Exploring Your Budget

Why think of a budget now? It is a key tool to help manage your business and meet your financial goals. Now is the time to think of how much money you need, your expenses, and where it is going to come from, your income.

Background

We are all experiencing difficult times. Financial stress can make it hard to think of the present or future. Paying attention to your budget now can make a difference in your long term financial success. Your budget can tell you if your expenses are too high for the income you have. Reviewing your budget allows you to step back and reassess:

- How much do I really need per month?
- What are your priority expenses?
- Where are you financially with your three-month emergency fund?

Taking action

- First, identify all your sources of income.
- Then categorize your expenses. If the expense is weekly, multiply by 4.3 to get the monthly amount. For yearly expenses, divide the amount by 12 to determine the monthly amount.
  - List your operating expenses. Operating expenses are those that are incurred when carrying out your day to day business activities. Operating expenses can sometimes be variable as they can change with enrollment.
    - Food
    - Payroll (included benefits - PTO, health insurance)
    - Supplies (diapers, wipes, materials)
    - maintenance/janitorial
    - Professional services (accountant)
    - Memberships to local national or local organizations
    - Miscellaneous spending (Impulse purchases)
List your fixed cost expenses. Fixed costs don’t change with enrollment.

- Rent/mortgage
- Property tax
- Insurance
- Equipment contracts
- Loan repayment

Keep in mind, your current expenses may not be a true reflection of what you actually spend due to reduced enrollment or temporary closure for Coronavirus (COVID-19).

Next steps

- Explore cost saving measures:
  - Could you lower expenses by shifting hours, operating days?
  - Do you have expenses that can be renegotiated? Let vendors know you are price shopping.
  - Research wholesalers to purchase needed materials/equipment at a lower cost
  - Are there options where you can spread some expenses out?
  - Need improvements to your physical space, can you utilize staff that have been laid off rather than contracting out?
  - Are there other expenses you’ve been meaning to review, but didn’t have the time until now such as miscellaneous expenses?

- If you don’t have a budget, create one for the rest of year:
  - During times of uncertainty, don’t reflect your income as having 100% enrollment, maybe 50 - 70% is more realistic.
  - Explore profit and loss statements with Tom Copeland and use the sample template to determine income and expenses.

- Begin thinking about or creating a three-month emergency fund
  - Add up your monthly expenses and multiply them by 3. This is the amount you need to “get by.”
  - Save a little each month to put towards that fund.

Additional resources

- Contact the Indiana Small Business Development Center for no cost business advising.

How to get more help

Contact the SPARK Learning Lab Help Desk for support at 1-800-299-1627. We are available Monday - Friday 6:00 AM - 7:00 PM and Saturday 10:00 AM - 2:00 PM EST.

Source(s)

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Committee for Economic Development
How Child Care Business Can Survive COVID-19 - Considerations for Child Care Centers

Join finance panel experts to aid business owners in understanding available assistance and ways to prioritize expenses to support businesses during a financial challenge and beyond.


COMMITTEE FOR ECONOMIC DEVELOPMENT
How Child Care Business Can Survive COVID-19 - Considerations for Family Child Care Homes

Join a panel of finance experts to aid business owners in understanding available assistance and ways to prioritize expenses to support small businesses during a financial challenge and beyond.