

MONEY MANAGEMENT

PART 1

Open two accounts for your Mary Kay business:
One CHECKING account
And
One SAVINGS account

Savings Account (60% account) is for:

- 50% - Wholesale Cosmetic Orders
- 5% - Section 2 Business Supplies
- 5% - Preferred Customer Program Mailings

We choose a Savings account to serve as a “holding account” for funds to place your next inventory order.
This prevents you from spending the money you need to keep to build your inventory.

Checking Account (40% account) is for:

- Your Paycheck
- Paying off your inventory

How to operate these two accounts:

Example:

- You have weekly sales of \$500 at 5% tax
- $\$500 \times 5\% \text{ tax} = \25 in tax
- $\$500 + \$25 = \$525$

Savings Account (60% account):

- Deposit 60% of sales into this account
- Deposit 100% of all sales tax into this account
- Reason: when you order products, you pay tax on retail (not wholesale), so you are simply reimbursing yourself from the sales tax the customer paid you.
- In this example: $\$500 \times 60\% = \300
- Your tax on \$500 was \$25
- So, you will deposit \$325 ($\$300 + \25 tax) into your Savings account

Checking Account (40% account):

- Deposit 40% of sales into this account
- This money is for:
 - ✓ Your Paycheck
 - ✓ Paying off your credit card that you initially charged your first inventory order on
- In this example: $\$500 \times 40\% = \200
- So, you will deposit \$200 into your Checking account

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PART 2

Why this Works:

- Let's assume you sell \$500 each week for one month.
- You will have \$1,300 (\$325/week x 4 weeks) in your Savings account.
- When you need to order more products, you will use this money (\$1,300).
- You will not increase the amount of your debt, you will pay for the inventory order with the \$1,300 you are holding in your Savings account.
- It is recommended that you charge the order on your credit card for convenience, but then pay it off immediately. This builds good credit.
- You will have \$640 (\$160/week x 4 weeks) in your Checking account.
- You can use some of \$640 to pay yourself.
- You can use some of the \$640 to pay off your initial inventory order.
- You can use all of the \$640 to pay off your initial inventory order to be debt-free quicker.

Key to Pay Less Interest on Your Credit Card:

- Send a payment to the credit card company **weekly**.
- Send this payment from the funds in your Checking (40%) Account.
- You will pay less interest per month because the amount owed will be reduced each week.
- You may choose what percentage to pay the credit card each week and what percentage to keep as your paycheck.

Tips for Calculating Sales Tax on Customer's Orders:

Example #1, Selling at Full Retail:

- Customer orders \$100 in retail products
- Multiply Retail Amount x Your Tax Rate
- In Virginia, this is: $\$100.00 \times 5.3 = \5.30 Tax
- Total of order would be \$105.30 ($\$100.00 + \5.30 tax)

Example #2, Selling at a Discount:

- Customer orders \$100 in retail products at a 20% birthday discount
- Charge tax on the full retail amount prior to calculating discount because tax is paid on full retail at time products are purchased
- Multiply Retail Amount x Your Tax Rate
- In Virginia, this is: $\$100.00 \times 5.3 = \5.30 Tax
- Calculate discount: $\$100.00 \times 20\% \text{ off} = a \20.00 discount
- $\$100.00 - \$20.00 = \$80.00$ retail
- Total of order would be \$85.30 ($\$80.00 + \5.30 tax)