Are You Ready for Your 2018 Budget?

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If you haven't already, it's time to prep your business' 2018 budget. While a variety of factors determine your business' success or failure, your ability to create and stick to a budget is key to its survival. Your budget can help you:

- Anticipate cash inflows and outflows
- Prepare for tax obligations
- Identify financing needs
- Explore growth opportunities
- Gauge your business' performance

Also worth noting: According to the Small Business Administration, half of all small businesses fail within the first five years. Smart budgeting now can give you a better shot at clearing that hurdle.

Not sure how to get started? Let's break budget planning into five simple steps.

Your Guide to 2018 Budget Planning

1. REVIEW YOUR 2017 BUDGET.

The first thing you should do when budgeting is reviewing the previous year's budget (if you have one). Go through it line by line to determine how closely it matched your business' actual income and expenses. This will give you a concrete starting point for any needed adjustments.

If you've never created a business budget before, there are plenty of free online resources, such as SCORE's [financial planning templates] that you can download and customize.

2. PROJECT YOUR INCOME.

Create a realistic estimate of how much money you expect to bring in each month. If you're just starting out, talk to other small business owners to see if they can give you a rough idea of how much you can expect to make during your first year.

Getting a clear picture of how much money you expect to bring in is important for two reasons:

- Overestimating can lead to overspending and quickly put your company in the red.
- Underestimating may keep you from investing in new products, employees or marketing and hamper your growth.

Running a small business is a balancing act, which is why an accurate projection of your income is so critical.

3. ADD UP YOUR EXPENSES.

Once you know your cash intake, start tallying up your fixed expenses, such as:

- Rent/mortgage
- Payroll
- Utilities
- Small business insurance
- Taxes

Granted, these expenses may change from year to year, especially your tax obligations. As a general rule, CPAs often recommend setting aside about 25 to 30 percent of your earnings for quarterly taxes. To learn more about small business taxes, check out the IRS Small Business Tax Center.

Lastly, don't forget to plan for these "gotcha" items that can add up fast and throw your budget off:

- Office supplies
- Fuel and maintenance for company vehicles
- Postage and shipping
- Entertainment expenses, such as client lunches
- Membership dues for professional associations
- Professional development, such as subscriptions to industry magazines or fees to attend conferences

If you start to notice that your expenses are creeping close to your projected income, figure out where you can make cuts. Check out these helpful tips on how to reduce some common office expenses.

4. PLAN FOR WILDCARD EXPENSES.

This is basically your "expect the unexpected" costs. Think about potential disruptions your business might face, such as:

- A broken printer that needs to be replaced
- A big rent increase
- Repairs to a company vehicle

These can derail your budget if you don't plan ahead, so make sure you set aside some money to cover miscellaneous expenses.

For example, let's say you're planning to launch a major marketing campaign in July. However, when June comes, you realize you have so much extra work that you need to hire another person. That new employee could mean you have to scale back your promotional plans, unless you had already accounted for unexpected expenses in your budget.

5. REVIEW YOUR BUDGET ONCE A MONTH.

To keep your business on track, review your budget once a month so you can make any necessary adjustments.

For example, if you realize your fixed expenses are higher than you anticipated, you can make cuts in other areas, like nixing weekly coffee and bagels for the office. If your income is higher than expected, you can make additional investments in your business, such as purchasing new equipment or paying down business debt.