

**EPISODE 1135**

*“MH: What I do is I help entrepreneurs start and grow their businesses by filling in those knowledge gaps about the finance and operations of small business.”*

[INTRODUCTION]

[00:00:46]

**FT:** You might be running a business, but are you good with money? Welcome to So Money, everybody. I'm your host Farnoosh Torabi.

My guest today is going to sort out some things for us. And by us, I mean, those of us that running a business or thinking about running a business, whatever size business, whatever kind of business you have to be able to manage the books.

Melanie Hopkins, this is her forte. She is the founder of Finance Friend, a business management and financial consulting firm. Melanie works with a client roster ranging from human rights nonprofits, to artisanal cheese makers to tech startups. And she helps these business owners become more empowered in their financial management. In some cases, she's saved them from financial ruin. How does she do it? What does she look for? And what kind of numbers should you be looking at? I thought this would be a timely episode, as we hope to finish 2020 strong. And as we look ahead to the New Year, focus on rebounding our business or growing further.

Here's Melanie Hopkins.

[INTERVIEW]

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**FT:** Melanie Hopkins, welcome to So Money my finance friend, how is it that you have never been on this podcast?

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**MH:** No idea. But so happy to be here.

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**FT:** Someone who built a company and brand known as Finance Friend, we need to meet you. So, tell us about your business. It is in this realm of personal finance, but you really work with business owners mainly and I think we got to dive into this because this is a great time to start a business or recession. We've talked about this on the podcast, many, yes, our business owners in the audience. And yet, it is not to be assumed for this because you know how to run a business, you know how to manage the money in the business.

So, we want to talk about all the nuts and bolts of that. But first, tell us about how you started Finance Friend.

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**MH:** So, I started Finance Friend in 2008, in a recession, and I saw around me, friends and colleagues starting businesses, and they had these amazing ideas and truly fantastic products. And there were so many opportunities to fine tune the products that they had and the market for that product and to write the business plan and so many possibilities that experts they can reach out to and consultants in those ways. But then they would get back, usually to their home when they're starting their business, and not know how to do things like really do a month-to-month budget or look at a P&L or balance sheet or do a really practical cash flow, not a cash flow for investors, but something really practical. I saw that void there.

What I do is I help entrepreneurs start and grow their businesses by filling in those knowledge gaps about the finance and operations of small business.

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**FT:** And you started this in the nonprofit space, I understand and have since expanded. What did you learn about business working specifically through nonprofits? Is there something unique and special about that that has transferred now to helping you better understand all businesses?

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**MH:** Absolutely. I started my career in arts administration. And I was working in the theater industry in New York City, off Broadway theater. And it's a scrappy industry. There's so much that I think both industries that entrepreneurship and producing an arts admin have in common. Both talk about rejection a lot, both do a lot of fundraising.

Particularly, what I learned there is the pivot, for many reasons, small nonprofits have to pivot all the time. So, it may be that they get excluded from a grant that they were expecting, or something that they're doing. I actually was working with one nonprofit, where their mission because of some wonderful things that happened at the time on a legislative level, like their mission was sort of gone. They're like, "Well, we did it, so now what do we do?"

So, the ability to take what is in front of you, and work with it is something that I really learned there and telling good stories, fundraisers for nonprofits talk about that all the time. You're telling your funders a story of your mission, through the finances and asking them to give you money to make that happen. And that's what business owners are doing too, especially when they're doing fundraising rounds.

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**FT:** You're showing your values, right?

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**MH:** Absolutely, yeah.

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**FT:** And why do you think so many entrepreneurs get stuck at the money part? I know for myself, I could say that when I was in business school, I didn't get my MBA, but I got my degree in finance at undergrad, and I was in this sort of MBA level program in undergrad, it was kind of cool. We got to do case studies, and we had to build business plans. And I think like, nobody except me, one person, the accounting major, really got excited to do the finance slides in the business plan and the P&L and the cash flow. Why do you think that is? What is going on? Why is it so repelling?

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**MH:** Yeah. I think it goes back to something that we talk about in any sort of money discussion, people are uncomfortable talking about money and I've never been uncomfortable talking about money. And so, I'm the person who comes in and says, "Okay, we're just going to put this all out there." And people, it's so emotional too, even if you're doing a business school exercise, and you get stuck on something, I think sometimes people have this misconception that they should know, like, "Oh, well, I'm not really good at the P&L, and I think I should be. I'm in business school here." But they've never learned it. So, you don't automatically have that knowledge, and you just get stuck. And it also goes back to people's relationship with math can also be really fraught. And when you're dealing with the finances of a business, there is a lot of math. That just gets pushed to the side.

And that's why I encounter business owners who are like, "I've never looked at the bookkeeping for my business. And we've been open for two years and it can be really

intimidating.” It's just not the flashy thing too. I mean, it is to me, I love it and I think, I obviously see it really important. But it's so easy to have your attention drawn to other things.

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**FT:** I want to learn more about the application of your business, things like if you are in the audience, and you do run a business or whatever stage. Melanie's speaking your language, in other words, you're hearing yourself in her words, someone who doesn't like to do the numbers in your business, but like, important questions to ask yourself, what are the quick indicators that your business is financially solvent or headed for ruin? How to pay yourself? I saw you quoted in CNBC about this, how do entrepreneurs cut themselves a salary? Like that's always a sticking point as well.

But you've mentioned now twice that you are somebody who is not uncomfortable talking about money that this does let you up. So, how do you become you? Take me back in time, this doesn't just happen, right? You either grow up with modeling and or it's in your DNA, tell me about your money narrative that has brought you to this place in your life in your career where you're that go to money person?

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**MH:** Well, I grew up fiercely independent, and knew from a really early age, that I wanted to be financially independent from everyone. And that was a direct result of not seeing that in the women in my family. And I really went there, I wanted to know everything so that I didn't have to ask anyone. So, really, when I got out of college, every time I didn't know something about money, I learned it. And I did not grow up talking about money at home. And that's something that it's a value that I have now, but I actually I cultivated in myself.

I started my business for that financial security, so that I was in charge of my own earnings too. So, it sort of became that interest and became something that made me even more financially

independent because I wasn't dependent on an employer to give me the cost of living raise. I am in control of all of that as a business owner.

And to go back to what you were saying about paying yourself, which is also a really uncomfortable thing that a lot of business owners are scared to talk about and scared to think about. It's so important. It's just so important, because burnout is real. And there's a great – I go back to the madman quote, when you know, he yells like, “That's what the money is for!” So, you're paying yourself to tell yourself that what you're doing is work. And you should be compensated for it. And sometimes it's not a lot to start with, but figuring out what is doable, and what allows you to have a life and support yourself from your business is really important.

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**FT:** You said things like I didn't want to ask questions, I wanted to be fiercely financially independent. But I think it's also important that you know this, because you have to ask questions, right? You have to put yourself out there and say, “I don't know, sometimes.” That's really important. Did you struggle with that? When did you embrace that yourself?

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**MH:** Yeah, that's a great question. My first job out of college, I was working for a company that was going bankrupt. And slowly all of the employees were leaving. And I ended up being the only person in the finance department and I was 22 years old.

When I remember that, I think I would like stare at the financials of this company and it was complicated, because they were about to declare bankruptcy. I'd be like, “I do not understand this. Who can I go to? What can I look up? What book can I buy?” This was pre the things being at the internet, being at the fingertips. But yeah, I mean, that's really where I identified what I'm doing – the work that I'm doing now came out of that curiosity, and quite honestly, that need to do my job at the time.

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**FT:** What do you hear from most from your clients when you have the first meeting? What are they expressing to you that seems to be a pattern?

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**MH:** The number one question that I'm asked in a first meeting is, how can I figure out if I'm making money?

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**FT:** So, how do you figure it out? What's the back of the napkin math?

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**MH:** The back of the napkin math is, don't rely on the back of the napkin.

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**FT:** It was a really nice napkin though.

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**MH:** Yeah, a really nice napkin. So, you have to have the data, because it's so easy to tell yourself an inaccurate story, if you're using inaccurate data. So, if you can afford a bookkeeper learning very basic bookkeeping, so that you know how much money is coming in and how much money is going out, and not relying on the number in the bank account to tell you whether or not you are a profitable business. So, you need to you need to know sales versus expenses and in some ways, put out of mind, just on that question, whether or not you're profitable, how much money is actually sitting in your account, because you can be an

extremely profitable business and have cashflow problems. Likewise, you can have a lot of cash but not be actually earning revenue.

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**FT:** Speaking of cash flow, what's your advice for let's say, a solopreneur, or somebody who doesn't have a lot of overhead but is – maybe 10 years ago, you called yourself like a professional freelancer. Now, you're a solopreneur, maybe even an entrepreneur, but it's a very lean business. The challenge being though that your cash flow is not consistent, because you do projects, you do client work, and the money comes in drips so that you don't have a consistent monthly average income. How do you plan around that?

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**MH:** Yeah, I like to tell people, if you have any history, look at that. So, if you've been doing that work for a few years, look back at the past few years, is there an average number and then plan a little lower than that as being your – and I'm putting this in air quotes, salary for yourself, and even that out over the 12 months of the year.

So, if last year, you made \$50,000 freelancing the year before, you made 30, maybe you want to go with 30 this year, but then because you might be making that and some freelancers, they have a big project and they build most of their income in one quarter of the year. But from a personal standpoint, they want to still have that income coming in on a monthly basis. So, break that up over the 12 months. And then if you make more than that, that's fantastic and you can then give yourself a raise for that year. But start by planning what you think is really doable and then you can pleasantly surprise yourself later on.

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**FT:** That's a great way to measure it. What about growth and how to measure growth? They say, I heard that, in the beginning of a business, it's all about reinvesting. That's why



sometimes founders don't pay themselves a salary, they'll put it back into their business, other aspects of their business. At what point do you know if an investment is “worth it”? What are the most important things, I guess, what I'm asking is what are the most important things to be spending your money on, in the first, say, three to five years, one to five years, for the purposes of growing and being financially solvent?

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**MH:** That's a great question. The first thing that I talk to my clients about is additional staff, especially when you're talking with solo founders who are doing everything themselves, and may not have the acumen for certain parts of the business. And they've really been holding on to that because they have to. At what point can you invest in bringing someone on board who loves and is great at the things that you are not that can complement your skill set. That's the best investments that you can make as a small business owner.

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**FT:** You've taught artistpreneur workshops at Tisch, NYU's Tisch school. We have done a few episodes on this podcast, specifically, catering to creatives, and how they can take on more of a business, financial mindset. So, tell us about artistpreneur, if we were a student in that workshop, what would we be learning? What's important?

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**MH:** So, I always start that workshop by saying that in the eyes of the federal government, as soon as someone gives you a 10.99 for work that you have done, you are a business owner. And then everybody looks at me with fear. That shift in mindset that you are running a business, that you are managing the business of yourself, of your artistry, and everyone is an entrepreneur, everyone has that spirit, especially people who are creating art. We're seeing that now, there's so many performers, specifically who are out of work because of the pandemic, who are pivoting to having coaching careers, and becoming florists and doing all these other

things because they have other talents and they have that spark that allows them to – they just sort of know how to create things from nothing, which is always incredible to me.

So, yeah, going into that, and just shifting that mindset a little bit that you're not out there chasing the job, and knowing you are the business and you're finding things that fit and you're finding business engagements within that. But if someone isn't giving you the acting job, or isn't putting your painting in that show, you still exist as the business. There's no one deciding about whether or not you are that business.

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**FT:** Because is it so much that we put so much value, self-worth value on our net worth? Is that what the problem is?

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**MH:** Possibly, that's part of it. I think, there's so much that's wrapped up in there. There's so much anxiety around –

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**FT:** You're often playing therapists?

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**MH:** Yes. That's why I call myself the Finance Friends, because so important to acknowledge that this is emotional, all of it. And when I'm talking to those artists, I see that and that interaction between like being paid for your art is just something that's also really fraught, and you know, they absolutely should be. That's something that I also tell them, “Be paid for your work. Ask for money.” Because if someone was doing something else, if you were making cupcakes, if that was your business, you wouldn't be giving out hundreds and hundreds of

cupcakes in perpetuity. Maybe give some at the beginning so that you get your name out there, but then you have to charge.

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**FT:** There is this feeling of like selling out if you lean too much into the business mindset. It's like they're trying to balance making the money but also feeling good about how they've made the money. And I know it's all tied into these narratives and these stories and these false tales that we tell ourselves about what money represents and there's a lot to unpack there.

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**MH:** Yeah. And if you are choosing this as your job, and this isn't just for artists, this is for other business owners as well, I hope you have passion for it. I hope that it's not an easy path to be a business owner. So, that love that you have should not exclude you from making money for it. In any sense. It means that you're lucky.

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**FT:** Has there ever been a time, Melanie, where you've worked with with a company, a business and saved them from financial ruin? Maybe you came into the picture at a very pivotal time where a series of decisions could make or break the company? And I don't know if that's ever happened, but if it has, we'd love for you to share it.

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**MH:** It has. I won't take the credit for saving anything. I consider myself the guide. It is the business owners who are doing the hard work and making those really hard decisions. What I'm guiding them to do is look at the data to make that decision.

Specifically, I have worked with a few businesses where they were in this inflection point about whether or not it was time to sell and what a complicated question, right? When there are multiple owners with differing personal situations, and you've spent years building this business, but you're tired and you don't really know what you do if you moved on. But then you have this offer on the table. And to evaluate that and really make that decision is something that I've seen a couple of times and gone in different directions, based on all the factors. There are so many factors in a decision like that. And there had been a few times when I came into a company and they didn't say, "We don't know whether or not we're making money." And when we discovered that, in fact, they weren't, there was a lot of pivoting that needs to be done in terms of thinking of one in particular, where it really came out that they had outsourced everything about their product from the manufacturing, shipping, all of it was going from the same distributor, and the distributor was nickel and diming them to the point where they weren't making any money on any of their wholesale sales.

But it was hard to see that until we really dug into that data. And in that specific instance, we were able to find a different distributor, get a contract that was much more upfront about the fees and get them in a much better position probably within about six months.

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**FT:** All right, yeah. I mean, especially when you are in the business of contracting people and working with different vendors, it's always important. I said to get that triple bid, do the homework.

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**MH:** Absolutely.

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**FT:** There's always a better deal, perhaps. Money's not everything. You also are paying for their work and their track record and the service and all that, but yeah, we can sometimes go on autopilot paying for things not really questioning.

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**MH:** Especially when there's a vendor who's offering to take a huge amount of work off of your plate, when you're in those points of growth especially, it's really tough to evaluate because to some extent there is this out of sight, out of mind, it's like, "Well, they're doing it, so we have to do it."

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**FT:** I'm getting my money's worth.

Let's go back to you personally now, Melanie. I would love an anecdote of when you felt so money in your career, in your personal financial life. So money, i.e. financially triumphant, whether big or small win.

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**MH:** I have a I have a big win recently. I just bought a house.

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**FT:** Wow. All right. First time?

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**MH:** First time and it felt really good. It definitely felt so money in that moment. And had experienced a little bit of sexism in the mortgage paperwork.

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**FT:** How so?

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**MH:** My husband works on Broadway. So, right now, obviously not a great time for his industry. So, we were applying for the mortgage using only my income and we told this to the mortgage broker no less than four or five times. But every time they came back to us, and it took forever as house stuff is taking forever these days, they kept saying like, "I don't know if this is going to go through if your husband isn't working." And I was like, "Yeah, it is. I have crunched these numbers myself and it is." And the assumption that it wouldn't –

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**FT:** Like how is it possible that a man is not working? But if you were not working, it would never, I'm going to guess, take a good old guess that nobody would have questioned that arrangement.

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**MH:** I do not think so. And I did say that to the mortgage broker who assured me that it wasn't about that, but I needed to say something.

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**FT:** I'm glad you did. And I think, in one respect that banks are very nervous right now giving out loans, and if they can find problems, if they can make up problems and get behind that problem, they just don't want to take any risks. As an entrepreneur, I'm sure that also came with its own bag of scrutiny.

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**MH:** Yeah. And it's interesting, people kept saying to me, like, "Oh, it's going to be so – that must be such a pain." And I'm like, "Well, I help other people all the time. I hear from clients a lot of like the mortgage brokers asking me for everything." So, I was pretty prepared for that part.

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**FT:** Yeah, it's a lot. So, are you happy with your home? Tell us about it.

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**MH:** I am. We've only been here for two weeks. But I came from Brooklyn. I have a story very similar to yours, I think, in terms of the leaving, the trajectory. But yeah, I'm coming to you right now from my office with a door on it, which is a big improvement from the Brooklyn apartment. So, I'm pretty excited.

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**FT:** It reminds you of that New York Times real estate section piece not too long ago about a couple who bought their first apartment or maybe rented their first apartment in New York that had a bedroom because before they were living in a studio and they were like, "We have a door. It's amazing." It's the little things, I guess, when you're coming from New York.

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**MH:** It is the little things and going up and down the stairs is so novel.

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**FT:** Having storage, not having to put your winter sweaters in your oven, using your kitchen appliances as clothing storage.

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**MH:** And not stacking things on top of each other just because there's nowhere else for them to go.

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**FT:** Going to Costco and really being able to shop there knowing that nothing will go to waste. We haven't done that yet, but everything has a plan. When you go to Costco twice in one week, that's when they give you your official metal of suburbia.

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**MH:** Noted.

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**FT:** Melanie, thank you so much for joining us my finance friend. Everybody, you can find Melanie at [financefriend.ninja](http://financefriend.ninja). Is that a thing now? Should I change my website to [somoneypodcast.ninja](http://somoneypodcast.ninja)? Is this the new dot com?

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**MH:** I couldn't get dot com, so I had some options and it was like either dot ninja or like dot avocado. So, I went with –

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**FT:** No way!

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**MH:** I went with dot ninja.

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**FT:** Brilliant. I am going to buy up all of those domains after we get off our call. That's the future everybody.

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**MH:** That's the future.

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**FT:** Dot com is so last season, you got to be a ninja or an avocado. I love it. Thank you so much.

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**MH:** Thank you so much.

[END OF INTERVIEW]

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**FT:** Thanks so much to Melanie Hopkins. Check out [financefriend.ninja](http://financefriend.ninja). All this info is on the So Money podcast website, including the transcript, the audio and the links. And while you're

there, click on Ask Farnoosh and please send me your questions for our Friday episodes of Ask Farnoosh. I'd love to hear from, know what's on your money mind, what kind of decisions you're struggling with. Tell me. Thanks for tuning in everybody. I hope your day is So Money

[END]