

3 Steps to Understanding Your Expenses

Do you know how much it costs to run your business? Do you have a handle on your expenses? If you're unsure how to answer these questions or need more guidance, don't sweat it.

This worksheet will walk you through three key concepts — wages, overhead, and profit — which make up the basis for your business budget.

If you would like someone to talk you through this, the worksheet can be used in tandem with the Solopreneur Money podcast, episode #16, "*Making Your Cash Flow Work for Your Business.*"

The more accurate the information you enter below, the better. However, even if you are missing some of the details now, you can get started with what you have and begin making progress today.

■ Revenues

- What were your top-line revenues for the last 12 months? In other words, how much money did you make in your business in the past year? _____

■ Wages

Take a close look at what you are spending on wages to pay the people who do work for your business, including yourself.

- Total Wages (Last 12 months): _____
 - Self: _____
 - In-house Staff/Employees: _____
 - Virtual Staff/Contractors: _____

■ Overhead

How much are you spending on software, phones, insurance, executive coaching, travel expenses, retirement plan contributions, and fixed expenses?

- Total Overhead (Last 12 months): _____

• Software: _____	• Travel: _____
• Phones: _____	• Rent: _____
• Insurance: _____	• Retirement plan contributions: _____
• Coaching/consulting: _____	• Other fixed expenses: _____



■ Profit

To get a basic idea of your profits, you first need to get an understanding of your top-line **Revenues**. From that amount, subtract your **Total Wages** and your **Total Overhead**.

- Total Revenues: _____
- Self: _____
- Total Wages + Total Overhead: _____
- Total Profit = Total Revenues - (Total Wages + Total Overhead): _____

■ Figure and Analyze Percentages

CPA's suggest starting with a $\frac{1}{3}$ Wages, $\frac{1}{3}$ Overhead, and $\frac{1}{3}$ Profit Allocation when analyzing your numbers.

- Wages _____ divided by Revenues = _____ Wage %
- Overhead _____ divided by Revenues = _____ Overhead %
- Profit _____ divided by Revenues = _____ Profit Margin %

While the recommended CPA formulas are helpful, what's best for your business depends on your individual needs. Once you get clear on your numbers, you can then determine what's working, what isn't, where to cut back, and where to reallocate funds for more effective use.

After you've looked over your numbers, answer this question: Where can you improve?

Quickly analyzing these numbers for your business—wages, overhead, and profit—can help you find the proverbial low hanging fruit and focus on other areas that matter. Having a better understanding of your cash flow and how you can turn that understanding into action is what will allow you the freedom to create the life you want.

