

# Year end and new year's budget planning

**The end of the year is the busiest time for many businesses.** A little extra time spent planning can help make the close of one year and the start of another more productive. Here are tips that will improve your year-to-year budget planning.



## Year end budget planning

### Start early

Your tax forms may not be due until April, but most tax-related decisions and actions must be completed by December 31st to qualify for the current year's filing. The sooner you assess your year-end tax implications, the more time you'll have to take cost-saving actions.

### Meet with your CPA

Set up a meeting with your company's tax advisor to work out a specific year-end business plan. The tips provided here can help guide the discussion, but can't replace a one-on-one meeting with an expert who knows the specifics of your business.

### Review your projections

The sooner you reconcile your estimated tax payments versus your actual obligations the better. Whether you owe more or less than expected, you'll need time to reconcile what's best for your business.

### Find out what's new

Most businesses will be required to file their tax returns electronically this year. Ask your company's tax advisor what other rules have changed and how they will affect this year's filing.

### Maximize deductions

If year end finds you in the enviable position of surplus cash, consider these ideas to help maximize business deductions:

- Employee bonuses
- Customer recognition
- Capital investments
- Green initiatives with tax incentives
- Donations
- Accelerated payment of bills or obligations such as mortgage payments
- Prepay upcoming tax obligations

On a personal level, you can reduce tax obligations by maximizing your eligible retirement and Health Saving Account plans.

# Year end budget planning

## New year budget planning

### Keep your receipts

Experts report the number one mistake small business owners make is poor record keeping. Resolve to be more studious about tracking expenses in the new year and you'll be rewarded with maximized deductions at year end.

### Track your accounts carefully

Follow your company's accounting practices diligently. Business owners who mistake their employees' tax withholding monies as funds available for operations quickly find themselves overextended.

### Revisit your budget regularly

Your annual budget plan is your best forecast of the coming year's finances. The estimates for the first few months are likely easier to predict than those later on. That's why it's best to revisit your budget plan every month—or at least every quarter—so you stay on track of the constantly changing financial landscape.

### Think broadly, plan specifically

In addition to forecasting standard costs like overhead and operations, here's a short list of other expenses to account for in budget planning:

*Capital spending*—new equipment, assets or property.

*New hires*—in addition to salaries and benefits, account for budget impacts on equipment, facilities and services. Ask your financial advisor if any hiring tax incentives are available.

*Compensation*—factor in employee turnover, pay raises, bonuses and when you expect them to occur.

*Cash flow*—leverage what you know about seasonal sales and revenue spikes to improve your control of your cash flow. And plan your discretionary outlays with consideration to their timing.

*Profit margins*—like your budget, revisit your costs and pricing (and your competition's) on a regular basis to ensure your sales remain competitive and profitable.

*Loans*—add borrowing and repayment(s) to your budget forecast.

*Taxes*—include tax preparation expenses and estimated tax payments as part of your budget plan.

*Peaks and valleys*—plan for any predictable surges in expense or revenue, such as supplier's quarterly specials or your company's holiday sales spikes.

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