

THE RIGHT WAY TO SET YOUR ANNUAL BUDGETS





In This Seminar

- Quick Intros
- What's a Budget. Why?
- The Process
- Sharing the Budget
- Summary
- Questions

Jim Kahrs

- 36 Years in Business Systems
- Started Prosperity Plus in 2001
- Achieve Your Goals by Improving Profit, Cash Flow & Growth
- M&A, Valuations, Succession Planning
 - More than 350 individual transactions
- Marketing Programs
- Consulting based on Experience + highly successful Hubbard® Management System & Value Builder System®
- Assistance with the ERC Program



What is a Budget?

- Noun – An estimate of income & expenditures for a set time period.
- The amount of money needed or available for a purpose.



What is a Plan?

- Noun – A detailed proposal for doing or achieving something.
- An intention or decision about what one is going to do.

Why Bother?

- With the pandemic behind us it's time to get back on course.
- A well-thought-out plan includes budgets.
- If you create budgets & use them to manage your business, your results will be better.
- Ever play a game without keeping score?
 - How well did you do?
 - Was it fun?

The Process

1. Decide what you want to achieve.

- This is the starting point. Decision is the senior-most point.
- You **MUST** decide first, then bring that into reality.

The Process

It takes a correct estimation of effort

- Dream big. Consider what it'll take to make it happen.
- Glibly setting targets without plans & resources to achieve them only brings you & the group down.
- Aim high. Be ready to do what's necessary to make it happen.

The Process

2. Review Past Performance

Income Statement

- Revenues
- COGS
- Expenses
- Net Income

Balance Sheet

- Assets
- Liabilities

The Process

3. Look at Industry Models

- Get your numbers & percentages figured out. Compare them to industry models.
- Look for biggest departures.
- Put your attention on these areas. They will yield the best & quickest results.

4. Set your 2024 Budget

- Use income statement as the format to enter budgets.
- Use previous year exported to Excel (create a new column for 2024).
- Monthly breakdown helps.
- [Here's an example...](#)

Revenue

- Typically works best by % increase.
- Not all line items increase/decrease in the same amount.
- What resources will be needed to make this happen?
- How will hardware/software sales impact service, installation, implementation & supplies?

Cost of Goods Sold (COGS)

- Tied into projected revenue by category.
- Use formulas that allow for automatic adjustment.
- Expected cost/discounts from suppliers?

Expenses

- What do you expect to incur? Some increase. Some decrease?
- Rent escalations.
- Payroll changes (raises, new staff).
- Health insurance changes.
- Vehicle, equipment depreciation.
- Cost of living.
- Be sure to increase commissions based on increased sales.

The Ideal Budget

- Exact targets line by line for all revenue, COGs, expenses.
- Stretch, but doable.
- Easily shared with staff.
- Next best thing: Target top line revenue growth, bottom line profit.

Share. Yes, Share It.

- Budgets must be shared with your team to be effective.
- Not just an exercise for the execs & owners.

Go on, share the plan:

- Beginning of the year.
- Monthly

Summary

- Purpose for Budgets – increase chances of success, financial results.
- Set a course for your desired destination.
- Requires thought, planning.
- Make it a stretch, but realistic.
- Share with your team.
- Monitor year-round.
- May need to adjust mid-stream.



NEXT WEBCAST

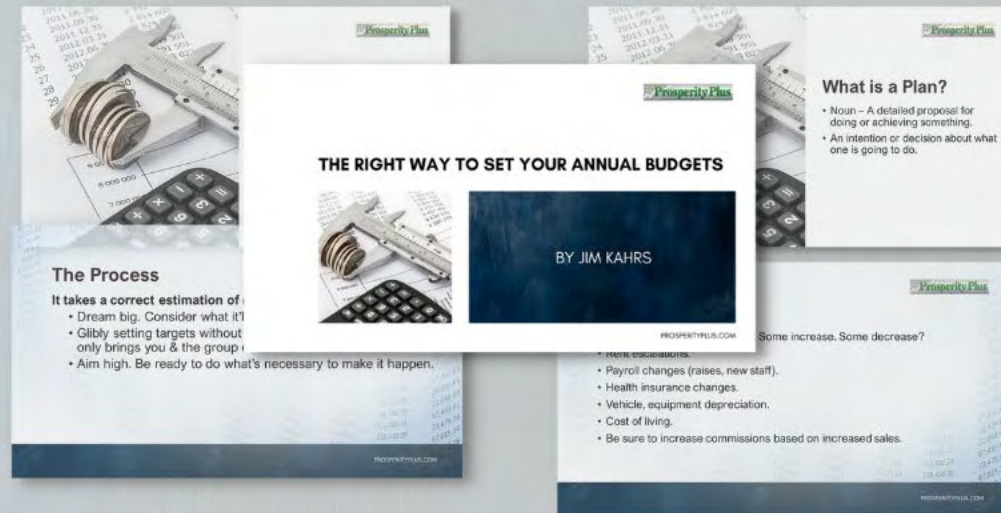
HOW TO MAKE YOUR PLANS SUCCEED

WITH JIM KAHR

THURSDAY, JAN 25, 2024

1 PM EASTERN

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BY JIM KAHRS

The Process

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Questions?

THANKS FOR WATCHING

Be Sure to Respond to Survey

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