



PROFIT FIRST

BY MIKE MICHALOWICZ

**TRANSFORM ANY BUSINESS
FROM A CASH-EATING MONSTER
TO A MONEY-MAKING MACHINE**

BOOK CLUB GUIDE

Welcome to the PROFIT FIRST Book Club!

If you're tired of feeling like your business is a cash-eating monster and never seeing real profit, you're in the right place. Profit First challenges traditional accounting and introduces a **simple yet revolutionary system** that ensures businesses **become and stay profitable—immediately**.

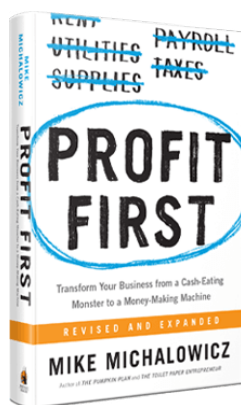
This guide will help you **understand, discuss, and implement** the **Profit First** methodology, making your business healthier and your finances stronger. Let's **stop living check to check and start putting profit first!**

How to Use This Guide

This guide is structured to help you:

- **Read with purpose** – Follow along with chapter breakdowns and discussion questions.
- **Reflect deeply** – Apply key concepts to your business.
- **Take action** – Implement the **Profit First** system step by step.

About The Book



Book Summary

Traditional accounting follows the outdated formula:

Sales – Expenses = Profit



This approach leaves profit as an afterthought—which is why most businesses never actually see profit.

Profit First flips the formula:

Sales – Profit = Expenses



By **allocating profit first**, business owners are forced to run their businesses with the remaining funds, which **naturally reduces unnecessary expenses and increases efficiency**. The system is easy to implement and works **with human behavior**, ensuring long-term financial success.

Welcome to the PROFIT FIRST Book Club!

About The Author

Mike Michalowicz is an entrepreneur, speaker, and bestselling author of *The Pumpkin Plan*, *Fix This Next*, *Clockwork*, and more. His mission is to **eradicate entrepreneurial poverty** by teaching simple, powerful systems that help businesses grow profitably.

LEARN MORE AT
MikeMichalowicz.com



CHAPTER 1: YOUR BUSINESS IS AN OUT-OF-CONTROL CASH-EATING MONSTER

KEY TAKEAWAY:

Most businesses struggle financially, even if they have strong sales. Without a system to prioritize profit, expenses **always expand to match revenue**—leaving nothing left over.

DISCUSSION QUESTIONS:

1. Have you ever had a **“cash-rich, profit-poor”** moment in your business where you thought things were going well, but there was no actual money left over?

2. What fears or beliefs have kept you from prioritizing profit?

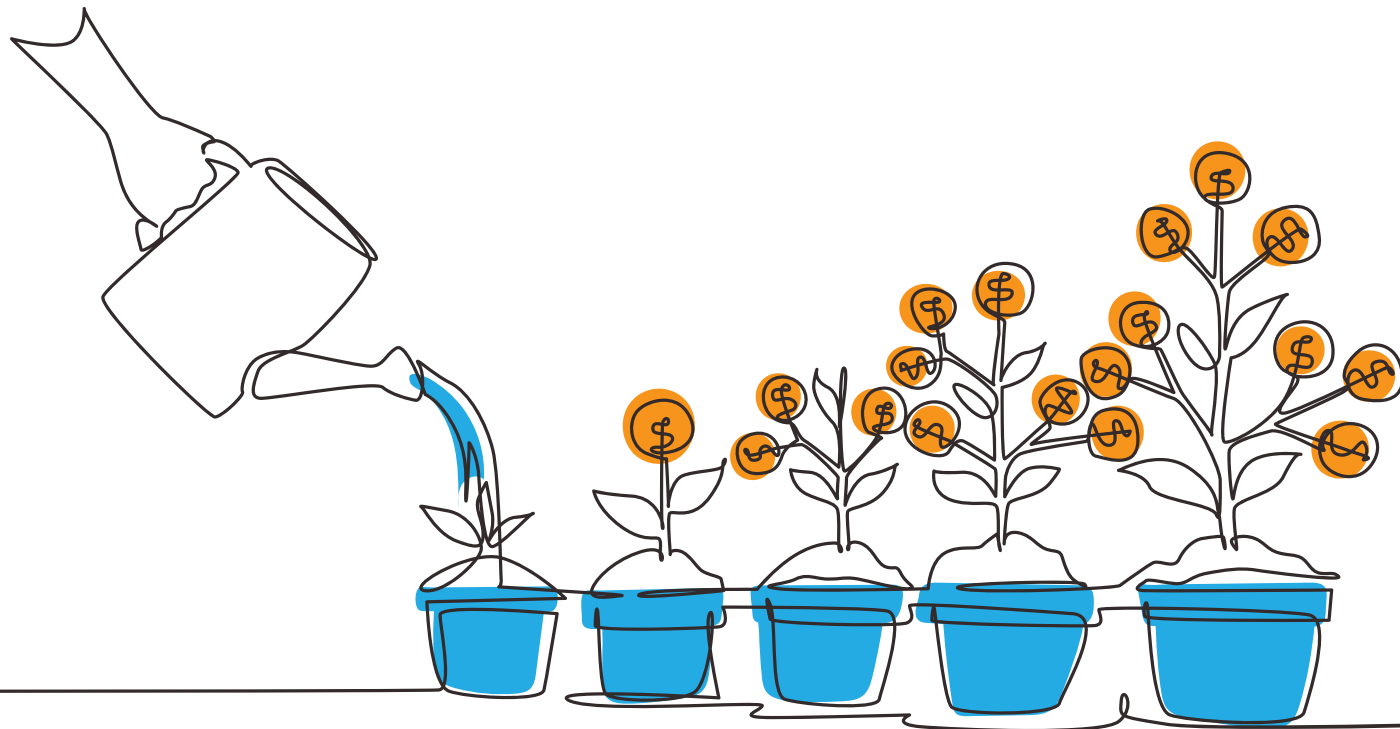
3. How does **Profit First** challenge your current approach to managing business finances?

CHAPTER 1:

YOUR BUSINESS IS AN OUT-OF-CONTROL CASH-EATING MONSTER

ACTION STEP:

Identify **one financial stressor** in your business and write down how it would change if you took profit first.



CHAPTER 2:

THE CORE PRINCIPLES OF PROFIT FIRST

KEY TAKEAWAY:

The **Profit First** method is based on **behavioral psychology**, using principles like:

- **Small Plates** – Using smaller amounts naturally reduces waste (separate bank accounts for different uses).
- **Serve Sequentially** – Prioritizing profit before expenses forces better financial decisions.
- **Remove Temptation** – Keeping profit funds **out of sight, out of mind** prevents unnecessary spending.
- **Enforce a Rhythm** – Allocating funds at set intervals prevents cash flow panic.

DISCUSSION QUESTIONS:

1. How do **Parkinson's Law** (expenses expand to available funds) and the **Primacy Effect** (we focus on what comes first) apply to your business?

2. Have you ever used an envelope budgeting system or separate accounts in your personal finances? Did it work?

CHAPTER 2:

THE CORE PRINCIPLES OF PROFIT FIRST

3. Which of the four principles of Profit First do you think will be most difficult for you to implement?

ACTION STEP:

Write down how you would implement “small plates” in your business.



CHAPTER 3:

SETTING UP PROFIT FIRST FOR YOUR BUSINESS

KEY TAKEAWAY:

Business owners should set up **five foundational bank accounts**:

1. **Income** – Collects all revenue before being allocated.
2. **Profit** – Your reward for owning the business.
3. **Owner's Compensation** – Your salary (separate from profit!).
4. **Tax** – Ensures you always have money for taxes.
5. **Operating Expenses (OPEX)** – Used for running the business.

DISCUSSION QUESTIONS:

1. What challenges might you face in setting up multiple bank accounts?

2. If you already separate personal or business funds, how has it helped or hurt your financial management?

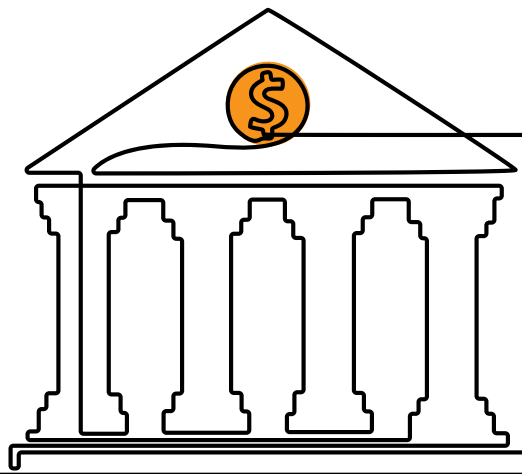
CHAPTER 3:

SETTING UP PROFIT FIRST FOR YOUR BUSINESS

3. How would ***Profit First*** impact your spending habits?

ACTION STEP:

Set up at least one new account (Profit or Tax) within the next week.



CHAPTER 4-6:

IMPLEMENTING PROFIT FIRST & ADJUSTING YOUR PERCENTAGES

KEY TAKEAWAY:

Business owners should allocate a percentage of income to each account **before paying any bills**.

Start with **small profit allocations (1-5%)** and **increase over time**.

If there's **not enough money for expenses**, that's a sign the business is **spending too much**.

DISCUSSION QUESTIONS:

1. What percentage of revenue do you currently set aside for profit, if any?

2. How do you feel about cutting expenses to make **Profit First** work?

CHAPTER 4-6:

IMPLEMENTING PROFIT FIRST & ADJUSTING YOUR PERCENTAGES

3. What would you do with your **first profit distribution**?

ACTION STEP:

Perform the Instant Assessment (Appendix 2 in the book) to see your financial health.



CHAPTER 7-9:

ELIMINATING DEBT & FINDING HIDDEN MONEY

KEY TAKEAWAY:

Many businesses stay in **survival mode** because of debt and bloated expenses. **Profit First** helps eliminate unnecessary costs and accelerates debt payoff.

DISCUSSION QUESTIONS:

1. Have you ever felt trapped by business expenses or debt? What caused it?

2. What's one area where you could **cut spending without hurting your business**?

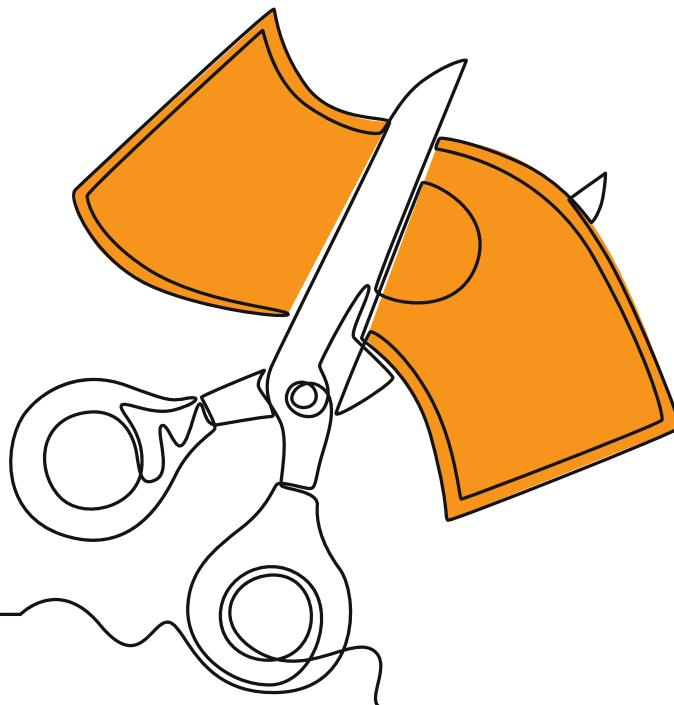
3. What strategies from Profit First could help you pay off debt faster?

CHAPTER 7-9:

ELIMINATING DEBT & FINDING HIDDEN MONEY

ACTION STEP:

List three recurring expenses you could reduce or eliminate today.



CHAPTER 10-11:

MAINTAINING THE PROFIT FIRST SYSTEM

KEY TAKEAWAY:

Profit First is a **lifelong** system, not a one-time fix. Staying disciplined and adjusting percentages over time ensures continued financial success.

DISCUSSION QUESTIONS:

1. How can you ensure that **Profit First** becomes a **permanent habit** in your business?

2. What future financial goals could this system help you achieve?

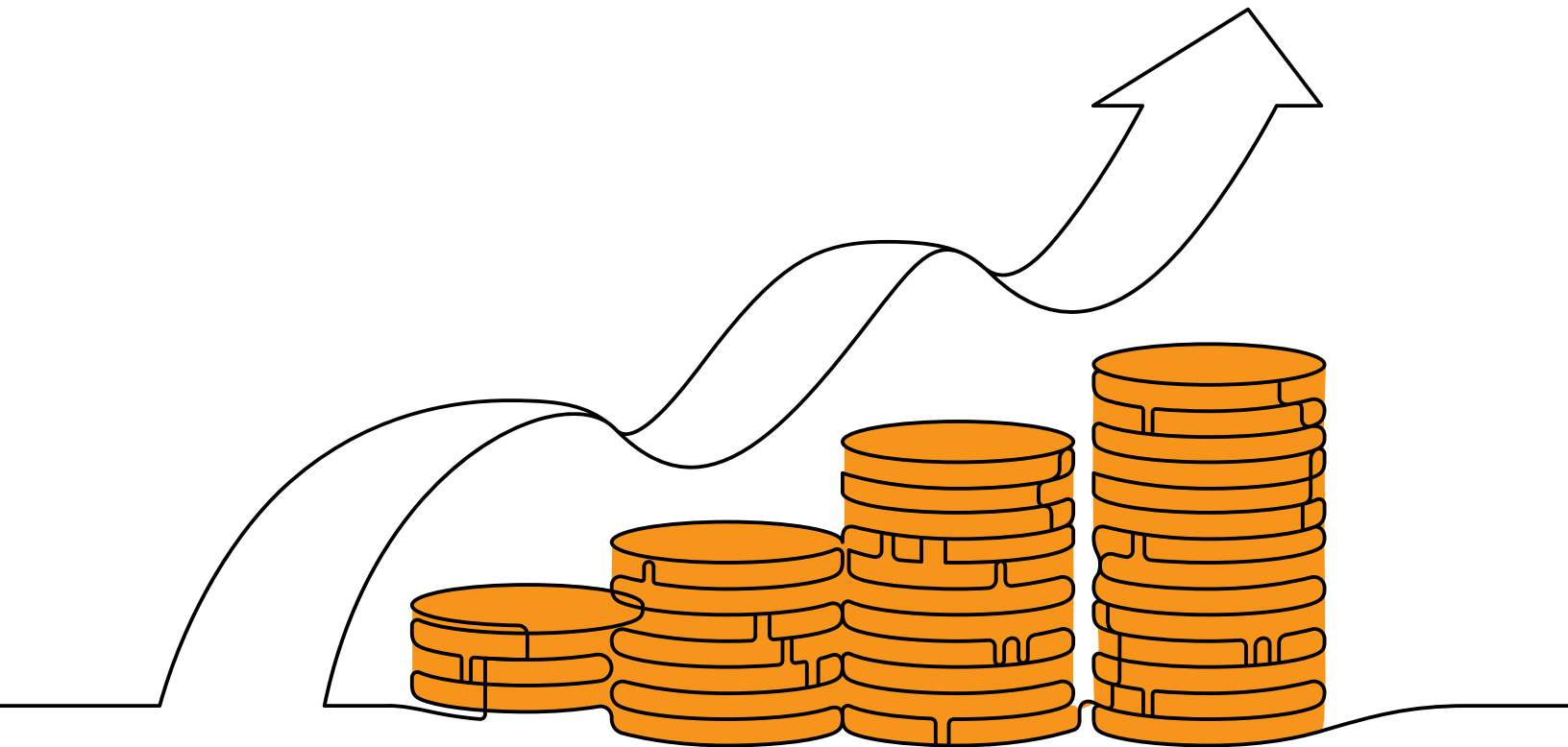
3. What advice would you give to another entrepreneur struggling with cash flow?

CHAPTER 10-11:

MAINTAINING THE PROFIT FIRST SYSTEM

ACTION STEP:

Commit to implementing *Profit First* for the next 90 days and track your progress.



TAKING ACTION

USE THE FOLLOWING STEPS TO PUT **PROFIT FIRST** INTO ACTION AND ENSURE YOUR BUSINESS REMAINS PROFITABLE LONG-TERM

STEP 1: Perform the Instant Assessment

- Use **Appendix 2 in the book** or visit ProfitFirstProfessionals.com to analyze your business's financial health.

STEP 2: Set Up Your Bank Accounts

- Follow the **Profit First** framework by creating separate **Profit, Tax, Owner's Pay, and Operating Expenses** accounts.

STEP 3: Start Allocating Money Immediately

- Even if you start with just **1% profit**, begin allocating funds into the right accounts with every deposit.

STEP 4: Reduce Expenses & Find Hidden Money

- Identify **wasteful spending** and unnecessary costs—cut them to improve profitability.

STEP 5: Work with a Profit First Professional

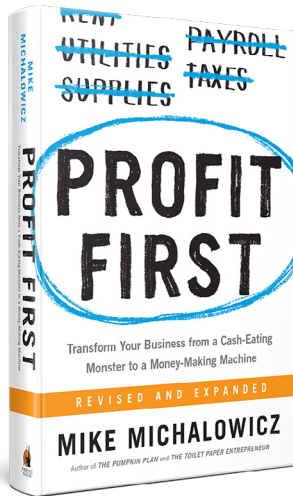
- Get expert help implementing **Profit First** tailored to your business by hiring a **Profit First Professional** at ProfitFirstProfessionals.com.



STEP 6: Share Your Success!

- Email Mike at mike@mikemichalowicz.com with the subject "**I've Drawn a Line in the Sand**"
- Share your journey online using **#ProfitFirst**.

BONUS RESOURCES



Download **FREE** Tools & Resources.

ProfitFirstBook.com



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Deep dives into business growth.

[Watch Mike's Videos](#)

FINAL THOUGHTS

Most businesses **never** become profitable because they wait for profit to happen **instead of taking it first**. By adopting ***Profit First***, you'll ensure that your business is stable, profitable, and sustainable.

Now go out there and **PROFIT FIRST!**