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TITAN BUSINESS DEVELOPMENT GROUP, LLC

5 Budgeting Tips for Small Business Owners

Without a thorough budget plan, it can be difficult to track and manage your finances along with unexpected variances/expenses. A survey by small business credit provider Headway Capital found that although 57% of small business owners anticipated growth this year, nearly 19% were concerned about how unexpected expenses would impact their business.

If you want to keep your business operating in the black, you'll need to account for both fixed and unplanned costs, and then create — and stick to — a solid budget. To that end, below is a list of five smart tips for small business owners.

Define and understand your risks: Business owners need to consider their long- and short-term risks to accurately plan for their financial future. How will changes in minimum wage or health care requirements impact your workforce? Do you rely heavily on seasonal workers? Understanding your potential risks are monumentally important. Once you've mapped out the threats to productivity, a clearer picture can be built around emergency planning, insurance needs, and other expenditures and emergency funds necessary"

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Be careful not to ever under-estimate your expenses: For example, if your business operates on a project-to-project basis, you know that every client is different and no two projects will turn out exactly the same. This means that often, you can't predict when something is going to go over budget. For this reason, budgeting slightly above your anticipated line-item cost will help you from being caught between a rock and a hard place, and over time you will be able to best gauge how what percentage over your anticipated expenses you should add to your budget as a cushion.

Pay attention to your sales cycle: Many businesses go through busy and slow periods over the course of the year. If your company typically has a slow season, you'll need to account for funding expenses during an earlier time. Furthermore, you may be able to use some of that downtime to engage in additional marketing efforts – or perhaps creative methods to keep the cash flowing during that time. Both concepts require you to budget for accumulating funds to do so, ahead of time.

Plan for large purchases carefully and early: Some large business expenses occur when you least expect them — a piece of equipment breaks and needs to be replaced or your delivery van needs a costly repair, for instance. However, planned expenses like store renovations or a new software system should be carefully timed and budgeted to avoid a huge financial burden on your business.

Keep in mind that time is money: One of the biggest mistakes small businesses make is forgetting to incorporate their time into a budget plan, especially when working with or engaging people who are paid for their time.

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There are also non-traditional expenses indirectly related to time. Estimating time for client feedback is an example. You need to budget your or your staff's time for initiating a process of client feedback. The client will then need time to provide the necessary feedback so you can proceed. If the client is distracted with other issues, feedback planned for a three-day turnaround can become a week or longer. Not only do you start to lose time to the delivery schedule, your team also loses momentum as their collective thought shifts focus to another project."

One last word of advice: Constantly revisit your budget. It should never be static or consistent. It will change and evolve along with your business and you'll need to keep adjusting it based on your growth and profit patterns. Always pay attention to and revise your monthly and annual budgets regularly to get a clearer, updated picture of your business finances.

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Masterful Quotes

"There is one thing stronger than all the armies in the world, and that is an idea whose time has come."
- Victor Hugo

"The great thing in the world is not so much where we stand, as in what direction we are moving."
- Oliver Wendell Holmes

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Transferring Business Ownership

For one reason or another, many business owners will face a time when they need to transfer their ownership rights to another person or entity. Perhaps the end-goal is to sell the business, bank the proceeds and retire. Perhaps the intent is to pass it business along to the next generation. Other business owners may look to construct their business in such a way that the transfer of ownership provides an annuity of sorts.

An Outright Sale

The sale of a business in full typically includes a transfer of ownership immediately and payment is usually received at the time of sale. Among other things, a plan with this goal in mind might include steps towards solidifying the balance sheet or creating a "turnkey" package. The business owner might select this venue to fund retirement or perhaps the plan might purely be to build the business up, sell it for a profit and move along to another endeavor.

A Gradual Sale

"Brian" owns a small bakery. After the birth of his granddaughter, he now spends most of his time at his daughter's home several hours away. Brian may opt to complete a gradual sale of his business. A gradual sale is a flexible option in transferring a business that tends to benefit everyone. After transferring business ownership, Brian no longer has to worry about running his business but is still receiving monthly income from the gradual sale. This option often benefits individuals that cannot afford an outright sale, but instead are able to finance a long term payment plan.

A Lease Agreement

Perhaps "Brian" has elected to take a full year off to accomplish his lifelong dream of traveling the world. To take care of his bakery, he's decided to transfer ownership to a close industry peer through a lease. By transferring business ownership through a lease, you'll commit to a contract that details the conditions and payments you'll receive for the temporary rights to the business.

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Handing Down the Family Business

Transferring ownership of the family business to a new generation is often more complicated than it sounds. Additional tax implications, such as estate and gift taxes generally arise for both parties. Proactive succession planning can help provide business stability, prepare for tax obligations, and make the ownership transfer as smooth as possible.

The Business Type May Make a Difference

As with many other regulated aspects of business ownership, the type of entity you own makes a difference. Your business type will affect what steps are required to transfer ownership as well as the tax implications of the transfer. For example, because Brian's business is a sole proprietorship, he has total control over his business and therefore has full rights to complete a sale. The rules for partnerships, LLCs, and corporations, however, will require additional actions that are specific to their situation in order to complete a transfer of ownership. Because these steps tend to be situation-specific, it is very important to speak to an attorney, accountant and/or other business professional. Your business coach can work with you on developing the correct framework for your business to maximize results.

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