

Smart
Living


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In This Issue:

- **Common Business Budget Breakers**
How you can make your business' dollar stretch even further

Common Business Budget Breakers

How you can make your business' dollar stretch even further

When you run a small business, every dollar counts. Even with a great vision and budget sheet, you may be losing money on a regular basis by paying too much for things you need or paying for things you don't actually need at all. Focusing on a few key areas can help your business' balance sheet reach the black, letting you invest more revenue in growth.

Labor

Building a workforce is crucial for the overall success of your business. But as Anna Johansson writes for Yahoo! Finance, businesses tend to overspend on labor by bringing on too many employees too quickly. Some businesses try to match their large ambitions by overstaffing, leading to a bloated workforce, high labor costs, and stunted potential for growth.

Taking a measured, patient approach to hiring is a great way to keep your labor costs low. Because turnover is also extremely expensive, you'll want to make sure that your interviewing process is thorough. Hold multiple rounds of interviews to get to know your candidates better and keep an eye on hard skills and soft skills alike. A more in-depth approach means you're more likely to bring someone on board who can help your business grow.

It's important to note that offering noncompetitive wages is not a sustainable solution for high labor costs. In order to secure the best talent and promote retention, you should offer wages that at least meet the market standard. Hiring the right talent and compensating them commensurate to their abilities is an investment that more often than not will pay off in the long run.



Office costs

The pandemic has demonstrated that some businesses have the flexibility to operate outside of a traditional setting. If your business can thrive in a smaller space or without the overhead of a physical storefront altogether, you can reap the savings and reinvest in your business.

Inc. writer Larry Alton suggests starting by asking if your current space is providing a net benefit to your business. If the visibility of a space leads to increased sales and foot traffic, it may help justify a higher lease and more expenses. But if you think you can achieve similar sales in a downsized space or even after moving entirely online, you should give serious thought to the savings that could come from uprooting from your current facilities.

This also presents the opportunity to reevaluate other expenses associated with your physical storefront. Johansson suggests that factors like waste and recycling, telecom, utilities, office supplies, and equipment leases are all areas where a growing business could stand to save money. Taking a candid look at your expenses when considering whether you need a large space for your business can reveal significant opportunities to save.

The Balance Small Business' Marco Carbajo recommends that new small businesses start out with home offices and virtual interactions. Without the overhead costs associated with an office, you can sink more of your profits into building a sort of war chest that can later be used to lease commercial space.

Propelling your business to success in 2021 and beyond starts with having a good grasp of your budget. Work with a financial specialist to go over your books and crunch the numbers, and you may find yourself racking up savings quicker than you think.

