

Financial Planning For Entrepreneurs



Educating entrepreneurs on the importance of effectively managing their finances.

Being an entrepreneur is not a walk in the park like many people would like to believe. It entails a lot and one key aspect every entrepreneur has to be conscious of is financial planning. It is very important for an entrepreneur to guard and guide the inflow and outflow of money in the business, so as to ensure the sustainability of the business. While I am of the opinion that there is no one-way rule in business, I have researched some factors that can make the entrepreneurial journey easier and in this article; I have written some of them for you.

Firstly, having a mentor is very important to every entrepreneur or anyone who intends to be successful on their journey. Like I mentioned earlier, being an entrepreneur is a tough job. The journey to becoming a successful entrepreneur can be terribly exhilarating and quite lonely too. However, you don't need to walk this path alone. Find a [mentor](#). Look out for one who has tangible evidence of success as an entrepreneur and who is willing to be of help to you. Ask questions and seek for [advice](#) from them concerning your financial decisions. This will go a long way in helping you not to make certain avoidable financial mistakes.

Another very important factor that would help your financial choices as an entrepreneur is budgeting. Every entrepreneur must operate within the boundaries of the financial capacity of the business. This can be achieved by creating a working budget that fits the business. You must consult professional help if necessary. You don't have to spend money that the business does not have, hence incurring debts on the business. Make purchases and expenditure based on the financial strength of your business.

Consequently, make every department operate on a separate account. Do not make the mistake of combining all inflow and outflow of cash in one account. This would muddle up budget, expenditure, income, etc. and make it very difficult to track the progress of your business. Keep separate accounts for each department and sort out these accounts as they come. It would be easier to trace progress and loopholes when funds coming in and going out of the business are traceable to a particular department. Thus, using accounting software is not optional yet it is an absolute must. Every entrepreneur should use an accounting software system to sort out the financial strength and weakness of the business. They are fast and reliable. With accounting software, you can trace all accounts kept by your business. There are various options you could choose from readily available on the internet. You can't go wrong. It'll make the job easier and you'll be in a position to provide your [CPA or accountant](#) with your year-to-date profit and loss statement for tax purposes.

Still, it is not enough for entrepreneur to keep a tab on budget for capital costs or even using accounting software, one must be careful not to neglect other hidden overhead costs such as; licenses, permits, insurance, taxes, recurrent bills, etc. These are all important in helping you make a better and more informed decision towards the success of your business. Hidden costs are an important part of finances and entrepreneurs must pay attention to it.

Furthermore, invest in your business. Set aside a percentage of your business profits consistently, and watch your savings add up quickly. Re-investing in your business is very vital to its growth and sustainability. However, do not invest too much of your personal life into your business. While this may seem counterproductive, it is a very important tip. Do not sink every penny you've got into your business. As an entrepreneur, you should have a life outside of your business too and let the business grow and sustain itself. Don't entangle yourself financially to your business that you get to be affected when the business is affected. Not good. Every investment into your business should be deliberate and well monitored.

Likewise, as an entrepreneur you have to learn to cut your personal expenses. Living off your business is unhealthy. Funding an extravagant lifestyle from your business is detrimental to the growth and success of your business and you as an entrepreneur. It would be necessary to cut down on your personal expenses. Do not make the weight of your personal life affect your business negatively. Learn to live frugally as your business income may be unstable, especially in the beginning.

Also, learn to accept financial aid when you need it to grow the business. Don't be afraid to ask for soft loans from family and friends who can be of help. In business, there are times when you would need the 'push' from other people and refusing such help for whatever reason would not be to the benefit of the business. Accept help from those who believe in you and in your business. However, remember to discuss in clear terms a repayment plan that works for your business and for them and make sure to stick to the repayment plan no matter what happens. This is to avoid any form of misunderstanding and a mar on your relationship with them.

Finally, as an entrepreneur, you have to hope for the best, live optimistic but prepare for the worst. As business people, you have to keep it at the back of your mind that anything can happen to the business at any time. Don't always assume all will be well. Anything can happen so you should be prepared for a period of financial hardship. In preparing for the worst, an entrepreneur should start out on the right footing by saving up cash that keep you afloat for a period of six months. This would be a period where the business can still be sustained for that period of time without going bankrupt while you sort out the 'storm'. Savings is very important to a business.

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