

## Tips for Creating a Financial Budget

Regardless of whether your goal is to find investors or just better manage your business, financial forecasting and budgeting are essential in achieving short-term and long-term success.

As the year progresses, your operating plan and financial projections will evolve. You should be actively engaged in testing your assumptions and altering your actions as you go. Creating a financial forecast or budget allows business owners to determine whether they have sufficient resources to fund operations, generate personal income, grow the business, and adapt to change.

The task of creating your financial budget may seem daunting, but it is extremely beneficial for making important management decisions as well as applying for loans. The following tips can help you get started:

**Tip 1:** Create a spreadsheet to estimate the cost of resources and expenses. This includes suppliers for materials, rent, taxes, insurance, etc. Shopping around for quotes is a good idea before continuing on.

**Tip 2:** Factor in some slack. It is important to note that although you may estimate the rate of revenue growth or that some expenses will be fixed, these forecasts are not always set in stone. Make sure that you have enough capital set aside or coming in before expanding the business.

**Tip 3:** Cut costs where you can and wait to make purchases until the beginning of a new billing cycle. Making sure you get the best value of your costs and expenses will give you much needed breathing room and opportunity for expansion.

**Tip 4:** Review business performance regularly. Because small businesses can be unpredictable and unanticipated expenses can throw off projections, it is wise to keep adjusting your budget to insure all costs are covered while still generating revenue.

If you want to see examples of budgeting and financial forecasting, you can check out the [Keep It Simple \(KISS\) Strategy](#) and [5 Simple Steps to Creating Your Cash Flow Budget and Forecast](#).