

4 Keys to successful budgeting

An important facet of a successful cash management strategy is having the funds on hand to make payroll and pay for your business expenses. In accounting speak, you need sufficient funds on hand for accounts payable.

Start by creating a business budget to help stay on track with your income and expenses. Remember to separate your business budget from your personal one so you get a clear picture of how your business is tracking toward its goals.

The No. 1 rule to any successful budget is spending less than you earn, but in order to do that, you need to know what your expenses are each month—this way, you'll know how much you need to bring in each month to pay the bills.

Start by considering the following:

① What's the minimum amount of money you need to run your business each month?

In other words, how much does it cost each month to pay rent, make payroll, pay vendors and purchase necessary supplies? Simply put, this is what you need each month to survive without going in the red.

② Track your expenses.

You may think you know where your hard-earned cash is going each month, but to be sure, you should track all of your expenses for at least 30 days. This can show you exactly where your money is going and can highlight some budget leaks you may not have noticed.

Truly understanding how much you are spending can be eye opening and lead to better cash management.

③ Understand where your money is going.

Track your expenses by looking at where your money is going in terms of percentages. What percentage is going toward payroll? What percentage is going to vendors? Truly understanding how much you are spending in each area can be eye opening and lead to better cash management.

④ Streamline your payroll.

As a business owner, keeping good records is crucial. To stay organized, streamline your payroll and make it easy to track through online software. BMO has two payroll processing options for business owners looking to get organized: Paychex and Business Online Payroll. Learn more at www.bmo.com/payroll.



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