

How much income from business do you need?

Description

Your business should generate money. Otherwise, you shouldnâ??t do it, or it will die out itself (nature). Find here an overview what do and create your minimum business case, and calculate the minimum amount you really need. Income from business.

You need money for your daily expenses to pay the bills. The numbers will differ for your situation as your location and business type is different.

Figuring out how much money you need from your business involves reviewing your expenses, revenue goals, and investment needs. Understand your financial requirements for steady growth and success.

It depends on your personal financial needs and goals, as well as the expenses associated with running your business. Some factors to consider when determining your income needs may include:

Personal expenses: How much do you need to cover your personal expenses, including housing, food, transportation, and other bills?

Business expenses: What are the costs associated with running your business, such as rent, utilities, supplies, marketing, and employee wages?

Profit margin: How much profit do you want to make from your business? This will depend on your industry and competition, as well as your personal goals for the business.

To calculate your income needs, you will need to determine your **total expenses** (both personal and business) and **subtract that from your desired profit margin.** For example, if you have $50,000 in personal and business expenses and want to make a profit of $50,000, you will need to generate $100,000 in income from your business.

1. First, map out how much do you really need for you (and your family)

Start with guessing your total costs (housing, rent, food, personal expenses, clothing, subscriptions, transport, other, ..). Use this excel sheet. These account as your personal spending. At first, you may have no idea. Just start writing it down. Use an excel sheet for this, this helps it map faster. After you have created the excel sheet, you will see the overview, and then can adjust it a bit and make the numbers more accurate for your situation.

Say, for this example youâ??ll need 1500$/month to live averagely (Western world, depending on the area). or use this [link: maptheworld] for comparing it to your location.

2. Add the running cost of the business

Then you add the cost of running the business (which is: developing your business idea, promotion cost, development cost, software cost, staffing, inventory, time spent (not working in job â?? opportunity cost), rent of location, administration fees, legal fees, branding cost, salescost, etc. etc.). At first you will have no idea, but after a bit of asking and researching around, you can get an estimate of the cost. First you write down all the elements and then try to guestimate it. If you need to make a large upfront investment say of 2.000$, you divide 2.000$/the number of months (write-offs or repayment with interest) say in 2 years, 24 months and add this to the cost of running the business.

Say, itâ??s about 500$/month. (first maybe with no staff)

3. Estimate revenue per month

Now you have the revenue per month you really need calculated.

Say, itâ??s about: 2000 $/month (1500$+500$) cost per month you need to get our of your business actions.

4. Order value or customer price

Then add order value / customer price / profit per order

1 customer orders something for 1 item 20$, or a maybe a subscription of 20$/month

Divide the needed revenu (2000$) per order value (20 $)

5. How many orders you need to get to break even

Then you need 100 orders (or transactions) per month to make it break even. Now, you have the number of orders you need per month. This is how many customers or orders you need to have.

6. Multiply by 12 and then you need 1200 orders/transactions per year to make 24.000$ of revenue to get break even for your business. This is the minimum revenue you need to get from your business. This revenue need is your base estimate.

Conclusion

After making this calculation, you can and should make changes. You can improve the numbers by researching, asking around, learning and then make it more real. This becomes your minimal business case for running the business. (started from personal perspective (and not from a market perspective)

If you are short on money, you might get a business loan for starting up [link: business loans] however a business loan can be expensive. But it can help you get the capital to start.

This is a method to calculate how much you need. This helps you establish a baseline revenue. Above this minimum revenue, itâ??s all profit. (You can have, or re-invest in the business)

Good luck in setting up! You now have your **minimum business case**.

Category

1. Finance
2. Freelancing

Tags

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