Monitor progress with a financial plan and budget

Develop a financial plan and budget to regularly track your progress.

Why does a budget matter?

Business owners often agree that the single best action they can take to save their businesses money, and increase their overall profit, is to create and adhere to a tight monthly budget. You cannot manage what you cannot measure. A budget is a yardstick for measuring your progress against your financial plans and the business goals from which they originated. Develop a budget and use it to regularly track your progress against planned revenues and expenditures. A budget allows you and other key decision-makers to view the business’s financial priorities and targets and measure actual performance against projections.

Key actions to take:

- **Understand a budget’s role:** Your budget should be a tool to guide business decisions. The budget acts as a roadmap to manage resources as you serve customers and advance on planned business priorities. The budget should be flexible enough to address unplanned events. As you spend more or less than planned in a budgeted area, be sure to track variances to assess your current performance and to guide future budget plans. If your business experiences large variances from the budget, either in revenues or costs, it is either an indication that the nature of your business has changed significantly or that you may not have had an accurate understanding of the true economics of your business. In either case, take the time to revise your budget based on the current business environment.

- **Baseline your data:** Most businesses start the budgeting process using historical data. Modify your historical data to make an informed forecast that reflects your business strategy and future priorities. Do you need to invest in a new product launch? How much will labor costs go up next year? What are your sales projections for next year? If you are a new business owner, you can review industry publications and research to outline industry cost standards that can be used to benchmark your own business activities. Many small business financial management software packages have budget modules allowing you to load your budget and report on progress.

- **Consider the opportunity to challenge expenses:** The budgeting process offers the opportunity for leaders to engage in expense review. If you started with historical data as the primary baseline, challenge every expense...
and assume your business is spending too much. Spend time to research costs and use comparative shopping sites. Whether health insurance, business liability insurance or a myriad of supplies and services, the power of internet research and the increasing amount of comparison buying information can help you zero in on cost savings. Some businesses that have been around for a while challenge expense levels using a zero-based budgeting process, setting each budget category to zero, justifying every expense and predicting each revenue category.

- **Track expenses regularly**: Tracking expenses on a monthly (or more frequent) basis provides full visibility into expenditure levels and allows you to anticipate any overage issues (or reallocate underspent funds). Create reports to review and manage costs and profits on a monthly, weekly or even daily basis as fits your business. Most companies monitor expenses at least quarterly. Use online and real-time tools to set up alerts and reminders related to cash-consuming transactions with online banking, bill pay, tax payment, direct deposit, payroll and cash management systems.

- **Account for contingency**: As you build your budget, account for events that may cause variations in your spending. These variations may come from seasonal business changes, product pricing fluctuations or market changes. You may want to provide a cushion in budgets for areas that are subject to variation so you are not scrambling to cover these expenses from other areas of the budget.

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### How SunTrust can help

Managing to a budget requires timely, accurate information to guide your decisions. SunTrust can help you gain easy access to underlying information to use in tracking your progress towards increased profitability.

Gain instant access to your accounts and payments with **SunTrust Online Cash Manager**, a comprehensive small business cash management system. With secure access to your financial information, you’ll always be prepared to make informed decisions about your business. And, you can download the **SunTrust Business Mobile** app for Online Cash Manager to extend your banking capabilities to your mobile phone or tablet.

Link your SunTrust account with your financial software using **SunTrust Direct Connect**. SunTrust Direct Connect syncs with QuickBooks® accounting software to integrate your SunTrust bank account information, pay bills and download transactions. With SunTrust Direct Connect, you can avoid double entry of transactions and spend less time managing your accounts and more time on your business.

**SunTrust Business Advantage Money Market** accounts offer an investment option to help you save funds and have them available when you need them. All SunTrust accounts offer access to a variety of online and electronic services.

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**Want to make sure you are getting the most timely, accurate information into your budget?**

- Drop by your SunTrust branch
- Call us at 800.752.2515
- Visit suntrust.com/bizbestpractices

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1 SunTrust conducted research with 397 small business owners ranging from $100,000 to $2,000,000 in annual revenue in the first quarter of 2017. The high-growth segment was derived from the fastest growing twenty percent of those companies.

2 Additional charges may apply. See the Business Accounts Fee Schedule for details.

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