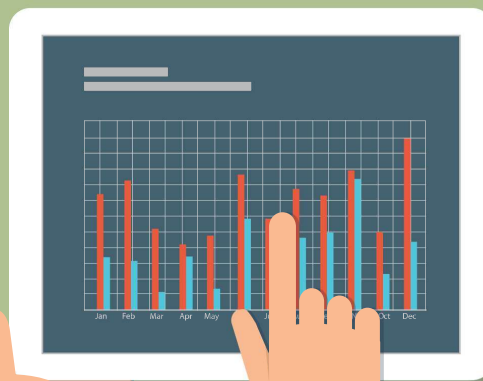
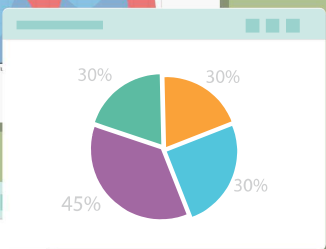
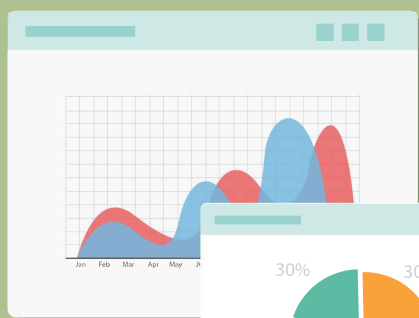
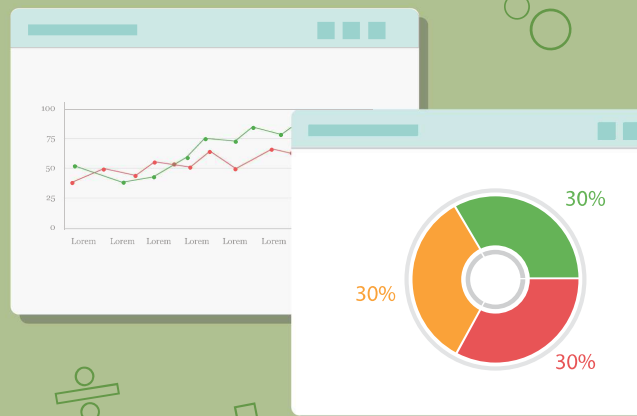




# A budget can help you reach your goals



By Leslie A. Mamalis, MBA, MSIT, CVA

## A tangible spending plan is your vision for the future and is important for the financial health and success of your practice.

**What if I told you that one of the best ways to achieve your goals while maintaining or increasing profit levels is through developing and using an annual budget?**

To the uninitiated, the mere mention of budgets causes groans and eye rolling. However, power users know that budgets are critical tools for managing their businesses. Think of a budget as a blueprint or a financial plan that provides the resources and time frame for achieving your goals.

### What Is a Budget, Really?

Say the word “budget” and several negative connotations may spring to mind. Many people consider budgets to be severe constraints on spending, a pair of handcuffs that prevents us from doing what we really want to do or from buying something frivolous.

For your business, the goals you build into your budget are the goals that are easiest to reach. Reframe your thinking to think of a budget as an action plan for attaining goals. When prepared thoughtfully and reviewed regularly, a budget provides the resources for making your goals a reality.

Doesn't that sound a lot more interesting? Let's get started.

### Preliminary Steps

The first step in budgeting isn't making a spreadsheet or pulling out folders full of invoices. Instead, start with a planning session. In other words, establish goals for

your practice. What programs will you implement? Will you hire a surgeon? More veterinary nurses? What technology will you bring into the practice? Are you thinking of adding solar panels to the roof?

You can prepare a budget for a project as small as an open house or as complex as a remodel or a



new facility. Choose goals, determine the time needed to complete them, and then create a budget for that same period. Preparing for an open house may take a month or more, while launching rehabilitation services or becoming Fear Free certified may take a year or longer.

Your goals needn't be bold or audacious to be part of your budget. Refreshing the reception area, resurfacing the parking lot or revamping your community-out-reach efforts are all worthy goals. Devote a staff meeting to discussing

many forms, from an 8 percent increase in gross fees to a pet fair in August to year-end bonuses for every employee. If your facility rent increases every October, add that as an assumption in your budget. Whether you write them down on paper or create an electronic copy, always document assumptions. This will help you when it's time to prepare the following year's budget and it will remind you why you budgeted something the way you did. Pulling out the details can be difficult when you rely on your memory only.

fee capture, the fee schedule and the pricing you receive. If your current spending is more than 1.5 percent above or below a new target, achieving that level of change in a single calendar year may be difficult.

### Managing Your Budget

A tremendous amount of information is available on how to create a budget. Finding references for how to manage one will be harder.

After putting effort into goal setting and developing a budget, the worst thing you can do is file it away and never review it. Regular review brings your budget to life. After all invoices have been entered for January, compare actual income and expenses to the amounts in your budget. Identify what is different, and then try to figure out why those differences occurred. This is the true power of budgeting: understanding why and taking appropriate action.

Is revenue higher or lower than budgeted, and by how much?

While January is fresh in your mind, think back on the month. Was the weather better or worse than usual? Were there more or fewer weekend days? Did you onboard new employees? Advertise on Facebook?

Do the same thing with expenses. If payroll was lower than the budget, why? If the answer isn't obvious, and it may not be, make educated guesses. Will any of the changes carry over into February? Review of a single month may not deliver great revelations. However, as the year progresses and you continue to compare the budget against actual reports, your ability to interpret these differences grows.

Review the remaining budget before making big purchases. Spending some extra cash to pay off a credit card or buy new surgical

lights may be tempting. But before you do, look ahead to the rest of the year. The growing cash balance may be needed for an upcoming workers' comp payment or for registration and travel expenses at a fall conference. This doesn't mean you can't spend the cash now. By reviewing your budget, you will have more complete information to use to make better decisions.

Unless something big and obvious was left out, like facility rent or health insurance premiums, don't change the budget to match what happened. Your budget will not be an exact match to reality. It isn't meant to be. You may be a perfectionist, but unless you have unlimited free time, you have better things to do.

If you just can't face the prospect of coming up with a year's worth of projections required for a budget, start small and prepare a budget for payroll only. Because payroll is the single largest expense for nearly every veterinary hospital, putting parameters around staffing costs will take you a long way toward planning for 2018.

### Last Words

A properly prepared budget is an extension of your goals, priorities and vision for the future. A budget helps you create a tangible spending plan to take your practice to the next level, whether through advanced medical training, major equipment purchases, staff development or improved client satisfaction. If it's "in the budget," it's likely to happen.

This brings us back to why budgeting is so important to the financial health and success of your practice. A budget should be much more than a listing of hospital income, expenses and the difference between the two. With thoughtful preparation, regular review and a growing understanding of the source of variations, you can turn a budget into a valuable tool to guide critical decision making in your practice. ■



goals for the coming year. Not only will you hear ideas you may not have thought of, but you will begin to build critical buy-in from your entire staff.

Once you have selected your goals, identify what is needed to achieve them. What work must be done in advance and who will do it? What supplies, equipment or training are needed? If training is required, when, where and how often is it offered? How long will it take? The time frame for the goal should match the budget. If you are budgeting for the calendar year but the necessary training spans 18 months, the budget will run out before the goal is achieved. In fact, the goal may never be reached if the priorities for the following year, or the next budgeting term, change significantly.

### Assumptions

Budgeting requires a set of assumptions about the future. These take

### Benchmarks and Budgeting

A common rookie mistake is tying a budget to industry benchmarks without first understanding what those benchmarks mean. Understand that benchmarks are averages, not goals. If your practice sells more dog food, has a busier grooming area or is in a smaller or larger city than the average practice in the benchmark survey, your numbers will be different. This doesn't mean you should ignore benchmarks; just understand what makes the most sense for your practice.

Putting something in the budget does not automatically mean it will occur without some work. If you are spending 7 percent of gross fees on laboratory, budgeting for the latest average from the American Animal Hospital Association won't automatically create changes. Along with that budget must come the commitment to make significant changes to ordering,

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