

Your Guide to Start-up Expenses (How Much Money Do You Need?)

One obstacle that entrepreneurs face is figuring out how much money they need to start and run their business. These cost estimates are the foundations used for setting prices and rates, analyzing profitability, asking for loans and investments, and most other finance-related tasks for starting your business. This process is extremely important, but does not need to be turned into rocket science. This guide will step you through the process.

There are two major steps when trying to estimate how much money you will need when starting your business: initial one-time costs and monthly on-going costs.

Estimating Your Initial Start-up Costs

Estimating your initial start-up costs will take some time, but it will be worth the effort. When estimating your start-up costs, you are ultimately making your first budget for your business.

To determine your start-up costs, you must identify all the expenses that your business will initially incur. These can be broken down into two categories, one-time expenses and initial asset purchases.

Typical major one-time expenses include:

- Business registration or incorporation
- Website design, signage, business cards
- Legal fees and accounting set-up costs
- Licenses and permits

Typical major on-going monthly expenses include:

- Beginning inventory
- Tools and equipment
- Deposits on rental property and utilities
- Fixtures, computers, and other equipment (plus installation)
- Purchase of land or buildings

These are some of the costs you will incur before you have the income to offset them. Get quotes and prices so that your estimates are as accurate as possible. Be cost conscious. Saving money during the initial phase will help you get in the habit of keeping expenses in line.

Estimating Your On-going Monthly Costs

Once you've figured out your initial one-time costs you need to estimate what your regular/typical monthly costs will be.

Typical major on-going monthly costs include:

- Salaries, yours and other employees
- Rent
- Telephone and utilities
- Office supplies
- Insurance
- Website hosting
- Bookkeeping/accounting
- Marketing and advertising
- Maintenance
- Vehicle(s)
- Miscellaneous (unknown expenses)
- Loan repayments

These are the costs that need to be covered by your potential income/sales for you to make a profit. It's important to remember that your business will not be at full capacity when it starts - the first few months will undoubtedly require additional funds to support your business as your sales increase and you get established.

What Do I Do with My Estimates?

Once you are comfortable with your estimates, keep them handy. After you have come up with your estimates, you will need to look at how you are going to finance the start of your business.

It's important to come up with some variations of the estimates. You should have a bare-bones budget as well as your dream list. These are important because when you go to the bank and talk about the specifics in regards to interest rates and terms, you may decide some start-up options can wait until you start to bring in sales.

Need Help?

Trying to predict all your expenses for the first few months can be difficult. In addition to good resources online, here are a few resources in your area that can assist you.

- **Entrepreneurs' Club** resources. In addition to a comprehensive set of Information Bulletins, a Business Coach/Mentor is available to help small businesses succeed in Canada.
- **Find a mentor.** A mentor does not have to be someone specifically in the field of business that you are hoping to start. You can find someone in your local Chamber of Commerce that can help you find quality low-cost suppliers. Or you can speak with the business owner next door about challenges he or she experienced when starting. Having other people look over your ideas will only make them better.
- **Find someone in your line of business.** If you are opening an electrical contracting company, finding another electrical contractor to talk with can provide you with endless advice. However, contractors that see you as a competitor might not be as helpful. Look outside your market area or in another city or town.

Finally

Figuring out how much money you need should be done with care. It doesn't take special forecasting software or complex equations, just a simple spreadsheet. Request a copy of our Start-up Funds Requirement worksheet (in Excel format) or use the hard copy one included with this Information Bulletin.

Remember to be realistic and honest about what it will take to get your business started and bringing in money.

Start-up Funds Requirement Worksheet

Total Funds Required = Startup Expenses + Initial Asset Purchases + Six Months of Fixed Expenses

Expense Items		
One-time Startup Expenses:	Amount	
Business registration or incorporation		
Website design		
Legal Fees and Accounting Set-up Costs		
Licenses and Permits		
Other		
One-time Startup Expense Sub-total		

Initial Asset Purchases:		
Beginning Inventory		
Tools & Equipment		
Deposits on Rental Property and Utilities		
Fixtures and Equipment (plus installation)		
Purchase of Land and Building		
Other		
Initial Asset Purchases Sub-Total		

Monthly Fixed Expenses:		
Salaries		
Rent		
Telephone & Utilities		
Office Supplies		
Insurance		
Website hosting		
Bookkeeping/Accounting		
Marketing and Advertising		
Maintenance		
Vehicle(s)		
Miscellaneous		
Loan repayment		
Other		
Monthly Fixed Expenses Sub-total		

Total Estimated Startup Funds Needed:	
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