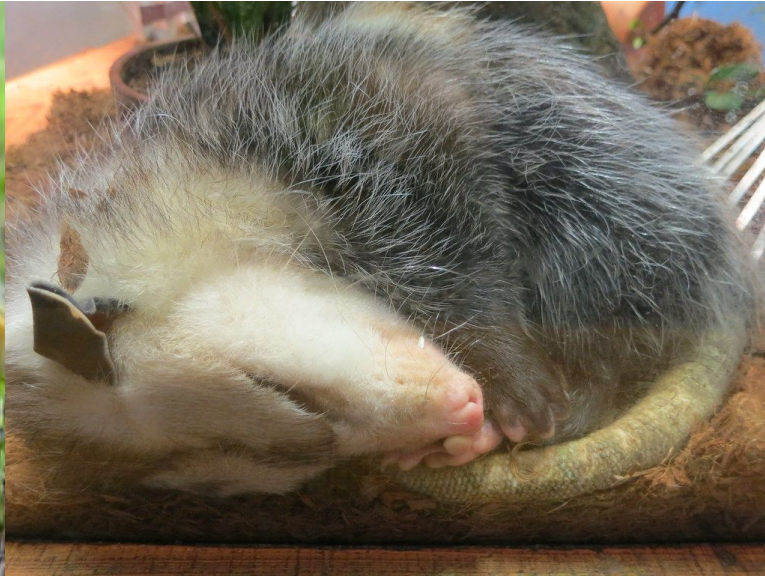


# **Financial Forecasting**

**What do these have in common?**



**They look like me when I had to deal  
with financials for my startup**





# Financial Overview

We'll take a methodical tour through **basic entrepreneurial financial forecasting**

Across many class meetings to **avoid us being overwhelmed** by numbers

The more you can “**own**” **your financial forecast**, the more strategically integrated they will be in your final pitches

We can all do this! It just takes consistent effort over time

# THE LIVEPLAN METHOD

## A LIVING PLAN



# Lean Forecasting



- All Forecasts are just a guess
- A guess is only valuable if you test the accuracy vs. reality, and learn
- This cycle ensures that your forecasts improve in strategic quality over time

**Log in to  
LivePlan**



# Forecasting vs. Accounting

## Accounting:

- Where your money is today, and where it was yesterday

## Forecasting:

- Where your money should have been today,
- ...and where you think it should be tomorrow

# Budgeting vs. Forecasting

Think of financial forecasting as a prediction, and budgeting as a plan

- Budgeting:
  - A plan of how you're going to spend money based on what you expect your finances to look like in the future (called *your forecast*)
- Forecasting:
  - What direction your business is headed in, **used to anticipate the future**
    - e.g. if your financial forecast for next year says you'll have an extra \$5,000 in revenue, you might create a budget to decide how it will be spent
    - \$2,000 for a new website, \$1,000 for Facebook ads, and so on
  - Up-and-running businesses usually use past performance to create a smart forecast
  - ... So **HOW** do we forecast? Make our best guess, then improve our best guess, over and over!

**THEY ARE SOMETIMES USED INTERCHANGEABLY!** (oh dang)

# Budgeting vs. Forecasting

- Budgeting:
  - A budget is a detailed financial outline of what the business thinks will happen over a period of time (often a year) financially.
- Forecasting:
  - Forecasts can be done over long-term and short-term time horizons, and from top-down or bottom-up.
    - A longer-term forecast might look out over several years and feed a longer-term strategic business plan.
    - Shorter-term forecasts are generally done for operational reasons.
    - The revenue forecast will drive adjustments to head count, production planning and inventory levels for businesses that produce or distribute a physical product.
    - A convincing forecast may also help determine the terms of bank loans.

DOG & PUPPY



BIRTH



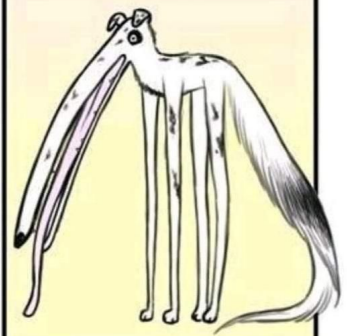
8 WEEKS



(PRESENT)  
20 WEEKS



PROJECTED GROWTH  
BASED ON TREND



# THE LIVEPLAN METHOD

## A LIVING PLAN



# Revenue & Types of Revenue

1. Unit Sales
2. Billable Hours
3. Subscription / SaaS
4. Cash Only (*what? why?*)

**Yeah!**

**Financial**

**Forecasting!**

**It's Never  
too early  
to start  
forecasting!**



**Log in to  
LivePlan**

**Financial  
Working Time:  
REVENUE focus**

# WORKSHOP:

DESCRIBE ALL OF YOUR  
REVENUE STREAMS  
IN 1-5 CATEGORIES

Do you best to  
categorize your Revenue  
into 5 or fewer groups

---

**Financial**

**Working Time:**

**EXPENSES focus**

# WORKSHOP:

IDENTIFY AT LEAST ONE EXPENSE

When we regroup,  
describe 1-5 categories  
expenses that your  
Venture will need to  
support

---

# Common Small Business Startup Costs

Equipment: \$10,000 to \$125,000

Incorporation fees: Under \$300

Office space: \$100-\$1,000 per employee / month

Inventory: 17-25% of total budget

Marketing: 0-10% of total budget

Website: About \$40 per month

Office furniture and supplies: 10% of total budget

Utilities: About \$2 per square foot of office space

Payroll: 25-50% of total budget

Professional consultants: \$1,000 to \$5,000 / year

Insurance: An average of \$1,200 per year

Taxes: Variable, but 21% corporate tax rate

Travel: Variable

Shipping: Variable

Stolen from: <https://www.fundera.com/blog/business-startup-costs#shipping>

# Lean Forecasting



- All Forecasts are just a guess
- A guess is only valuable if you test the accuracy vs. reality, and learn
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# FOR NEXT SESSION:

1. Please **log in to LivePlan** if you'd like to try using it to forecast your financials.
  - a. If not, ask for help!
2. Have you, your accountant, advisor, or friend **created a forecast or budget** in the past?
  - a. If so, please locate the most recent one
  - b. Simply look at it - what is most confusing to you?
  - c. What aspects make you feel any sort of negative emotion, like *"uncomfortable"* or *"fearful?"*
3. In your LivePlan account (or any other tool/spreadsheet of your choice), generate a viable financial forecast for your venture, including major revenue streams, key expenses, employee salaries, and (if applicable) COGs / direct costs.
  - a. Use a 3-year forecast and display 3 years of monthlies (set this up in preferences).
  - b. Does your forecast indicate that you might need some funding in the future to succeed or grow?
    - i. Tell that story in your forecast.
  - c. Remember that you're just guessing - make the best guess you can before next week.
  - d. Do NOT spend a huge amount of time finding the perfect numbers.
  - e. Do your best to complete all sections, rather than be accurate, for now.
  - f. We will work to refine our work during the next class.