

Budgeting Basics: Finding the Right Balance



Most people don't plan to fail, they simply fail to plan. The way to achieve a goal is to make a plan. Your goal may be to purchase new equipment, expand a business or see a project to completion. A budget is a financial road map for achieving an objective with a defined amount of resources. It answers the question of where and how to spend money and where it will come from. When creating a budget, consider the overall objectives to make sure you allow enough funds to reach the goal without spending too much.

Break It Down

You may already have a designated dollar amount set aside to achieve a goal. Or you may be trying to figure out what it will cost to reach an objective so you can secure the funding for it. Either way, to make sure you allocate your resources properly you need to break the initiative into its component parts in order to establish accurate costs for each.

Educated Guesswork

Putting estimated numbers to the component parts is the most crucial part of budget building. You need to forecast realistically. Make reasonable predictions of what is needed for each category using:

- Historical records from similar projects or initiatives
- Previous budgets
- Actual pricing from suppliers.

Formulate a spreadsheet using these numbers. Make sure you have values for each category. Use your best estimate for those that you can't get actual numbers for. If you are trying to meet an established budget amount, work with the figures to see where adjustments can be made without jeopardizing the overall goal.

Summarize and Evaluate



Take all of the detail numbers and assemble them into major categories for an overall review the project or initiative. Amounts for major categories and the overall total can then be easily compared without getting bogged down in the details.

Break the budget down by divisions that reflect the nature of the initiative:

- Time line; weekly, monthly, quarterly
- Departmental; human resources, marketing, production, distribution
- Business; salaries and wages, equipment/supplies, travel expenses, overhead
- Internal and external costs

Once the numbers are entered, check and re-check your formulas.

Monitor and Compare

Critical to budgeting is making sure you are staying within projections. Do this by comparing actual numbers to budgeted numbers as you are working on the project or goals. You can anticipate and make adjustments if you periodically checking the budget to see if you are meeting expectations. Monitor the budget weekly or monthly. Structure your reports so the data can be easily entered and can be compared with your budget predictions.

You can rest assured that you have a greater likelihood of meeting your goals when you have taken the time to plan a workable budget.

