

# **HOW TO DEVELOP & MANAGE A BUDGET**

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# Topics to Discuss

- Why developing a budget is important
- Where to start
- How to review and compare
- Updating your budget

# Housekeeping

- A copy of this presentation can be sent to you via email.
- Please feel free to stop me at any time to ask a question during the presentation.

# Why a budget is important

- Map your cash flow
  - How much money will you need to fund your business
  - Project shortages and plan for them
- Measure your profitability
  - Are you charging the right price
  - Do you have a viable business

# Why a budget is important

- Segregate your business expenses from your personal expenses
- Helps you understand the different types of expenses
  - Cost of sales
  - Variable costs
  - Fixed costs

# Why a budget is important

- Identify a potential problem before you get started
- Gives an opportunity to research more about your business endeavor
- Consider budgeting for your minimum compensation

# Why a budget is important

- Questions

# Where to start

- Spreadsheets
  - Keep it simple
- Estimates are ok
  - Don't worry about being perfect
- Talk to other business owners

# Where to start

- Time period
  - Annual
  - Quarterly
  - Monthly

# Where to start

- **Income**
  - Industry information
  - Other business owners
  - Details
- **Expenses**
  - Industry information
  - Contact vendors

# Where to start

- Capital improvements
  - Time line
- Loan payments
- Outside factors
  - Economy
  - Inflation

# Where to start

- Questions

# How to review and compare

- You have your budget – now what?
- Periodically review budget vs. actual
  - Variances should be expected but you should work to understand why there are variances

# How to review and compare

- How often to review and compare
- Cost savings opportunities
- Continue to review industry information

# How to review and compare

- Questions

# Updating your budget

- At least annually
- New circumstances
- New products or services

# Updating your budget

- Use your prior year budget and actual information to create the new year
- Don't ignore the variances – what caused the variance? Should the budget be updated?
- Be realistic

# Updating your budget

- Questions

## Kerry Leaks, CPA/PFS, CFP®, MST, RLP®

Kerry Leaks has more than 15 years of experience providing tax consulting, financial and business planning guidance to individuals and closely held businesses. Kerry consults with closely held business owners regarding planning strategies while providing them with day to day tax, accounting and business consultation. Kerry provides tax consulting services that span the entire business owner life, from equity and business structure planning for founders to exit planning strategies and beyond.

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