

Money Matters

A series of weekly articles by Quintas Experts

Written By
Paul O'Connell
Quintas



DON'T RISK GETTING LOST it's time to set your financial goals for 2013

Planning is one of the most important parts of running a business, be it a multinational business or a small business. No business can thrive without setting realistic financial goals. A set of financial goals is like a road map for a business, always providing a progress report on where a business is at and where it is going. Starting without a roadmap is a risk and whilst you may eventually reach your final destination, don't be surprised if you get lost along the way.

As we prepare to enter the home straight in 2012 now is the ideal time to start planning for 2013.

Here are a couple of the key stages to assist you in setting your goals:

- Set aside a couple of hours in your weekly diary to work on your financial plan for 2013. Something as simple as the first two or three hours on a Monday morning might be suitable. Remember you will need to keep this weekly timeout in 2013 to review actual performance v's plan.
- The first step for setting financial goals is to calculate your monthly break-even amount. This is the income you have to generate if you don't want to lose money. To calculate this you'll need to list all your expenses. This might seem odd but the first expense you need to calculate is the personal expense of the business owner. Without this it is impossible to calculate the salary that must be taken from the business to cover basic living expenses.
- Next calculate your fixed costs. Fixed costs are expenses incurred each month that would not be easy to get rid of – office rent, staff salaries, light & heat etc.
- Now that you know what your fixed costs are you are ready to calculate a minimum income goal. Naturally your aim is to make a profit so add the target profit to the minimum income goal to arrive at the overall income goal.
- Don't forget to provide for cost of goods sold where applicable. If your average Gross Profit Margin is 40% and your annual income goal is €200k to cover your costs and profit, then your target sales will need to be €500k to allow for the purchase cost of the goods you have sold.
- Finally break down your income goal into manageable bite sizes, spread throughout the year and adjust where necessary for seasonal fluctuations.

Once you have managed to set out your financial plan for 2013, don't let it gather dust on a shelf in the corner of the office. Use the plan as a benchmark against actual performance on a weekly and monthly basis.

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