

**RingCentral**

RINGCENTRAL.COM

# The Remote Work Finances Playbook for Small Businesses



BROUGHT TO YOU BY

**RingCentral** × **Bench**<sup>U</sup>

# INTRODUCTION

Whether you have a fully distributed team working remotely or you're just starting to make the transition, there are a ton of considerations and adjustments that are involved in taking a business online.

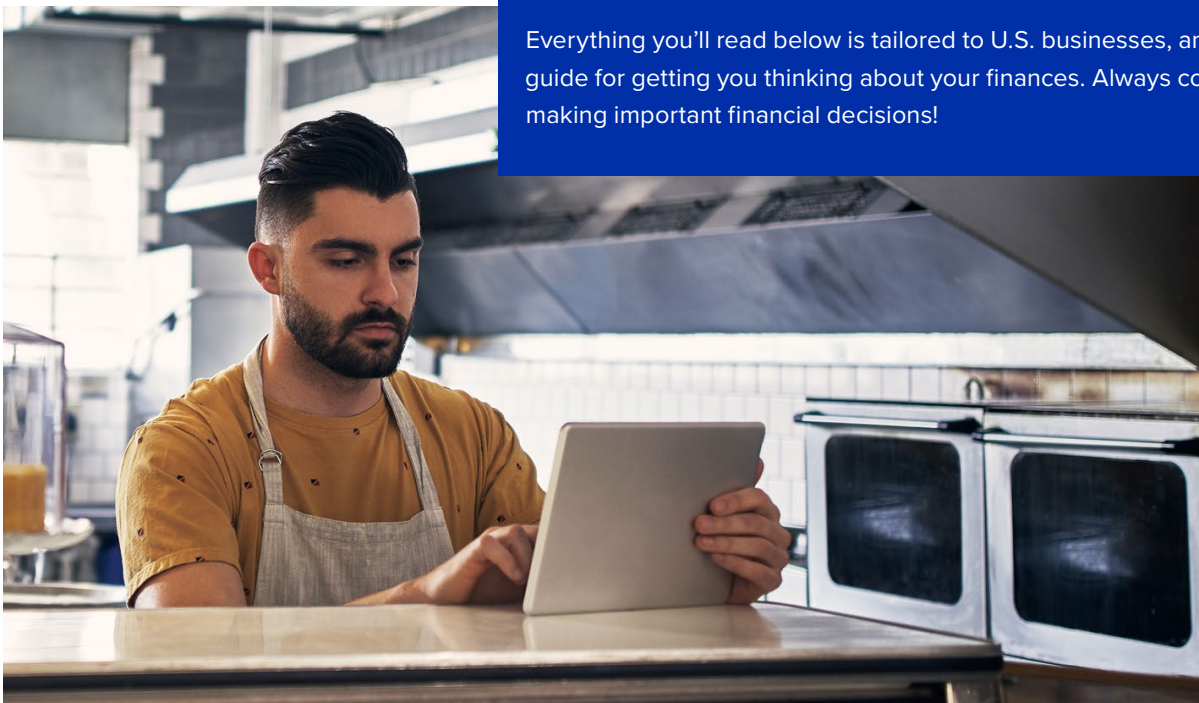
There are many challenges to working remotely, but managing finances is probably one of the biggest. It's also extra tough to manage money with a team that's scattered. But it's precisely when everyone is working remotely that it's more important than ever to stay on top of finances.

Thankfully, there are resources to help. This guide will help you understand why staying on top of finances is so important right now and offer tips on how to manage your finances better. It's tailored to U.S.-based businesses and is full of information on best practices and tools of the trade.

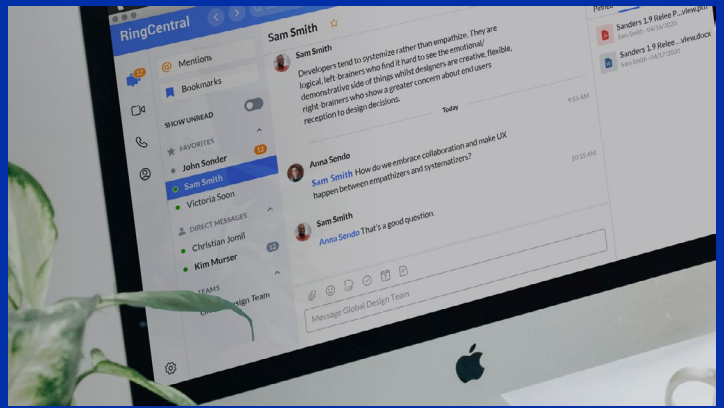


## IMPORTANT NOTE

Everything you'll read below is tailored to U.S. businesses, and is meant as a guide for getting you thinking about your finances. Always consult a CPA when making important financial decisions!



# Staying on top of finances when your business is remote



01

## UNDERSTAND WHERE YOUR MONEY IS GOING

It's always good to have a big picture understanding of where your money is going. But [during times of financial uncertainty](#), the margin for error is much lower. That means you'll have to have up-to-date bookkeeping and monthly financial statements so you can see where you stand.

Using a daily cash flow dashboard such as [Mint](#) or [Pulse](#) will share your cash situation automatically. You won't have to log in to multiple bank accounts to know whether you're doing well. Seeing where your money is going on a daily basis will help you see which purchases are necessary—and which ones aren't.

## SEE WHERE YOU CAN CUT COSTS

Once you have an understanding of where your money goes, you'll be able to brainstorm where you can cut costs. Cutting costs—even small ones—is essential during a recession.

For example, you might see that you've been spending \$1,000 per month on cleaning services which are not needed when your staff is working remotely. This is money you can save or use for a tool that will make remote work smoother.

## ENSURE SMOOTH TAX FILING

The sooner you file your tax return, the sooner you'll get a tax refund (if you're owed one).

Unfortunately, if you don't stay on top of your bookkeeping, filing your taxes becomes much more difficult. You need accurate, up-to-date bookkeeping and financial statements in order to file an accurate tax return—otherwise your accountant will have to spend expensive billable hours getting you caught up.

## PLAN FOR THE FUTURE

The future may be uncertain, but having insight into your finances will allow you to be smart about what you save and where you invest.

Small business owners should plan for two scenarios: an optimistic view where COVID-19 gets contained within a few months and the economy rebounds, and a more conservative scenario with long-term economic fallout for your customers and vendors.

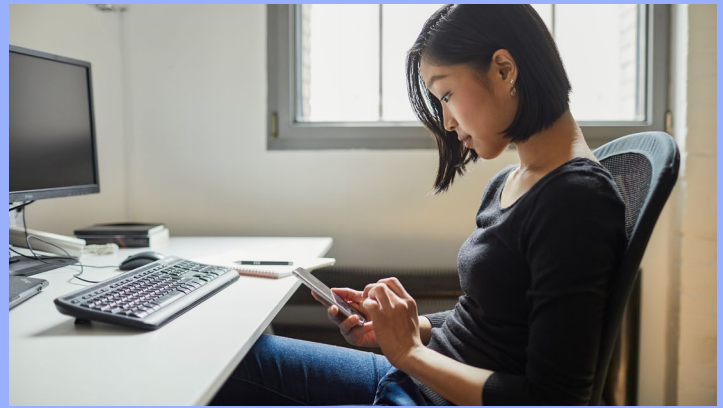


### Further reading:

[How to Create a Financial Forecast](#)

# Breaking down what it means to “manage your finances”

02



When it comes to managing money, knowledge is power. But if you’re not managing your finances, you won’t know what you don’t know.

Thankfully, managing business finances is fairly straightforward. At its core, financial management is simply keeping track of what you’ve made and what you’ve spent. You’ll need to ensure proper bookkeeping and recordkeeping, manage cash flow, and make and analyze financial statements.

In order to stay on top of finances, it’s best to record and categorize every transaction using accounting

software or a spreadsheet. You can then generate and study your [income statement](#) every month to understand where your money is coming from and going to. If you do this, you’ve won 90% of the financial battle.

Here’s an overview of what you should be doing to stay on top of your business finances:



## DAILY

Check your bank and credit card balances to stay in tune. It’s ideal to record and categorize your transactions, and compare them against your [business budget](#).



## WEEKLY

Record your financial transactions in your bookkeeping solution. Digitally capture all receipts for future reference (the IRS recommends you keep all records for three years).



## MONTHLY

Review your income statement to monitor expenses and income. Do a [bank reconciliation](#), which is when you compare the records in your bookkeeping solution with your bank statement and reconcile the two (this gives you the most accurate and complete view of your finances).



## QUARTERLY

Review your last three months of income statements. Compare them to the same time last year. How is your business trending? Check your [financial forecast](#). How are you performing against what you thought? Do you need to make a new forecast or a new budget for the year?

These daily, weekly, monthly, and quarterly tasks are all part of bookkeeping. If you're not doing any of this today, that's okay. Consider it a goal to work up to. At a minimum, you should start by entering every financial transaction into a bookkeeping solution about once a week, and reviewing your spending and cash flow (probably in the form of an income statement which your accounting software will generate for you) at least once a month.

## MAKE SURE YOU HAVE ACCURATE BOOKKEEPING

Bookkeeping is the process of tracking all of your company's financial transactions, usually by entering them into accounting software or a spreadsheet. In the old days, people entered these transactions into physical books, hence the term "bookkeeping."

Bookkeeping shows you exactly how your business is spending money, where your revenue is coming from, and which tax deductions you'll be able to claim. This allows you to make savvy decisions about cutting costs and planning for the future.

You can do your own bookkeeping or hire a virtual bookkeeper to complete your business bookkeeping on your behalf. Wondering how? Visit [How to Hire the Best Bookkeeper Online](#).

## KEEP A RECORD

Recordkeeping is the process of saving important financial information for your business, which is required by the IRS. A general guideline is to keep tax records and receipts for three years. In some cases, you may want to hang on to them for longer.

When working remotely, you're going to have fewer paper receipts. However, any transactions can still be recorded and saved. Apps like [Expensify](#) allow employees to capture and share receipts, while [FileThis](#) provides a digital filing system.

RECORD TYPE	HOW LONG TO KEEP IT	
Past tax returns	3 years	
Receipts	3 years	
Miscellaneous financial records	3 years	
Employment tax records	4 years	
If you omitted income from your return, keep these records...	6 years	
If you deducted the cost of bad debt or worthless securities, keep these records...	7 years	



**Further reading:**  
[How Long to Keep Business Tax Records and Receipts](#)



## REVIEW YOUR FINANCIAL STATEMENTS

Knowing how to review your business's financial statements will help you find ways to cut costs, make more profit, expand your business, or catch problems before they spiral. There are three main types of financial statements that are useful to your business:

1. **The balance sheet** — Your balance sheet shows how much you have on hand (assets) and how much money you owe (liabilities).
2. **The income statement** — Your income statement tells you how much money your business has spent and earned over a certain period of time. The income statement shows your net profit.
3. **The cash flow statement** — A cash flow statement is a regular financial statement telling you how much cash you have on hand for a specific period. Not every business has a cash flow statement, but if you use the accrual method of accounting, this statement is important. With the accrual method, expenses and income are recorded when they are incurred, as opposed to when cash actually changes hands.



### Further reading:

[How to Read \(and Analyze\) Financial Statements](#)



## MANAGE YOUR CASH FLOW

Whether you're working remotely or struggling on account of a recession, your business needs positive cash flow. Positive cash flow is when you have more money coming into your business than leaving it.

If you use the cash accounting method, your books will closely match your cash flow. However, if you use the accrual method of accounting, measuring your cash flow is even more important. That's because you're counting those dollars when you send an invoice as opposed to when you actually get paid.



### Further reading:

[What is Cash Flow and How Can You Effectively Manage It?](#)

## GET ORGANIZED FOR TAXES AND TAKE NOTE OF POTENTIAL DEDUCTIONS

Managing your finances is essential to ensuring your business is healthy, but it's also necessary for taxes. Each year, you file taxes based on revenue, profit, expenses, and so forth. Having a good process for managing finances throughout the year will [make tax filing much easier](#).

Being self-employed opens you up to a few worthwhile deductions, as does working remotely. For example, you may be eligible for the [home office deduction](#), even if you weren't in the past.

Taking advantage of these deductions is good financial practice in times of uncertainty. Your employees may qualify for deductions as well if they're working from home. Here are a few deductions that are particularly applicable when working remotely:

- ✓ Utilities (including communication platforms like [RingCentral](#))
- ✓ Legal and professional services (including bookkeeping services like [Bench](#))
- ✓ Advertising
- ✓ Office expenses
- ✓ Business Insurance
- ✓ Rent or lease payments
- ✓ Depreciation
- ✓ Repairs and maintenance
- ✓ Home office expenses
- ✓ Supplies

We recommend keeping track of all of these expenses and their documentation. At tax time, ask your accountant if you're eligible for getting these deducted from your taxes.



# Deciding how you'll do your bookkeeping

03



As a business owner, you should always keep an eye on your books. Many opt to do their own bookkeeping as it's a relatively simple task. However, hiring a trustworthy remote bookkeeper can buy you hours of time. Busy business owners have a lot on their plates. Bookkeeping is an easy task to outsource.

As a business owner, you should always keep an eye on your books. Many opt to do their own bookkeeping as it's a relatively simple task. However, hiring a trustworthy remote bookkeeper can buy you hours of time. Busy business owners have a lot on their plates. Bookkeeping is an easy task to outsource.

No matter which avenue you choose, bookkeeping matters a lot. Clean books will not only make your life easier, but will set you up for financial success when working remotely or experiencing unusual circumstances.

## WHY BOOKKEEPING MATTERS

Bookkeeping is essential for a number of reasons, but it's especially important when working remotely. That's because you need visibility into the health of your business now more than ever. Here's why accurate bookkeeping matters:

- **You need it to do your taxes.** In order to file business taxes, you need accurate information about revenue and expenses. Bookkeeping ensures that this information is in order. When tax day comes, you'll be over-prepared.
- **It tells you where your money is going.** Accurate bookkeeping is a record of where your money goes each month. This information will help you assess where you can cut costs, maximize return, and increase cash flow.
- **It ensures you don't miss out on tax deductions.** When working remotely, there are a number of tax deductions you may be eligible for. There's the home office expense, but there are also monthly expenses like phone and internet bills, remote software subscriptions, and more
- **You need it to borrow money.** If you want to take out a business loan, you'll need to be able to present your books. Most banks will ask for an income statement and a balance sheet, which are summaries of your annual bookkeeping records.



## DO YOUR OWN BOOKKEEPING

If you don't have the funds to hire a virtual bookkeeper, or if you have some extra time on your hands, you can do your own bookkeeping.

There are a number of [DIY accounting software](#) solutions available to help. You can also log income and expenses via an [Excel template](#).

As mentioned earlier, bookkeeping needs to be done on a daily, weekly, monthly, and quarterly basis.

## HIRE A VIRTUAL BOOKKEEPER

A [virtual bookkeeper](#) does all of your bookkeeping remotely, which is a great option when working from home. By using cloud-based software solutions, your virtual bookkeeper will be able to help, no matter where you are.

During times of uncertainty, it's essential to have a sense of where your money is going. A bookkeeper can help you understand how much profit you're earning month to month, as well as how much cash your business has on hand.

How do you find a virtual bookkeeper? You can hire a freelancer who is used to working remotely or use a virtual bookkeeping service like [Bench](#).



### Tips for working with a virtual bookkeeper

**Be prepared to send records digitally.** Although you may have paper receipts, a virtual bookkeeper will need everything to be digitized. You can use filing and storage apps to scan paper and send it off to your bookkeeper.

**Choose a bookkeeper comfortable with your software.** You need your bookkeeper to be comfortable with your accounting solution, so if you use something like FreshBooks or QuickBooks, your bookkeeper should be comfortable and skilled at using these programs (the exception would be a bookkeeper like Bench, who takes it off your hands completely and uses their own software).

**Understand how they charge.** Some bookkeepers charge based on the number of transactions, while others offer an hourly rate. Some offer a flat fee based on the size of your business. Make sure you understand how they charge to make sure it's within your budget and meets expectations.

**Ask questions.** If you're working with a virtual bookkeeper for the first time, no question is a dumb question. When you begin working together, come prepared with a list of questions to make sure you understand how the arrangement will work.

# Automate your accounting with digital tools



04

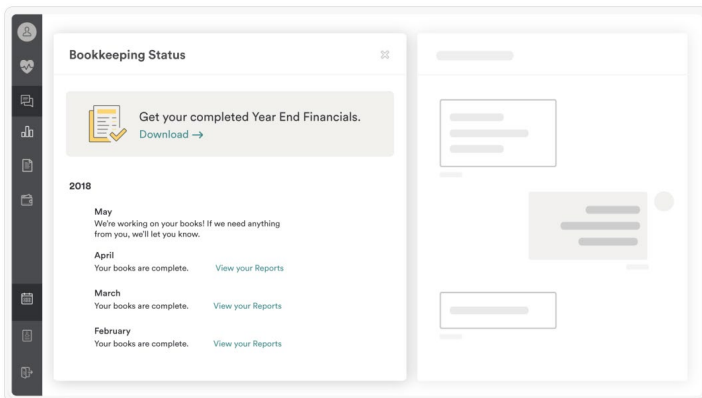
Managing finances remotely is simpler if you have the right tools. Software makes it easy to file and store receipts, complete basic bookkeeping, manage payroll, and collaborate with your team.

There are thousands of solutions to make your financial life simpler. Here are a few favorites that can help automate your accounting.

## REMOTE ACCOUNTING TOOLS

### Bench

[Bench](#) provides virtual bookkeeping services to do your bookkeeping for you, with a simple online dashboard to keep tabs on your finances.



### Expensify

[Expensify](#) makes it easy for entire teams to manage and record expenses, scan receipts, and share it. Expensify works great for business travel, but it's also an excellent solution when your team is spread out working remotely.

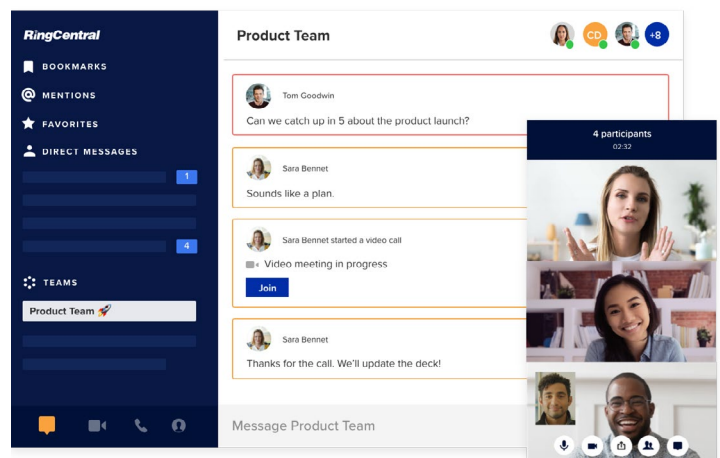
### Gusto

[Gusto](#) is a platform for running payroll, managing benefits, and supporting your team. It offers full-service payroll, as well as help with compliance and employee finance tools.

## REMOTE COLLABORATION TOOLS

### RingCentral

[RingCentral](#) makes it easy to meet remotely using its desktop and mobile apps, which include [video conferencing](#), a business phone system, team messaging, and more.



## REMOTE COLLABORATION TOOLS

### Google Drive

[Google Drive](#) provides a number of collaboration tools available in the cloud. All of these tools dynamically update in real-time, making it easy to work together. These tools include Google Docs (for word processing), Google Sheets (for spreadsheets), and Google Slides (for presentations).

**Pro tip:** The [Google Drive for RingCentral App](#) allows you to pull any document, presentation, image, video, or other file right into a conversation without ever leaving the RingCentral app.

### Asana and Trello

[Asana](#) and [Trello](#) are project management tools that the entire team can use. They'll help you manage projects and keep track of tasks, which is especially important when working remotely. [The Asana for RingCentral App](#) and [Trello for RingCentral App](#) both allow you to pull updates directly into the RingCentral app, making it easy to stay on top of your projects.

## REMOTE BANKING RESOURCES

### Azlo

When working remotely, there's no need to visit the bank. Why not find one that's online? [Azlo](#) is a 100% online bank that can meet all small business needs—it's tailored specifically to small businesses.

### Bank of America

[Bank of America](#) is a big bank with big incentives. For example, there's a \$200 sign-up bonus for new business checking customers. It's a great online banking choice, as it has a robust web experience and mobile app, complete with a virtual assistant called Erica.

### NerdWallet

[NerdWallet](#) creates resources for making good financial choices. It has information on how to select a bank, compares business credit cards, and much more.

## REMOTE FILING, STORAGE, AND RECORDKEEPING TOOLS

### Evernote

[Evernote](#) offers document scanning via their app, which allows you to scan important documents from a smartphone. Using Evernote, you can scan all receipts and other important paperwork needed for bookkeeping. [Evernote integrates with RingCentral](#), making it easy to share Evernote files with your team in a group chat right from the RingCentral app.

### Shoebos's Magic Envelope

Don't have the time to scan everything? You can use Shoebos's [Magic Envelope](#). Shoebos sends you an envelope, which you fill with your receipts and other paperwork and send back. Then, the records are digitized on your behalf.

### SmartVault

[SmartVault](#) is an all-in-one solution for storing documents and sharing files. It makes it easy to centralize documents and share with others. It also integrates with most remote accounting tools.



# Helping employees manage finances and expenses

05



When employees work remotely, there are a number of ways to support them. The first order of business is to iron out how you'll communicate about finances. How will you get in touch? How often will you check in? What tools will you use?

No matter what sort of business you run, you'll need to communicate expectations, despite the distance. You'll also need to use remote working tools to your advantage. Thankfully, the tools are more robust than ever before.

Whether you employ contractors or full-time employees, you'll need to manage your business finances around employment, as well as help employees manage finances and expenses.

## DIFFERENTIATE BETWEEN FULL-TIME EMPLOYEES AND CONTRACTORS

As a business owner, you may employ full-time employees and contractors. These two groups are classified differently when it comes to taxes. Properly classifying your employees is required by the IRS.

- **Employees** get paid a regular wage by their employer. Businesses need to withhold, deposit, report, and pay employment taxes, withhold and pay Social security and Medicare Taxes, and pay unemployment tax on wages paid. The IRS also requires that you [file special paperwork](#) for employees.

- **Contractors**, on the other hand, get paid by the hour or for a project. From a financial perspective, they don't require you to do much besides issue a check or make a direct deposit. They arrange and pay their own taxes. You aren't required to give them benefits, either.

These two groups may have different expectations when it comes to working remotely. You may provide resources to your employees that are not necessary for contractors. Because contractors are independent, they are granted more freedom in how their work is completed.

## COMMUNICATE EXPECTATIONS, DESPITE THE DISTANCE

It's easy to see what employees are working on when you're together in an office. If you want to have a meeting to go over plans, projects, and expectations, you can schedule one.

When working remotely—especially if it's under unusual circumstances—you'll need to communicate your expectations. How many hours should an employee be available to connect? What should their priorities be? Communicate these expectations to employees so they're kept in the loop.



Remember that unusual circumstances may prevent your employees from being as productive or available as they used to be. Be understanding of other obligations. One of the advantages to working from home is being able to greet the mail carrier or tend to a child, so be conscious of what your remote employees are juggling.

## RELIEVE EMPLOYEES' FINANCIAL STRESS

In a time of high anxiety, your team may be stressed about finances. Although circumstances may make it impossible for you to make long term promises, remind employees when they can expect their next paycheck.

Share resources that may help them with their own financial planning. It's also a good idea to share information about the business—be transparent so employees can jump in and help. Whatever you can do to reassure your team will have an impact.

## TELL REMOTE EMPLOYEES WHAT THEY CAN EXPENSE

You and your team may qualify for a number of expenses while working remotely. You'll be able to claim these expenses for tax purposes, which may go a long way in relieving financial burden.



### IMPORTANT NOTE

These types of tax deductions are normally reserved for employees and businesses working from home *full-time*. If your employees are just temporarily working from home, this probably doesn't apply to them! It's worth keeping track of all these deductions throughout the year—then at next year's tax time, ask your CPA about the proper way to claim these deductions.

## FOUR TYPES OF RELEVANT WORK-FROM-HOME EXPENSES

1

### Home office expenses

Home office expenses are divided into direct and indirect expenses. Both qualify as expenses for tax reasons:

- **Direct expenses** are those that are directly related to the part of your house that's used for your office. These expenses include things like painting or replacing the floor and are 100% deductible.
- **Indirect expenses** are expenses for the entire home—things like utilities and insurance—that are deducted based on how much of the home is used for business. For example, if you use 15% of your home's square footage as an office, and your total electricity expense for the year is \$2,000, you can deduct \$300—or 15% of that utility bill—on your tax return.

2

### Repairs and maintenance

Repairs and maintenance expenses include repairs and maintenance made to machines and other property. For example, you can deduct costs for re-painting your office or fixing a broken printer.

However, these expenses do not include the value of your own labor, substantial improvements to the property, car maintenance, amounts to restore or replace property (these are capitalized instead).

# 3

## Supplies

Anyone working remotely for the first time may need to purchase supplies to be productive. You can expense “incidental” office supplies such as pens, note pads, and other supplies.

# 4

## Utilities

Office utilities like power, water and internet are tax deductible. However, don't include home office utilities here—they should be recorded under the “Home Office” category instead.



This guide was created by RingCentral in partnership with Bench.



### Message. Video. Phone. Together.

RingCentral has everything your business needs in one beautiful app. If you need to work together with your team from anywhere, try the leading business communication platform.

Ready to bring everyone together? [Check out a demo to see how RingCentral works.](#)



### You run your business. We do your bookkeeping.

Bench is the online bookkeeping service that does your bookkeeping for you. Each month, a team of professional bookkeepers gathers your data and turns it into accurate financial statements. You also get smart software to help you monitor your finances and stay in control of cash flow.

Ready to outsource your bookkeeping so you can focus on your business? [Start a free trial.](#)

For more information, please contact a sales representative. Visit [ringcentral.com](https://ringcentral.com) or call 855-774-2510.

RingCentral, Inc. (NYSE: RNG) is a leading provider of global enterprise cloud communications, collaboration, and contact center solutions. More flexible and cost-effective than legacy on-premises systems, the RingCentral platform empowers employees to work better together from any location, on any device, and via any mode to serve customers, improving business efficiency and customer satisfaction. The company provides unified voice, video meetings, team messaging, digital customer engagement, and integrated contact center solutions for enterprises globally. RingCentral's open platform integrates with leading business apps and enables customers to easily customize business workflows. RingCentral is headquartered in Belmont, California, and has offices around the world.

RingCentral, Inc. 20 Davis Drive, Belmont, CA 94002. [ringcentral.com](https://ringcentral.com)

© 2020 RingCentral, Inc. All rights reserved. RingCentral and the RingCentral logo are registered trademarks of RingCentral, Inc. Other third-party marks and logos displayed in this document are the trademarks of their respective owners.

