

CREATING THE FINANCIAL PLAN

Answer the core financial planning questions.

Can I make a profit building my projects?

When do I expect to be profitable?

Determine the start-up costs.

What is my start-up budget amount for:

Tool acquisition?

Computer and computer programs?

Interim income?

Marketing?

Secure start-up capital.

Is the money required in my start-up budget available?

Develop pricing strategy.

Am I going to be the low-cost, the average, or the premium builder in my market niche?

What is my value proposition?

How much will I mark up my materials?

How much will I mark up my subcontractor work?

What will I charge for my time?

What will my overhead charge be?

How will I calculate my overhead charge?

How will I calculate profit add-on for each job?

What will be my profit add-on for each job?



Select your accountant.

Do I need a bookkeeper and an accountant?

Does my accountant know construction practices, job cost accounting, and work-in-progress accounting?

Set up necessary accounting procedures.

Will I do the bookkeeping in-house?

Have I investigated the benefits of remote bookkeeping?

Will I do the payroll in-house?

Do I understand the payroll withholding requirements for deposits and payment?

Do I have a system set up to handle garnishments and other incidental withholding for employees?

Will I pay the accounts payable in-house?

Set up proper record-keeping and financial management.

Does my bookkeeping software include job cost accounting?

Do I have the discipline to allocate all direct expenses to the appropriate project?

Do I understand the information I receive from my accounting program?

Do I understand what the Cash Flow Statement tells me about my business?

Do I understand what the Income Statement tells me about my business?

Do I understand what the Net Worth Statement tells me about my business?

Develop a budget for the first year of operation.

Have I developed a budget for the first year of operation?

Is the budget realistic?

Select your banker.

Have I introduced myself to my banker and had a preliminary 30-minute meeting?

Have I provided my banker with a copy of my budget and my current financial information?

Does my banker know my story?

Open a business bank account.

Do I have a business-only bank account?

Do I avoid mingling personal and business income and expenses?

Establish a line of credit.

Have I told my banker I will be talking to her "at some time in the future" about setting up a business line of credit?

Select an insurance agent.

Does my insurance agent understand construction?

Does my insurance agent primarily represent business accounts?

Identify the financial risks.

Have I identified the three major liabilities inherent in owning a business?

1.

2.

3.

Have I identified the three major liabilities inherent in a construction business?

1.

2.

3.

Satisfy insurance requirements.

Do I have insurance in place which covers my business for the risks I have identified?

Have I chosen to self-insure any of the risks identified?

Research Worker Compensation insurance requirements for employees.

Will I have employees in my business?

Have I confirmed that the employees I have are properly categorized?

Can I change the task categorization of any employee to reduce Worker Compensation insurance costs?

Research Worker Compensation insurance requirements for subcontractors.

Have I shown my insurance agent the Subcontractor Agreements I have in place to mitigate my financial exposure?



Do I have a system in place to track my subcontractor General Liability and Worker Compensation insurance policies?

Do I have the Independent Contractor forms available on which subcontractors can explain why they do not have to provide coverage for their employees?

Do I have completed copies of the Worker Compensation insurance forms for each subcontractor claiming exemption?