What is an ROI calculator? An ROI calculator is a tool that simplifies the calculation of return on investment. Such online calculators are available on websites where you can gauge the profitability of your investments for free. The ROI calculator includes a formula box with fields you fill with accurate data. Be ready to provide the amount invested, the amount returned to start and end dates, and the period. In some tools, you may also select the currency. Once you share the details and hit the Calculate button, the ROI calculator will show you the investment gain, ROI, and annualized ROI. The additional metrics vary depending on the online tool you pick. Importance of ROI Every business has limited resources and must decide how to redistribute them. Financial estimates of the profitability of your investment show whether the initiative is worth it. For example, you can assess ROI before taking a loan. The data on the predicted expenses and revenue is enough to see whether you can return it. ROI measurement is also essential before any significant investment. For example, you should complete it if you buy new equipment, launch a software development project, redesign your website, open a branch in a new location, offer franchising services, etc. Thanks to these metrics, you will know the potential income or losses. Benefits of Calculating ROI Calculating ROI, or Return on Investment, can seem like a chore sometimes - but believe it or not, it has considerable benefits! From saving money to understanding market trends, calculating ROI can help make your business stronger and more successful. Calculating your ROI allows you to understand how much money you’re making (or losing) from investments. This helps ensure that you’re making wise decisions when investing funds - after all, who wants to pour their hard-earned cash down the drain? Keeping a close eye on the ROI of each investment decision ensures cost-effectiveness.! Another benefit is that it gives you an insight into market trends. Best Practices for Using an ROI Calculator When making business decisions, one tool is indispensable: an ROI calculator. But do you know how to use an ROI calculator most effectively? To help you out, we've created this guide of best practices for using an ROI calculator. First, remember the importance of accuracy when inputting your data into the ROI calculator. Your results may be wildly inaccurate if your numbers are off by even a little bit.  So be sure to double-check all the figures before hitting calculate! Also, remember that while an ROI calculator can be incredibly helpful in guiding your decision-making process, it's not something that should ever replace common sense or intuition. After all, no machine can replace human judgment! How to Calculate ROI? To calculate the ROI for a specific project, you need to know several details. This data is easy to obtain and doesn’t require complicated calculations. First, you must be ready with: Gain from investment. The income received from the measured investment. Cost of investment. The amount of money invested. Once you get these numbers, use the following formula to check the ROI. ROI = (Gain from Investment − Cost of Investment) / Cost of Investment For example, if an investment generates $5,000 and the cost of the investment is $50,000, the ROI would be: ROI = ($5,000 - $10,000) / $10,000 = -50% ROI is a useful metric for evaluating the performance of an investment and comparing the potential returns of different investments. A positive ROI indicates that an investment has generated a profit, while a negative ROI means you have lost money. We also recommend measuring ROI using data from a specific period. This way, you will be able to track ROI changes over time and better understand the profitability of the investment. Free ROI Calculator: How Does it Work? A free ROI calculator is a basic online tool that runs calculations to speed up manual tasks. Users only need to enter several metrics to know the return on investment in seconds. Below are the main steps to take: First, select an online calculator to see what data format it requests. Next, prepare the necessary information, including the invested money, the current value of the investment, and the time frame. Enter the collected details (invested and returned money) in the corresponding fields of the calculator. Select a specific period to make ROI results more precise. Finally, run the calculation to receive the results. Limitations of the ROI Calculator Despite being a convenient way to learn ROI instantly, the calculator might be unreliable in some cases. In particular, you may need to revise ROI calculationsto choose between investments. Some initiatives are likely to benefit the company in the long run. Besides, a campaign may be intended to promote your brand or enhance your reputation. Moreover, there are different ways to define the profit (e.g., controllable profit, before/after-tax). These discrepancies can also lead to data inaccuracies and make the ROI calculator generate unreliable results. What Is a Good ROI? As a rule, a good ROI is getting a positive result from an investment. If you expect your business to grow, you must ensure that the money you pour into it brings even more money. On the other hand, negative ROI means you are doing something wrong and your strategy doesn’t work. But there is more to it than that. To understand if the obtained ROI is sufficient, you also need to consider the risk tolerance of your company and the time necessary to generate the profit. Risk tolerance is the degree of variability the company is ready to bear in its financial planning. Investors who don’t like to risk will be willing to have lower ROI for fewer risks. For them, such a return on investment is considered “good.” You should also factor in the industry where your company operates. Even though the average ROI is 10% annually, you should not consider it a reference. For example, the return on investment is usually much higher in the tech field, while for utilities, the 10% threshold is almost impossible to achieve.  
Read more: <https://www.plerdy.com/roi-calculator/>