONEY THAT STICKS

Understanding real profit and the Profit First method

 **40 minutes total**

- Part 1: Revenue Is Vanity, Profit Is Sanity (7 min)
- Part 2: The Simple Profit Formula (10 min)
- Part 3: Profit First — Pay Yourself Like a Real Business (18 min)
- Part 4: Your Monthly Profit Check (5 min)

By the end of this module, you will:

1. Calculate your real profit per sale (not just revenue)
2. Understand the difference between gross profit and net profit
3. Use the Profit First method to pay yourself consistently
4. Build a simple monthly profit tracker

2.1 Revenue Is Vanity, Profit Is Sanity

Selling a lot doesn't mean you're making money. Many owners think: "I did \$50,000 in sales this month — that's great!" But if it cost \$48,000 to deliver, you only made \$2,000.

- **Revenue** = Total money from sales
- **Profit** = Money left over after paying for everything

REAL EXAMPLE: Mike's Landscaping

Mike does \$20,000/month in sales. Cost to deliver the work (labor, gas, equipment): \$14,000. Gross profit: \$6,000. Operating expenses (truck, insurance, marketing): \$5,000. Net profit: \$1,000. Mike is working 60-hour weeks for \$1,000/month. His pricing is broken.

2.2 The Simple Profit Formula

1. Gross Profit (Margin)

$$\text{Gross Profit} = \text{Revenue} - \text{Cost of Goods Sold}$$

In plain English: For every dollar you sell, how much is left over after paying for the actual stuff?

Healthy Gross Margins by Business Type

BUSINESS TYPE	TARGET MARGIN
Service businesses	50-80%
Product businesses	30-50%
Restaurants / Food	60-70%
Retail	40-50%

2. Net Profit (The Real Number)

$$\text{Net Profit} = \text{Gross Profit} - \text{Operating Expenses}$$

In plain English: After you pay for EVERYTHING (payroll, rent, marketing, insurance), what's left?

Healthy net profit: Early-stage 5-10%, Established 10-20%, High-performing 20%+

2.3 Profit First — Pay Yourself Like a Real Business

The traditional formula is broken: *Sales – Expenses = Profit* (whatever's left). Most owners never have anything left.

The Profit First Formula

Sales – Profit – Owner Pay = Expenses (what you have to work with)

Instead of hoping there's money left over, take profit FIRST.

How Profit First Works

Step 1: Set up 5 bank accounts (or sub-accounts)

1. **Income Account:** All money comes in here (temporary holding)
2. **Profit Account:** Your business profit (start small — even 1% counts)
3. **Owner Pay Account:** Your consistent paycheck
4. **Tax Account:** Money set aside for taxes
5. **Operating Expenses:** Everything else (run your business on this)

WORKSHEET: Profit First Percentage Planner

Step 2: Decide your percentages (adjust over time)

ACCOUNT	STARTER %	YOUR %
Profit	5%	_____ %
Owner Pay	20%	_____ %
Tax	15%	_____ %
Operating Expenses	60%	_____ %
TOTAL	100%	100%

Step 3: Move money twice a month (10th and 25th)

Look at total revenue in Income Account, transfer percentages to each account, run your business on what's in Operating Expenses.

Why This Works

- You're forced to operate lean
- You pay yourself FIRST, not last
- You're building a cash cushion
- And you'll never wonder "where did all the money go?"

YOUR ACTION ITEMS

- Calculate your real profit per sale using the Profit Calculator
- Decide your starting Profit First percentages
- Open (or designate) 5 accounts for Profit First
- Schedule your first transfer for the 10th or 25th

Continue Your Learning

You've completed Module 2. Continue with:

- **Module 3: Know How Long You Can Last** — Calculate your runway and plan for multiple scenarios

If you haven't completed Module 1:

- **Module 1: Know Your Money** — Simple cash flow tracking so you always know where you stand

Stop Guessing, Start Growing.

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