

## Financial Tips for January 2012

### Create a Financial Plan and Monitoring System

If you haven't already done so, prepare a financial plan and a budgeting system for monitoring your income, expenses, assets, and liabilities. The information you collect will enable you to start planning for retirement or other major life events. Use last year's information to establish a budget for the coming year.

### Set Up an Effective Filing System

Set up a well-organized filing system for storing your important documents and records.

### Budgeting

When it comes to creating a budget, it's essential to estimate your spending as realistically as possible. Here are three budget-related errors commonly made by small businesses, and some tips for avoiding them.

**Not Setting Goals.** It's almost impossible to set spending priorities without clear goals for the coming year. It's important to identify, in detail, your business and financial goals and what you want or need to achieve in your business.

**Underestimating Costs.** Every business has ancillary or incidental costs that don't always make it into the budget - for whatever reason. A good example of this is buying a new piece of equipment or software. While you probably accounted for the cost of the equipment in your budget, you might not have budgeted for time and money needed to train staff or for equipment maintenance.

**Failing to Adjust Your Budget.** Don't be afraid to update your forecasted expenditures whenever new circumstances affect your business. Several times a year you should set aside time to compare budget estimates against the amount you actually spent, and then adjust your budget accordingly.

**Review Budget vs. Actuals** Compare actual income and expenditures with your budget. Make adjustments as appropriate to your next period expenditures.