



# **Not Having the Proper Financial Backing Will Hurt Your Business**

By Dr. Linda Hancock

## **ABOUT THE AUTHOR**

Dr. Hancock has written a regular weekly column entitled “All Psyched Up” for newspapers in two Canadian provinces for more than a dozen years. Over the years, her readers and clients have said that they have benefited from her common-sense solutions, wisdom, and sense of humour. Dr. Linda Hancock, the author of “Life is An Adventure...every step of the way” and “Open for Business Success” is a Registered Psychologist who has a private practice in Medicine Hat. She can be reached at 403-529-6877 or through email [office@drlindahancock.com](mailto:office@drlindahancock.com)

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There are many start-up and operating costs associated with running a business. If you do not have proper financing in place, your everything is in jeopardy.

Before you open the doors to your business you will need to set out a budget that allows for costs that will occur:

1. Facilities - Most office space is secured on a lease or monthly contracted rate. Some landlords require a damage deposit as well as the first month's rent in advance of your move in.
2. Furniture and equipment - Remember to allow for all the necessary items that you will need to purchase such as chairs, desks, computer equipment, and smaller office tools.
3. Utilities - When you start a business you will need to pay for telephone services, electricity and other utilities. Many of these require damage deposits as well as advance payments.
4. Office supplies - The cost of paper, staples, pens and other items can quickly add up.
5. Staff - This is likely one of your highest expenses. Remember to not only add in the salary or contract price but also any benefits that are part of the agreement.
6. Accounts Receivables - Even if you have a "cash" business there are circumstances when you will not receive fee payment for thirty to sixty days. This can hamper your business if you do not have funds to support you until this arrives.
7. Salary - Make sure that you have at least six months of income to pay your personal expenses while you are building the business. Otherwise a slower time period might place all of your assets and lifestyle at risk.
8. Marketing - You will need to print business cards and other materials to promote your business. Advertising can be very expensive and needs to be considered when planning your budget.
9. Professional development - If you will be attending workshops or other training in a distant location you will need to pay for travel and hotel expenses as well as your registration fees.
10. Other expenses - Just when you think that you have thought of everything - another item comes up for payment. It is therefore wise to add at least ten percent to your final figures to allow for this.

When you are in business you will need to have some room in your financial situation to allow for the above and make sure that you are not under unnecessary pressure. Establish your Business Plan and financial projects and then begin developing a good relationship with a financial institution who will support you through the growth period.