



# HOW MUCH DO I NEED TO START MY BUSINESS?

## HOW TO DETERMINE COSTS

### 1. Be Realistic

When starting a business, it is important to start small and keep an open mind. Issues, mishaps, and unexpected events will occur. It is best to not be overly optimistic about your business, and to not invest too much in the beginning.

### 2. Complete a Startup Cost Analysis

Record the total cost of every item and service needed to get the business running. According to the US Small Business Administration, most micro businesses cost roughly \$3,000 to start. Most home based businesses typically cost anywhere from \$2,000-\$5,000.

### 3. Determine Future Costs

Future costs are as equally important as startup costs. When starting a business, consider all costs associated with the continual operation of the business. Record your total monthly expenses; examples of this include rent, utilities, raw materials, inventory, wages, and many others. Also consider costs associated with taxes, business filings, and renewals that may occur quarterly or annually.

### 4. Project Business Income

The sale of products and services generates the business' income. Some questions to consider when projecting your business income are:

- Who will be my customers? Is the product or service needed in the marketplace?
- What are your barriers to entry?
- What will be your marketing strategy?
- What will be your strategy to increase sales revenue?

### 5. Compare Income and Expenses

Use the prior information discussed to compare sales income and expenses for your startup. It is important to compare them for a minimum of the next 12-24 months. Although most businesses do not immediately see a profit, this comparison is an indication of future profits and is used to determine business sustainability.