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Tips to Keep Your Financial Records Well-Organized

How to keep your small business finances organized

Keeping your financial records well-organized is important for more than fulfilling regulations or legal requirements. It also helps you better understand your business, now and in the future. Without a proper record-keeping system, it can be easy to lose track of important business details. With the following tips to keep your financial records in order, you'll be giving your small business a better chance to survive in the short and long term.

Separate business and personal finances

When you start a small business and finances are still manageable, it can be tempting to keep your business and personal expenses in the same account. However, this will only make it increasingly difficult to track your expenses over time, and can impair your ability to claim business expenses on your taxes. "Make sure to have a clear way to keep track of your business expenditures, like using only a debit card tied to your business account," says Seattle Business Magazine's Melissa Kincaid. The same goes for credit cards. Generally, it's a good idea to separate financial accounts for your company the moment you start the business.



Use different storage for different records

According to Lita Epstein, author of more than 40 business books, bookkeepers use four different methods to store accounting information: file folders, three-ring binders, expandable files and backup computer data. File folders are used to file invoice, payment and contract information about vendors as well as information about employees and individual customer accounts. Binders typically contain your chart of accounts, general ledger and journals. "Even if you do use a computerized accounting system, it's a good idea to keep a copy of this for the month most recently closed and the current month in hard copy in case your computer system goes down and you need to quickly check information," Epstein says. Expandable files are good for managing vendor activity and outstanding bills, though Epstein says you may be able to get away with not using these if you prefer using a digital bookkeeping method. Finally, if you are keeping your books on a computer, you should always keep a backup copy in a safe place. Physical documents should also be scanned and stored digitally.

Consider software

As a small business, you may have no trouble organizing your financial records without resorting to software, but that can change as your business grows. The more financial documents you have, the more you can benefit from a bookkeeping system's indexing and sorting features. Going paperless can also save you money on office supplies. Managing your finances via a computerized system can do more than just help you save time and money: because the computer does the math for you, the risk for human error is reduced as well.

Stick to a schedule

You should take some time every week to record all of your financial transactions. Doing so will help you maintain a clear view of the state of your business, making it easier for you to decide what steps to take in the future. Additionally, organizing your business finances regularly keeps the work more manageable. Leslie Truex, writing for The Houston Chronicle, also recommends reviewing your financials on a monthly basis. "Print a transaction report to compare to your bank statement to make sure you've accounted for all transactions," she says. "Print an accounts receivable report so you can send an invoice to clients who owe you money. Run an income and expense report to make sure you're operating in the black. Evaluate expenses to determine if they were necessary and provided a financial return."

Hire help

Keeping your small business's financial records organized is hard work, even if you are disciplined about tackling the job on a regular basis. "Unless you're specially trained in accounting principles, bookkeeping can be a challenging task," says small business writer Joshua Adamson-Pickett. "So consider getting help — whether by hiring a bookkeeper, outsourcing to an accounting service, or using accounting software." However, software is no one-stop solution. As the most capable software tools tend to also have the steepest learning curves, you may find yourself spending valuable time learning how to use the tool rather than getting back to business or even managing finances.

Ultimately, spending hours each week to manage your business's finances may not be what motivates you to be an entrepreneur. By hiring a bookkeeper or outsourcing the work, you can free up valuable time to focus on what matters to you most.

Personal Loans vs. Credit Cards

Choose the right type of credit for your financial needs

If you're in need of funds for a major purchase, an unexpected bill or smaller expenses, the two most common solutions are taking out a personal loan or putting the amount on a credit card. However, it's important to choose carefully based on your financial situation, as these tools offer dramatically different advantages and drawbacks.

Advantages of personal loans

Taking out a personal loan from a financial institution comes with numerous advantages. Perhaps most importantly, personal loans provide a strong degree of predictability and stability. When you accept the loan, you should expect to pay the same amount each month at the same interest rate. You'll also know exactly how long it should take to pay off the loan. This makes for a major advantage over credit card debt, which can be stretched out indefinitely with minimum payments — costing you significantly more in interest over time.

A personal loan can be a powerful financial tool. If you have strong credit, not only do you lock in a steady interest rate, but that rate is also likely to be lower than what you'd get from a credit card. This makes a personal loan a less expensive option for a large purchase or series of expenditures that you'd prefer to pay off over a longer period of time. It's also a helpful way to consolidate credit card debt at a lower interest rate.

Once you've been approved for a personal loan, you'll typically receive the money all at once to spend however you see fit (an exception to this is if you take out a secured loan for a specific purpose, like purchasing a home or a car). Writing for *The Balance*, Justin Pritchard notes that a personal loan can be especially convenient if you want to pay cash for something — unlike credit cards, which usually charge a fee.

Advantages of credit cards

Although credit cards tend to be a riskier and less predictable form of debt, they do hold some advantages. Instead of providing you with a specific, one-time amount of money, a credit card gives you flexible access to what's known as revolving credit — a balance that you can draw on at any time within your credit limit. That means you won't need to apply for a new loan each time you want to make a purchase, which can be helpful if you require funds immediately. And even if you don't use your card at all, the balance is there if you need it.

Per Amrita Jayakumar and Steve Nicastro of NerdWallet, with their ease of use and flexible terms, credit cards are especially convenient for online shopping or for routine expenditures like gas and groceries — provided you pay the full balance each month. Depending on the card you apply for, you might even be able to get cash back, reward points for certain purchases, or an introductory 0% interest rate. Make sure you prioritize paying what you owe in a timely manner, though, as these types of purchases can pile up quickly and leave you with a large balance that exposes you to heavy interest charges.

If you need to make a large purchase or borrow a large sum that you can pay off steadily over time, a personal loan from a financial institution is likely to be your best bet. If you'd prefer a versatile line of credit for smaller purchases that you can pay off quickly, consider applying for a credit card. With both options, make sure you understand the terms of the debt you're taking on so you can make a decision that's wise for your financial health.



Should You Refinance Your Loan?

Is it time to refinance your loan?

In some ways, refinancing your current loan for a new loan can feel like trading apples for slightly different apples. You still have a monthly payment and long-term financial responsibilities, but refinancing has the potential to deliver significant benefits depending on your situation. A refinanced loan can yield lower interest rates, fund a future endeavor, help with debt consolidation or shave off some years on your financial commitment. It can also cost you a sizable investment to put into place, so it is a decision that should only be made after doing the proper diligence.

Upsides of refinancing

The strongest reason for refinancing a loan is the chance to save money, according to The Balance writer Justin Pritchard. In addition to upfront interest rates that are lower than your current loan, Pritchard reports that refinancing a loan can mean spending less on interest as a result of a shorter commitment. You might have higher monthly payments as a result, but you'll be able to shave considerable time, perhaps even years, off of the lifespan of your loan.

According to Investopedia, refinancing to a shorter-term loan may only cost you a little more up front. In an example, Investopedia writes, "For that 30-year fixed-rate mortgage on a \$100,000 home, refinancing from 9.0 percent to 5.5 percent can let you cut the term in half to 15 years, with only a slight change in the monthly payment from \$804.62 to \$817.08."

If you currently have an adjustable-rate loan, refinancing gives you a chance to change to a loan with a fixed rate. According to Investopedia, a fixed-rate loan means predictable monthly payments, no stress over spikes in interest and can result in a lower interest rate.

Refinancing negatives

If you're carrying a substantial amount of credit card debt, refinancing can seem like a way out of a deep hole. Pritchard cautions that consolidating high-interest-rate debt by refinancing is a precarious move; if you were to pay off your credit card using a home equity loan, defaulting could result in putting your home at risk and undoing your very way of life.

Refinancing allows you to opt for an adjustable-rate loan if you're unsatisfied with the terms of your fixed-rate loan or are looking to capitalize on lower interest rates. A loan with adjustable rates can mean lower payments when interest rates are down, but when interest rates rise, you'll have to pay. This spike in monthly payments can knock your initial savings and planned savings out of your account. Pritchard cautions that your monthly payment might even become impossible to fulfill with an adjustable-rate loan, and thus you should only consider doing so if you are positive that you would be able to manage higher monthly payments.

Possible refinancing scenarios

Refinancing doesn't have to be all about saving money. In some cases, you can refinance a loan to fund your future business, home-improvement projects or ongoing education. Pritchard agrees that these are better reasons to refinance than just spending money to accumulate material goods or to fund vacations, but if not handled responsibly, refinancing can put your entire financial present and future at risk.

With significant benefits and drawbacks, refinancing a loan can be a saving grace or a money pit. Before you become blinded by the benefits of refinancing, make sure the process won't be more of a hassle than what it's worth. Speak with a trusted financial advisor and determine what works best for your needs.



10 Ways to Help You Drink More Water

Hydration tips to boost your health

Staying hydrated is an important health goal to have. Per the National Academy of Medicine, if you're a woman, you should aim to drink 90 ounces of fluid per day, including fluid from water, foods and other beverages. If you're a man, you should aim to drink 125 ounces of fluid. Try these 10 strategies to increase your water intake.

1. Set reminders

According to Healthline contributor SaVanna Shoemaker, MS, RDN, LD, set an alarm on your smartwatch or smartphone to drink water. Set it for every 30 minutes or every hour, depending on your preference. This will help your body stay hydrated no matter what projects and tasks demand your focus.

2. Invest in a reusable water bottle

Keep a reusable water bottle with you throughout the day, as Shoemaker recommends. That way, you can refill it and use it no matter where your work or errands take you. It's also a more eco-friendly alternative to single-use plastic water bottles.

3. Choose water-rich snacks

When staving off hunger, go with snacks that have high water content. Eat This, Not That contributor Brittany Anas recommends watermelon, strawberries, eggplant, celery, carrots, cauliflower, peaches and kiwis.

4. Add some sparkle

Insider's Sophia Mitrokostas suggests swapping out flat water with sparkling water. Try a canned variety from the grocery store or make your own at home by investing in a soda machine to carbonate tap water.

5. Experiment with infusions

Muddled herbs aren't just for mixed drinks. Add some subtle flavors to your water by infusing it with herbs like basil or mint, as Mitrokostas shares. Check out these easy recipes for inspiration.

6. Begin and end the day with a glass of water

Another simple way to increase your fluid intake is to drink water as soon as you wake up in the morning and before you go to sleep at night. Per Shoemaker, drinking cold water in the morning can increase alertness and help you feel more awake. Hydrating before bed can minimize the chance that you'll wake up with a dry mouth.

7. Purchase a water filter

Maybe you struggle to drink more water during the day simply because the water in your area tastes funny. Mitrokostas advises getting a water filter pitcher or filter that can filter out perfluorinated chemicals (PFCs), as well as lead and arsenic. This, in turn, can improve the purity and taste of your drinking water.

8. Play a drinking game

Make increasing your H₂O intake more fun with a game, as Mitrokostas shares. Drink water when certain things happen in your day like if you hear a favorite song, grab a snack or are working on a specific routine task.

9. Use your water bottle like a clock

Turn a transparent water bottle into a clock, to help you stay on top of your hydration goals. Mitrokostas recommends using a permanent marker to draw lines on the bottle that corresponds to different times throughout the day.

10. Download a water-tracking app

Bustle's James Hale recommends using a water-tracking app like Plant Nanny and My Water Balance. Plant Nanny gives you an incentive to meet your H₂O quota for the day. If you drink enough, your virtual plants will thrive; if you don't, they'll die. My Water Balance tracks what percentage of your daily intake you have met during the day so you know when (and if) you've reached your goal. It also lets you track drinks other than water, such as tea, coffee or juice.

With a little planning and the right tools, it's easy to increase your water intake so you can reap the health rewards of getting enough H₂O.



