**Financial plan for [enter your business name]**

Date: [Enter date]**Financial plan**

It’s important to know you can cover the costs of running your business or make a profit if that’s what you want to do. This template outlines at a high level your forecasted costs, revenue, break-even date, profit and loss, cash flow, balance sheet, risk assessment and funding considerations.

See [How much money do I need to start a business?](https://www.business.govt.nz/getting-started/funding-your-business/how-much-money-do-you-need-to-start-a-business) And [Introduction to business finance](https://www.business.govt.nz/tax-and-accounting/business-finance-basics/introduction-to-business-finance/) on business.govt.nz.

## Financial goals

Before you start looking at your numbers and working out your financial plan, it’s important you understand your goals and what you want to achieve from your business. Brainstorm your business goals and list them below.

[Enter a summary of your business goals.]

## Cost forecast – money out

Summarise the start-up and ongoing costs of your business. Account for as much detail as possible. The more accurate and honest you are, the better. If you describe your costs as unrealistic now, you’ll be setting yourself up for problems later on.

You need to pause and spend time digging down into the figures to give yourself a realistic costs basis on which to build your break-even analysis.

You may consider costs like business running costs, insurance, staff wages, equipment maintenance and taxes. Add rows below if you need to add in more costs.

|  |  |  |  |
| --- | --- | --- | --- |
| Area of spend | First year ($) | Second year ($) | Third year ($) |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |   |  |  |
| **Total** |  |  |  |

## Revenue forecast – money in

Revenue can come in different forms, including sales, commissions, royalties, rent and bank interest. List the different types of revenue you’ll be getting and provide a forecast for each year.

Include your sources of investment funding. It’s up to you how much detail you go into. But if you’ll be showing this business plan to potential investors, they’ll want to see how much you’re backing your business with your own investment and who else has invested in the business.

|  |  |  |  |
| --- | --- | --- | --- |
| Type of revenue | First year ($) | Second year ($) | Third year ($) |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| **Investment/funding** |  |  |   |
| **Total** |  |  |  |

## Break-even forecast

Do a break-even analysis and enter the resulting date in the space provided. A break-even analysis estimates when your business could break even and start to pay its ongoing costs. To find a break-even date, you need to a) estimate the sales volume you need to reach to break even and b) estimate how long it will take you to reach that milestone.

1. Estimate your break-even sales volume:
2. Separate all your costs into type, fixed or variable.
3. Tally up your total fixed costs.
4. Tally up the average variable cost per product sold or service delivered (your variable cost per unit).
5. Subtract your variable cost per unit from the unit sales price to find your profit margin.
6. Divide your total fixed cost by your profit margin to find your break-even sales volume.
7. Estimate your business’ average production or service capacity per business day (or week if that’s more relevant). Make sure you dig down into the details to account for the entire supply chain from production to point of sale. Once you have an accurate estimate, divide the break-even sales volume by your average production capacity to give you the number of days (or weeks) ahead until you reach your break-even date.

If you charge an hourly rate for a service, you can take a shortcut to the break-even calculation by calculating your break-even point in hours. Divide your fixed costs by your hourly call-out rate to find the number of hours that need to be worked to reach break-even. Apply the result to the average number of hours worked each day by the service technicians in your business to get the number of days it will take you to break even.

Break-even date: [Enter date]

## Profit and loss forecast

Forecasting profit and loss can be quite difficult for existing businesses, let alone start-ups with no track record to go on. If you’re still in the start-up phase, you need to base your figures on your market research by estimating the value of the market and the share of it you could take from your competitors as your business develops.

Try finding industry data or using publicly available statistics to support your forecasts. To show your objectivity, you can also provide pessimistic, realistic and optimistic forecasts rather than just one forecast.

See [Profit and loss statement](https://www.business.govt.nz/assets/Uploads/Documents/profit-and-loss-statement.pdf) for a sample statement on business.govt.nz.

Add in your final values in the table below.

|  |  |  |  |
| --- | --- | --- | --- |
| Profit and loss forecast | First year ($) | Second year ($) | Third year ($) |
| **Estimated revenue** |  |  |  |
| **Estimated costs** |  |  |   |
| **Estimated profit/loss** |  |  |  |

## Cashflow forecast

Summarise your cashflow forecasts for the next three to five years, before attaching a detailed forecast for the next year to your business plan.

Few businesses enjoy consistent levels of cashflow throughout the year, so unless your industry or business model can justify that prediction, you’ll need to drill down into your market research to identify the peaks and troughs in income that you can expect.

**Additional resources:**

* Use the free Cash Flow Forecaster tool to help work out your forecast - [Cash Flow Forecaster](https://www.tools.business.govt.nz/cashflow-forecaster/)
* See [Cash flow statement](https://www.business.govt.nz/assets/Uploads/Documents/cash-flow-statement.pdf) for a sample statement on business.govt.nz
* See [Cash flow forecasting](https://www.business.govt.nz/tax-and-accounting/business-finance-basics/cash-flow-forecasting) for more information.

[Enter a summary of your cash flow.]

## Balance sheet forecast

Summarise your balance sheet forecast for the next three to five years, before attaching a detailed forecast for the next year to your plan. Balance sheets account for all the assets a business owns for the calculation of its net worth, which is the value of the business’ assets minus its debts (or liabilities). They also show how the assets are financed if they’re not owned outright by a business or individual.

Potential investors will compare your cashflow forecasts with your balance sheet forecasts to see when the business’ income is likely to balance out all the debts incurred buying assets in the start-up phase. This is different to a break-even analysis, which estimates when the business will generate enough income to cover its ongoing costs rather than its total debts.

See [Balance sheet statement](https://www.business.govt.nz/assets/Uploads/Documents/balance-sheet.pdf) for a sample statement on business.govt.nz

|  |  |  |  |
| --- | --- | --- | --- |
| Balance | First year ($) | Second year ($) | Third year ($) |
| **Total** |  |  |  |

## Risk assessment – SWOT analysis

## *Complete a SWOT analysis – thinking widely about your strengths, weaknesses, opportunities and threats. Some will be internal to your company. Others will be forces outside your direct control. They’re all important to identify and plan for.*

## Internal forces – Strengths

Explain what positively impacts on your business from the inside. What do you do well, or what do you have that you can make the most of? For example, a good reputation, smooth operations, or a strong team. Outline what you’ll do to make the most of those strengths.

|  |  |
| --- | --- |
| Strengths | What we’ll do |
|  |  |
|  |  |
|  |  |

## Internal forces – Weaknesses

Explain what negatively impacts your business from the inside. It could be what you don’t do well or what you don’t have that you need. For example, a poor reputation or none at all, bumpy operations, the wrong team. Outline what you’ll do to overcome or turn around those weaknesses.

|  |  |
| --- | --- |
| Weaknesses | What we’ll do |
|  |  |
|  |  |
|  |  |

## External forces – Opportunities

Explain what might positively impact your business from the outside. What’s out there or on offer that you could make the most of? For example, good talent to hire, a large untapped market, new software tools, a key new partnership. Outline what you’ll do to take those opportunities.

|  |  |
| --- | --- |
| Opportunities | What we’ll do |
|  |  |
|  |  |
|  |  |

## External forces – Threats

Explain what might negatively impact your business from the outside. What’s out there that might be a risk to your business? For example, no talent to hire, law changes, rising production costs, poor public infrastructure. Outline what you’ll do to mitigate those risks.

|  |  |
| --- | --- |
| Threats | What we’ll do |
|  |  |
|  |  |
|  |  |

## Funding considerations

## *Depending on your financial situation, you may need to consider additional funding.*

## *Use the free* [*Funding Explorer tool*](https://www.tools.business.govt.nz/funding-explorer/) *to explore what options may be best for you.*

## *See* [*Choosing the right types of funding*](https://www.business.govt.nz/getting-started/funding-your-business/choosing-the-right-types-of-funding) *on business.govt.nz for more information.*

[Enter a summary of your funding considerations.]