

Guide brought to you by



How to Plan Your Yearly Budget



TABLE OF CONTENTS

INTRODUCTION	1
Business by the numbers	
PLANNING YOUR BUDGET	2
2020 budget checklist	
SIGNS YOU MIGHT NEED ADDITIONAL FUNDING	5
Funding forecast	
KEEP YOUR EYE OUT FOR LENDING SCAMS	6
Watching for fraud	
TIPS TO CONSIDER WHEN LOOKING FOR FUNDING	7
Focus on funding	
THE EFFECTIVENESS OF SMALL BUSINESS MENTORSHIP	8
Business mentorship	
6 FUNDING OPTIONS FOR SMALL BUSINESS OWNERS	9
Funding options	
CONCLUSION	10



SMALL BUSINESS BY THE NUMBERS

30.2 million small business in the U.S.

50% of small businesses are home-based

38% of small business owners saw increases in revenue from 2019

FACTORS TO CONSIDER

57% of loans to small businesses are approved by alternative lenders

75% of small business owners use personal finances for startup funding

\$10K is the average amount of startup capital needed

HOW THE 2018 TAX PLAN AFFECTS SMALL BUSINESSES

20%
reduction in taxable income

25-35
million Americans now want to form a business entity

21-35%
decrease in corporate tax rate



*Click numbers to see sources

Planning Your 2020 Budget

Before you begin mapping your financial targets and goals for 2020, you must plan your budget. The right budget can help you:

Prepare for taxes

Identify seasonal peaks and lulls

Explore growth opportunities

Gauge your small business's performance

Achieve your 2020 goals

If you've never planned a budget, check out

SCORE's financial planning templates

① Review your 2019 budget

Before you plan your 2020 budget, review your 2019 budget, if you had one. Go through it to determine how closely it matched your goals, projections, income and expenses. You can also see where your seasonal peaks and lulls occurred, helping you determine when you might see lulls in cash flow or spikes in the future.



② Project your income and expenses

Your income and expenses let you know how well your small business is performing. Startups are more likely to see red than black. As you budget each year, you should slowly be able to see the red decreasing, eventually turning black.

Project your income by reviewing previous quarters to create a realistic estimate of how much revenue you plan to bring in 2020. Factor in any upcoming quarterly growth programs you plan to use to increase profits. Once your income is projected, move on to your expenses.

First, review your fixed expenses. These are your expenses you know you will have each month or quarter, such as rent, payroll and insurance. Then, include fluctuating expenses for each month and quarter as well. This includes expenses such as increases in office supplies, inventory costs, employees and invoices. Finally, include any expenses that can happen unexpectedly. This includes broken equipment, natural disasters and store closures.

3 Determine your priorities

What do you want to focus on the most this year for your small business? Are you looking to expand to a second location or an online store? Are you looking to grow your marketing strategies? Perhaps you want to hire more employees. Determining your top priorities helps you allocate funding toward those goals and highlights where to scale back to accommodate those goals.



4 Document your new 2020 budget

It's important to review your budget each quarter or month to see how well your small business is sticking to it. As your business's needs change, your budget will change. Reviewing your budget on a continuous basis can help you readjust where needed, find growth opportunities or make additional investments other areas of your small business.

When looking at your budget, you might see some periods of highs and lows affecting your cash flow. There may also be times when you run into unexpected expenses that can cause a hiccup in your budget. During these times, you might need to rely on some extra funding to help tide you over.

Signs You Might Need Additional Funding



CLICK ON THE
LINKS FOR MORE
INFORMATION

Covering Cash Flow

Almost all small business owners have struggled with **cash flow gaps**. Sometimes the gaps come from seasonal lulls or lack of foot traffic, while other times it comes from late invoice payments. Either way, not having the funds to pay your operating expenses could jeopardize your small business and client relationships, or your vendors.

Purchasing Inventory

Sometimes your small business will need extra inventory, especially during its busy season. You may also purchase additional inventory for products or services not offered by your competitors. With extra capital, you can meet your seasonal needs or give you a leg up in the industry.

Upgrading or Replacing Equipment

All businesses need equipment. Whether it's machinery for your construction company, ovens for your restaurant or computers for your office, **proper equipment** keeps your small business running smoothly. Your equipment might also need repairs or replacement from time to time. Don't let these costs hurt the success of your small business. A line of credit can help you cover these short-term costs.

Marketing Costs

Your small business needs a **great marketing strategy** to fulfill its potential. From search engine optimization (SEO) to events to social media, the right strategy can help you reach new consumers beyond your local reach. You can also use funding to attend conferences for networking needs.

Expanding Your Business

Expanding your small business can range from opening a second store, offering more products or services or creating an online store. If you're not expanding your small business, you could be leaving money on the table. **Expansion** can be costly, and with a line of credit, you can expand your small business sooner than expected.

Hiring and Payroll Needs

Hiring is a sign of growth for small businesses. Your employees make up the foundation of your company and exhibit your business's vision, ideals and values. **Hiring the right people** can help your business's efficiency and productivity. You can use a line of credit to help cover hiring costs and payroll costs during your seasonal lulls.

Once you've determined your funding needs, the next step is to research various lenders to find the right fit (and avoid any scams).

Keep Your Eye Out for Lending Scams

Unfortunately, not all lenders are honest, and there are plenty of lenders looking to profit on a small business owner in need of some extra funding. Here's how to avoid scammers.



3 TIPS FOR FINDING A SAFE LENDER:

1. Look for a physical address.
2. Research third-party verification.
3. Look for reviews from other business owners.

3 ORGANIZATIONS TO REPORT SCAMS TO:

1. The Federal Trade Commission (FTC)
2. The National Fraud Information Center
3. ScamBusters

Lending scams aren't the only threats to your financing options. Look at your business as a whole when you look for funding to get a better view of where you stand and what you could receive

Tips to Consider When Looking for Funding

1 LOOK AT YOUR OPTIONS

Research all funding options available to your small business. Compare rates, application requirements, processing time and loan terms.

2 START BUILDING BUSINESS CREDIT

Establish good credit before taking out a small business loan. This can be done through applying for a business credit card and making all payments on time.

3 FOCUS ON YOUR BUSINESS PLAN

Your business plan is the map of your small business's growth and success. Keep current with your financial projections, marketing strategies and development efforts. You can articulate your plan to lenders and investors to better secure your chances of funding.

You should also consider investing in a mentor to help guide you through the process. Small business mentors have experience in growing their businesses, and financing plays a large part into that growth. Their knowledge can help you avoid unnecessary mistakes.



The Effectiveness of Small Business Mentorship

70%

of business owners with a mentor survive more than 5 years

88%

of small business owners value their mentors

Once you're done researching a small business mentor, it's time to dive into researching what type of funding will work best for your small business.

Businesses with mentors increase revenue by

83%

Startups with mentors increase revenue by

42%

*Click numbers to see sources

To find a small business mentor **visit SCORE.**

6 Funding Options for Small Business Owners

1 TRADITIONAL LOANS

A business loan usually from the bank, which are typically approved upon personal credit and usually require collateral.

2 SMALL BUSINESS ADMINISTRATION LOANS

Loans given through the **Small Business Administration (SBA)**, which includes microloans, general small business loans, real estate & equipment loans and disaster loans.

3 ONLINE BUSINESS LOANS

Capital provided by **online lenders** who analyze a variety of aspects to determine eligibility, loan amount and interest rates; these are usually short-term loans, ranging from 6-months to 18-months.

4 CROWDFUNDING

Funds raised over the internet by people who support and believe in your business. Crowdfunding sites include **GoFundMe**, **Kickstarter** and **Indiegogo**.

5 ANGEL INVESTING

Capital for startups usually in exchange for convertible debt or ownership equity.

6 MERCHANT CASH ADVANCES

Provides businesses with upfront cash in exchange for a portion of future credit card sales.



CONCLUSION

Your small business might need outside funding from time to time, and Kabbage is here to help. With more than \$4 billion extended directly to small business owners, Kabbage empowers small businesses through straightforward, flexible access to capital. We also aim to help you grow your small business through free marketing tips, videos, webinars, guides, tools and more.

CHECK OUT OUR

- ▶ [BLOG](#)
- ▶ [RESOURCES](#)

Kabbage is here to help you grow and succeed in your small business.



888-986-8263

Guides are for informational purposes only, and Kabbage does not guarantee any result or benefit to customers based on the content of this guide. The views expressed may not represent the views of Kabbage or Celtic Bank.

All Kabbage business loans are issued by Celtic Bank, a Utah-Chartered Industrial Bank, member FDIC.

Copyright © 2018 Kabbage, Inc. All rights reserved.