

Business Plan Workbook #29	
Course	Funding Your Dream
Topics Addressed	Sometimes You Need Money to Start How Much Money Do You Need?

Key Points

Sometimes You Need Money to Start

This can be a big challenge for many entrepreneurs. They spend a lot of time thinking about their product or service, and they may not spend as much time thinking about the costs involved in starting and running a business.

Categories of Start-Up Costs

Businesses spend money before they ever open their doors. These initial “start-up costs” fall into three main categories:

1. Start-up expenses
2. Start-up assets
3. Monthly costs during start-up

One-Time Start-up Expenses: This category of costs includes the money you pay for services required to get your business set up. These include things such as initial marketing design, website set up, legal advice, licenses, insurance, training, and site selection or improvement fees.

Start-up Assets: This category of costs includes the money you’ll spend on physical things such as land, equipment, starting inventory, furniture, and signage. These are all physical items that you will need to get your business started.

Monthly Costs During Start-up: Monthly Costs During Start-up is a category of costs that includes the money you will need to have in the bank to operate your business before you start turning a profit. This money will be used to pay for reoccurring expenses such as rent, payroll, utilities, ongoing inventory, and marketing expenses.

Expansion Costs

If you’ve already started your business, and you have an idea for growing or expanding it, then you may need some additional funding.

You may need additional funding for one of the following reasons:

- You might be thinking of adding another location

- You might be thinking of adding a new line of products or services
- You might be thinking of buying newer equipment or renting a bigger location

How Much Money Do You Need?

Now that you have an idea of the types of costs you may have when you are starting or growing a business. You'll need to add all of these costs together, in order to determine how much money you'll need to start or grow your business.

Your Costs Will Vary

When you're calculating your start-up costs, it's important to remember that the amount of money you'll need depends on the kind of business you are starting or growing. For example, if you are starting a business that you can run out of your home, your start-up costs will likely be lower than if you were starting a business where you needed a special location to make or sell things.

No Need to Do Everything Right Away

When you are thinking about all the costs for your business, ask yourself "Are these costs for things that I "need to have"?" In other words, do you absolutely need these things right away? Or... "Are these costs for things that would be "nice to have"?" In other words, while you're tempted to buy these things right away, you could wait. And by waiting to buy those "nice to have" things, you might be able to save a bit of money.

Related Business Plan Questions

Below, you will see a list of business plan questions related to the topics noted above. If you print this worksheet, you can use the space below each question to write down some initial thoughts and ideas.

When you're ready to start working on your business plan, return to the course, and select "Open My Business Plan".

Q: Describe the equipment and facilities you will need for your business.

Q: Provide an estimate of the cost for the equipment and facilities you will need for your business.

Q: Describe any additional items and their related costs you need to cover for your start-up or expansion.