

A PRACTICAL GUIDE BY RUTH CLARK



7 Accounting Mistakes That Hold Family-Run Businesses Back – And How to Fix Them

www.rmccaccountants.co.uk



☎ +44 78 9416 7410

✉ ruth@rmccaccountants.co.uk

☎ +44 20 3928 6205

🌐 www.rmccaccountants.co.uk



Ruth Clark

Helping Family Businesses Grow with Confidence & Protect Their Legacy – Without Passing on a Tax Bill

I know first-hand the joys and challenges of running a family business - I used to run one with my sister offering executive support services. Since shifting into accounting, I've worked with multi-generation estates and traditional family-run firms across Kent and London. What I've seen time and again is this: poor financial management isn't just about numbers - it affects relationships, legacy, and peace of mind.

This guide outlines the most common accounting mistakes made by family-run businesses, and what you can do right now to fix or avoid them. Whether you're running a small estate or a growing local brand, this is for you.

Mixing Personal and Business Finances

It's easy to do – especially in family firms. Someone pays for a business expense with a personal card. Or worse, personal expenses start going through business accounts.

Why It Hurts:

- Inaccurate financials (you don't know what the business is really making).
- Tax confusion or audit risk.
- Unclear ownership or equity decisions later on.

What To Do:

- Use separate accounts and cards
- Clearly define 'owner's drawings' vs salary/dividends
- Track personal reimbursements properly





Paying Owners Without a Clear Strategy

Some months it's a salary, other months it's a random transfer. If this sounds familiar, you're not alone.

Why It Hurts:

- No cash flow control.
- Unexpected tax bills.
- Can make exit or succession planning messy.

What To Do:

- Define a salary + dividend structure
- Work with your accountant on a quarterly plan
- Always keep tax planning in mind – it protects your legacy

Delaying Bookkeeping or Doing It Poorly

Bookkeeping is more than compliance – it's the foundation for growing business value. Without clean books, no advisor or bank can really help you.

Why It Hurts:

- You lose visibility over money.
- Delays tax prep.
- Missed insights for growth.

What To Do:

- Use cloud tools (like Xero or QuickBooks).
- Don't DIY if it's not your strength – outsource it.
- Review reports monthly, not just at year-end.





Doing Taxes Last-Minute (or DIY)

Rushing through tax returns or using the cheapest option can cost more in the long run — especially for family businesses with assets, staff, and long-term goals.

Why It Hurts:

- Missed reliefs and allowances.
- Higher audit risk.
- No forward tax planning.

What To Do:

- Treat tax like strategy, not admin
- Work with a proactive accountant who understands family businesses
- Plan annually, not reactively

Ignoring Cash Flow Planning

Profit doesn't always mean cash — and when family wages or supplier payments rely on cash flow, surprises are painful.

Why It Hurts:

- Can't pay bills or reinvest.
- Increases stress for owners and family staff.
- Blocks growth opportunities.

What To Do:

- Build a rolling cash forecast (3–6 months).
- Review it monthly.
- Factor in tax, dividends, and major expenses.





No Succession or Exit Planning

Your business may stay in the family – or not. But without planning, transitions get messy and emotionally charged.

Why It Hurts:

- Tax complications for heirs.
- Power struggles or misunderstandings.
- Uncertainty that hurts the business and the family.

What To Do:

- Plan 2–5 years before handover.
- Separate ownership from operations if needed.
- Document agreements clearly.

Not Reviewing Financials Regularly

Most family business owners only look at finances when something goes wrong. That's too late – and it limits your ability to grow or respond quickly.

Why It Hurts:

- Misses early warning signs.
- Leaves opportunities untapped.
- Makes advisory support less effective.

What To Do:

- Go beyond just looking at your profit and loss. We offer a Business Diagnostic review as part of our services



Business Diagnostic Review

The review covers three areas

Where Are You Now?

We focus on 7 key financial numbers every business should monitor monthly.

How You Compare?

See how your numbers stack up against businesses across the UK with a benchmarking report.

What's Possible?

Improve profit and cash by adjusting price, volume, margin, overheads and debtor days, and see how each change impacts results.

Once we review your position, we'll help you build an **action plan** to improve profitability, **increase cash flow**, and protect your family legacy.

With the right insights, your business can **stop reacting- and start leading.**

Family-run businesses deserve advice tailored to their legacy and values – not one-size-fits-all services. That's why I work closely with business owners across Kent and London to turn financial confusion into confidence.

If you'd like to walk through any of these issues in your own business, I offer a free, no-pressure Family Business Finance Review.

Book your free review here
www.rmccaccountants.co.uk/contact-us

Warm regards,
Ruth Clark
Accountant | Advisor | Family Business Advocate

