

Michigan CFO Associates

The CFOs for *Small Business*

Newsletter



President's Message

Will We Finally Start Digging Out?



Todd Rammler

As I write this article, the city of Detroit is about to get an Emergency Financial Manager (EMF) in place—despite their collective kicking and screaming—to stop the bleeding and begin the process of repairing what is clearly broken. [It's about time.](#)

Nationally, we just crossed the March 1 deadline for the so called "Sequester" (automatic budget cuts—<http://tinyurl.com/al96nmx>). Politicians are in full spin mode, parading before the media about the "draconian" cuts and forthcoming blood in the streets. I haven't seen any of them look in the camera and state that these cuts are *actually cuts in the rate of increase*—not actual cuts in dollars spent. Can you imagine the **drama** we'd witness if actual cuts were made???

Recently, I reconnected with a colleague from McTevia & Associates, John Homeister. John & I were part of a speaking panel at Walsh College several years ago where we each talked about the respective merits of our professional certifications – mine being **CMA**, John's being **CPA**. I spoke before John & the other two panelists, and I started the discussion by making a few cracks about CPAs (all of the other panelists were CPAs) . I forget exactly what I said, but it was probably something about a CPAs inability to attract a mate, how they prefer numbers to humans, or some other obvious truth like that. When it was John's turn, he got up and traded barbs back with me and we all had a good laugh. When you're talking to a bunch of college students about accounting as a career choice, you have to spice it up to keep the audience from committing group suicide due to boredom.

But I digress. . .

John sent me a follow up email after attending our January workshop, and so I clicked over to McTevia's web site for a quick look. The first thing that caught my attention was Jim McTevia's book "**The Culture of Debt**". Jim McTevia is a well known Turnaround guru in the Detroit area, and I thought the book looked interesting for two reasons: **(1)** I have been following the current debt spiral with more and more interest, so I was intrigued to read Jim's take on the subject; **(2)** it wasn't a book pitching his firm's services (e.g., "*Turnaround Management for Dummies*"), so I reasoned that he must *really* be interested or passionate about this subject to spend the time writing a book about it – presumably a book that was not likely to make him a best-selling author.

So I purchased the book and read it in about a week.



If you've been reading our newsletters over the past few years, you know that every few issues I've been writing on the subject of our national debt, trying to put it in perspective and help people understand how **unfathomable** it really is. After reading Jim's book, I realized he has been sounding this alarm for a long time. I HIGHLY recom-

end this book ([we are sending a copy to all of our clients](#) courtesy of Jim). It is a must read for business owners, and equally important for anyone with a conscience about the enormous burden we're leaving for future generations.

I want you to read this book, so I'm not going to give away the whole story, but I will tell you that Jim recognized the debt issue 20+ years ago, and wrote an earlier book on it called **Bankrupt**. In 1993, he spent his own money to go to Washington D.C. and personally hand-deliver complimentary copies to each member of congress.

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U.S. NATIONAL DEBT AS OF:

March, 2013

\$16,610,557,777,904

March, 2012

\$15,501,000,000,000

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At that time our national debt was roughly \$4.2 Trillion.

This latest book was written 2 years ago when the debt was \$14.1 Trillion— today it's \$16.6 Trillion. I would summarize Jim's message in this latest book as "See, I told you so. . . and you're STILL not listening".

Jim's 50 years of turnaround experience adds a unique and valuable perspective to the "The Culture of Debt". He discusses debt in the context of individuals, businesses, and the government. The path to financial pain is the same no matter who is in the driver's seat or the relative size of the checkbook.

After reading the book, I invited Jim & John to lunch, partially to ask as many questions as they'd allow me, and partially to interview Jim for the benefit of our readers. You will find this insightful interview beginning on page 3. I am very thankful to Jim for taking the time to meet with me, answer questions and share his considerable expertise.

Best Regards,



Todd Rammler, CMA, MSA, President

What's Happening?



Brian Bach at Automation Alley's 2013 Impact Business Conference

A little work. . .



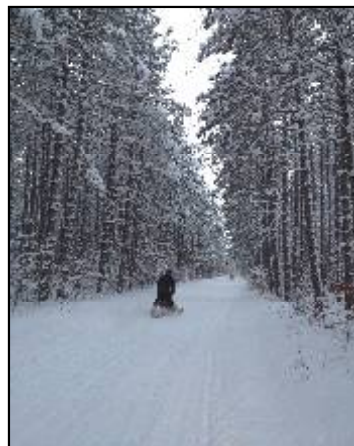
Brian & Tom Wilson at the Troy Chamber Holiday Luncheon

. . . And a little play!

Todd's annual snowmobile trips—this year to Munising, Grand Marais & Gaylord.



Miner's Castle at Pictured Rocks



Hiawatha National Forrest



Todd's son Joshua—in Gaylord



Brian Bach

Are You "Driving" Your Business on One Wheel?

If you've ever tried to ride a unicycle, you know that it's difficult to get started, hard to maintain balance, and you wobble around a lot – it can be nerve-wracking!

The same thing happens when a business owner or CEO tries to run their business from only "one" information source: their accounting system.

Join us at our April 24th workshop where we explore the importance of having FOUR real time systems to run your business.

In this workshop we'll look at Four Key Management Systems:

System #1: All businesses use it, but most business owners rank it the least valuable

System #2: Ranked #1 in importance by business owners, yet barely 1/3 of them USE it

System #3: **THE KEY** to effective planning & driving tomorrow's success

System #4: It will minimize surprises and give you a sense of control



Larger corporations utilize all four systems to run effectively; learn how smaller companies can leverage limited resources and shift their business performance into "overdrive".

WHAT: Four Key Systems Every Business Needs—a Michigan CFO Workshop

WHEN: Wednesday, April 24, 2013 from 9:00 am to 10:00 am (with pre-workshop networking from 8:30am to 9:00 am).

WHERE: Automation Alley, 2675 Bellingham, Troy, MI 48083

This workshop is complimentary and includes a continental breakfast, but **space is limited to 20** and registration on our web site is required so please register early to reserve your space at

<http://michigancfo.com/events/workshops>

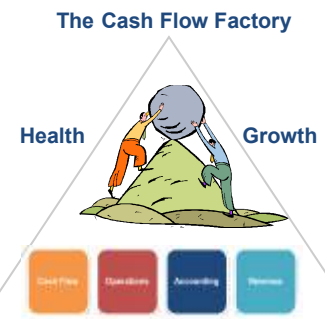
Discover the importance and value of having FOUR real time systems to run your business. Hope to see you there!



The Cash Flow Factory Workshop

The Cash Flow Factory Workshop Series. We recently completed the 2nd workshop "10 Keys To A Healthy Business" on January 30. Register now for Workshop #3 **Four Key Systems Every Business Needs**, on April 24 at Automation Alley.

Seating is limited to 20, so register now!



"Thanks for the detailed information on what is driving the successful operations of the company.

Also thank you for all your work that you do. It is an integral part of business that assists the banking side of the relationship and allows me to be armed to do my best in providing timely and effective assistance when needed."

-Allan Federlein, Assistant V.P. - Business Banker, Huntington Bank



Jim McTevia

Q&A with Jim McTevia, President of McTevia & Associates, and author of "The Culture of Debt"

This month, Todd sat down with Jim McTevia and discussed the state of our economy, and Jim's most recent book "The Culture of Debt".

Jim, give us a brief background on what McTevia & Associates does.

We specialize in working with firms that are in transition or under-performing.

For over 50 years, our firm has developed a national reputation for assisting companies struggling with financial difficulties. Our focus is to either guide the client through a re-organization of operations and a restructuring of debt, or if that is impossible, structure a process to discontinue the company's business, wind down operations and liquidate assets in an expeditious and cost effective manner. We function both with and without court supervision. However, our goal is to facilitate the company through this process in an out of court forum whenever possible.

What started you down this path of crusading against the debt? Why keep going after hand delivering books to every congress person only to be ignored? I'm sure you're a busy guy. . . Why bother anymore?

Well, I got tired of dealing with companies, people, marriages, and lives being destroyed in my engagements simply because of debt. When I wrote "Bankrupt" (Jim's first book) I seem to recall 6 client suicides. And by the time I wrote "Culture" another client took his life. I concluded that if debt was not brought under control, there would eventually be social unrest. At least everyone's talking about the debt now, when I wrote "Bankrupt" nobody even cared to use the word. I guess that's progress!!

During your trip to Washington in 1993, what surprised you the most?

The incredible waste of time and energy.

In your book, you state "Unlike businesses I restructure or liquidate, USA Inc can (a) obtain seemingly endless loans to support its red ink, and (b) print money. You also know that trying to live in the future by following those two paths is a Ponzi scheme. Literally, and beyond all doubt." Those are strong words – do you still feel that way?

You bet. Besides being able to continue to borrow money to pay for services we can't afford, when our lenders reach the point of not loaning us any more, the Government will solve the problem by printing more money until the dollar is worthless.

With so many "educated" people in Washington, and near unanimous recognition by them that we are on an unsustainable and ever accelerating course with respect to debt, why is it that no tangible action is being taken? Surely not EVERY politician is a crook. . . some of them have to recognize the burden that is being passed on to future generations?

I think my "Culture" chapter "A Congress of Fools" answers this well. There are no stupid people in Washington, just greedy and focused on their own jobs. The power they carry as they spend more time getting and staying elected instead of making tough, unpopular calls. Besides, the folks in Washington are "us" - they did not learn to spend money we don't have when they were elected. They learned that as consumers.

In your opinion, why is the American population largely apathetic to the course we're on?

Overall we are a greedy angry society who insists on having everything now regardless if we can pay for it.

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(Continued from front)

You state in the book that "the U.S. government is positioning itself to give the world "the mother of all haircuts". How do think that will play out? Who exactly takes the haircut?

Sooner or later the debt service on the treasury notes and bonds will not be able to be paid; we will see sovereign default, and the existing bonds will be restructured by payment of some percentage of the debt.

I read a WSJ article discussing the "real national debt" - or "mere promises", as you refer to them - as totaling \$60 - \$80 Trillion, because the government uses "cash basis accounting" for its largest liabilities. It also noted that the IRS does not allow any corporation that makes more than \$5M to use cash basis accounting. Is this a fair characterization?

David Littmann covers this very well in the "culture" afterword. The Government is simply not going to operate as a normal business because it has options a normal business does not have (i.e. printing money and other creative accounting methods we would be put in prison for if we used).

In your opinion, at approximately what amount of debt - recorded or unrecorded - does it all come crashing down?

I don't think for a minute the level of debt is the problem. It comes crashing down when we can't borrow or print valuable money.

In describing your work with business over the years, you state that "Good People shoot themselves in the foot". What warning signs have you've seen business owners ignore that lead to this? What early warning indicators would you recommend business owners monitor regularly?

Cash flow and debt service. When one or both begin to suffer, watch out.

Another quote from the book: "A properly read and utilized balance sheet is a tool for avoiding bankruptcy." In your experience, do most business owners (a) understand how to read a balance sheet, and (b) use it effectively in managing their businesses?

Absolutely not. This is a fault, in my opinion, of the accounting profession for not sitting down, clearly reviewing the financials with the client on a quarterly basis and insisting on projections and explaining in "layman's" language what this financial statement is all about.

Is there anything different about the owners of businesses that get turned around, versus those that end up being liquidated?

Usually the ones who liquidate have used all the leverage they possibly can and are so buried in debt they cannot buy any more time.

On a lighter note, what does Jim McTevia do for fun?

My life is my family and my business. I get incredible self worth from helping clients and have devoted extensive pro-bono time over the past 50 years helping others who could no otherwise afford my highly specialized services.

Your favorite TV show

I don't watch TV. Perhaps that's why I am so fulfilled. A wise mentor once explained "generally most people are reasonably happy until they compare themselves with others who seem from a distance to have it all."

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To purchase either of Jim's books please visit:

www.malloybooks.com/mctevia.html

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