Family Child Care
Budget, Cash Flow and Financial Projections

Budget

It's hard to stay afloat in either business or personal finances if you don't have, and follow, a budget. Your budget tells you how much income you are bringing in, how much you are paying out in expenses, and what you have left over — your profit. If you don’t already have one, you need to develop a budget.

It's hard for many people when they first sit down to develop their budget because they have no real idea how much they are bringing in or what they are spending. It’s critical that you develop a method of record keeping and are diligent about recording your earnings and expenditures. For some people, the easiest way to do that is in a spreadsheet on the computer, for others, pen and paper are most effective. Choose the method that is easiest for you because if it isn’t convenient or natural, you won’t be able to keep it up.

When putting together your budget, be sure to include the following as well as any other income or expenses unique to your business and family:

Income

Business Income – Be sure to include all payments you receive including
- Private pay parents
- Subsidy payments
- Food program
- Evening/weekend care

Enrollment in family child care is constantly going up and down. To ensure that you will be able to cover expenses if a child leaves without notice, I recommend that providers try to budget for one child less than they anticipate enrolling.

Outside income – include all income coming into the household, not business related
- Part-time job
- Spouse
- Rental income
- Retirement/SSI
- Other
Expenses
Business expenses – Mortgage/rent and utilities are included here because your home is used for your business. This is different from your taxes, where you will claim only a percentage of these expenses for the business
- Rent/Mortgage
- Utilities
- Phone/ Internet
- Food
- Payroll
- Supplies and Materials
- Liability Insurance
- Quarterly Taxes
- Marketing
- Training and Conferences

Personal expenses – Be sure you budget for everyday miscellaneous expenses
- Car – car payments, gas and insurance
- Food
- Childcare / Education
- Medical
- Credit Card/Loan Payments
- Personal Costs – clothing, gym, and salon appoints, etc.
- Other – Be Sure to Allow for Children’s Activities, Special Events & Holidays

Savings – Pay yourself First! Make savings and retirement contributions automatic

Establish rates / break even analysis
What do you need to charge in order to cover your expenses?
How much will your expenses increase as your enrollment increases?
What economies of scale might you be able to take advantage of?

Cash flow management
Methods and frequency of tuition payments
Frequency, source and reliability of any outside income
Methods and frequency of paying for expenses

Record keeping
Separate business accounts
- Checking
- Debit/credit cards
- Business line of credit
Tracking expenses/ time
Accounting practices

Do-it-yourself

- Pen and paper
- Excel or other software

Professional accountant

Budgeted versus Actual Income and Expenses

The goal is to have a positive cash flow to carry over at the end of the month, but this may take several months to actually achieve. Usually, we think we are following our budget to the number, but for some reason, we still come out behind at the end of the month and have no idea how that happens!

Try this exercise: Keep track of everything you spend for a month. You will be surprised where your money actually goes!

Budget projections/ Financing Improvements or expansion

Issues that affect income – A budget allows you to project future cash flow, which makes it possible to plan for expansion or quality improvements. When projecting future cash flow, keep in mind that there are several issues and/or events that can affect income, such as:

- Expansion
- Natural ebb and flow of enrollment cycles
- Economy
- Changes in family/location/spouse’s income
- Marketing

Financing Improvements or expansion – Planning ahead means you can make improvements or expand without throwing your budget off or paying over the top interest rates

- Business loan / Business line of credit
- Personal savings
- Family/friends
- Credit card

Long-term financial Planning

Budgeting makes it possible to plan for long-term financial goals. There are some steps you can take now to ensure stability and security when you are ready to retire. Remember to **Pay yourself first! Saving even $25 a month can add up, and if you put nothing away now, you have nothing later.

I would advocate that paying yourself first also includes investing in insurance. Life is full of uncertainties and investing in Liability, Home, Renters, Auto, Health or Life insurance today, could prevent you from losing everything in the future.

Be sure to begin establishing these things today:

- Savings
- ‘Rainy Day Fund’
- Retirement plan
- Insurance