



SageTalk

Building Dynamic Relationships

5 Minute Business Plan



Blueprint For Success

A seasoned carpenter shared this secret to success:
“You *must* begin; and begin again.”

For the dreamers among us, the question is:
“Where do I begin?”

The purpose of this article is to provide the parameters for a quick analysis of an idea to determine its possibility, and probability, of actionable success. As with any legitimate construction project, we build it on paper, *first*.

This is our **blueprint**.

Owner Compensation

The concept of beginning here *is* novel for a Business Plan. Yet, this number will keep our attitude right and provide the Retained Earnings for business expansion. One of the principles of success is: Begin with the End in Mind.

Debt Service

Unless adequate funds are available for start-up, the early years will include a Banker for a partner. The goal is to buy them out as quickly as possible to retain their share of profits, paid out of our business as Interest.

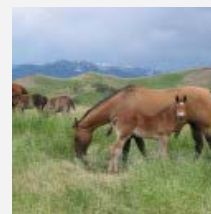
Taxes

Self-employment, Federal income and State income taxes *must* be paid timely. Because of severe penalties for non-compliance, governmental entities are a bad source of financing.

Overhead

This is the delivery system of providing value to the marketplace. It is everything from the brick-and-mortar to indirect expenses; it is the price we pay to have a Company.

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Direct Costs

Each project and customer will want, and need, something different. The flexibility to “Wow!” them requires additional expenditures.

Productive Units

All of the above is accomplished by understanding the finite number of units available for distribution. For service enterprises, this will be a reservoir of “Hours”; for a products company, this will be the capacity of the “Shop”; and, for an inventory business, this will be the “Goods”.

Formulas:

“

Net Income = (Owner + Banker) / (100% – Tax Rate)

Value to Customers = Net Income + Overhead

Sales Price = Value to Customers + Direct Costs

Example Variables:

“

Owner Compensation: \$80,000 ~ [For the Family, after taxes]

Debt Service: \$40,000 ~ [Loans \$200,000; 5 Year maturity]

Tax Rate: 40% ~ [S/E 15.3%, FD 20%, ST 4.7%]

Overhead: \$144,000 ~ [Ads, Insurance, Rent, Utilities, Etc.]

Solution:

$(\text{Owner } \$80,000 + \text{Banker } \$40,000) / (100\% - 40\% \text{ Tax Rate})$

Is same as: $\$120,000 / .60 = \$200,000 \text{ Net Income}$

$\$200,000 \text{ Net Income} + \$144,000 \text{ Overhead} = \$344,000 \text{ Value}$

For those providing *Services* to the marketplace, the final step is to divide Productive Units into the Customer Value. Full-time employment is 2,000 hours per year; entrepreneurs will work more than that, with only a *percentage* actually billable to Customers.

If our Start-up Enterprise team can be 86% productive, *after* allowance for those duties of internal and external management, it has an annual reservoir of 1,720 billable hours.

$\$344,000 \text{ Value to Customers} / 1,720 \text{ Hours} = \$200 \text{ per Hour: } \underline{\textit{Price for Value}}$

Those providing *Products*, or *Inventory*, for sale to customers, will factor in the Direct Costs. In fact, they will consider the *number* of meals (if a restaurant), or suits (if a boutique), as their Productive Units and establish their Mark-up, accordingly.

Now, step apart from the crowd and consider the most important variable of all: “What is my passion: the *one* unique thing about me, for which the world waits?”

And, Many More ...

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AS WE THINK ...

able actions boundaries care **change**
 character choice choices commitment
 communication **CPA** discovery
 doing education empower experience
 family fun give grow journey kind
 learn life listen **love** mind
 Montana passion power receive respect
 right serve **success think thought**
 thoughts time truth unique value will
 willing work

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The rest of the story from our successful builder, quoted at the beginning of this article: “Find something you love to do and do a lot of it.” If we are able and willing to tap into that passion and grasp the foundational principles of a Business Plan, quite literally, we are *5 Minutes* away from a *new* beginning!

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by SAGETALK on AUGUST 29, 2010 • PERMALINK • EDIT POST 6 COMMENTS

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Lucie / August 30, 2010 / [Edit](#)

Well done! Well done! As always, quite an amazing and important amount of information, comprised and edited to a few small paragraphs with HUGE impact! Thanks!



Baldwins / September 2, 2010 / [Edit](#)

Looking for a solid step in today's economy? Take 5 minutes and read the “5 Minute Business Plan”. You won't regret it. Great info that's easy to apply and actually gives results! What a way to take the guess work out of financial gain! We're all looking for it...what are you waiting for?
Thanks A Million!!

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Your Business, Inc.

The Magic Formula

Financial Information Measured In Dollars [Money]		
The Source		
Sales [To Customers]		
Direct Costs [Variable = "Materials"]	(minus)	
Net Sales [Your Value = "Time"]		
Overhead [Fixed]	(minus)	144,000.00
Net Income	*	
The Destination		
Taxes	[40%]	
Owner / Banker [\$80,000 / \$40,000]		120,000.00
Net Income	*	

* This is the same number!

Productive Units [Time]	
Days	
Hours Each Day	
Billable Hours	

Rate Per Hour [Your Value / Billable Hours]	
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