

Chapter 13: How Should I Set Up My Finance And Accounting?

- **Financing your startup:** You need to be realistic about your resources and what you'll need to get a practice going:
 - **What you'll need to set up your practice:** Each practice will be different, but a full set-up will include your:

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|------------------------------------|---|
| Legal Organization | \$1,000 |
| Logo/Tagline | \$1,000 |
| Trademark Protection | \$1,000 |
| Office Furniture | \$0 to \$3,000 (depending on what you already have) |
| Computer and Software | \$3,500 (plus \$1,500 round two later) |
| Phones (Cell, 2-line, and Headset) | \$ 400 |
| Stationary | \$1,500 |
| Brochure | \$ 500 |
| Website | \$1,000 |
| Association Memberships | \$1,500 to \$4,000 |
| Total | \$11,000 to \$17,000 |

The cost can vary depending on the type of practice you are building and what you already have (e.g., whether you already have a computer, a home office, a cell phone, etc.).

- **Your monthly practice “burn rate”:** The costs here are pretty standard and include:

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|---------------------------------|--|
| Phones, broadband, and Internet | \$ 350 per month |
| Supplies | \$ 50 per month for the first year |
| Insurance | Nothing until you get a client, then about \$5,000 per year including basic liability, property and particularly errors and omissions coverage |
| Printing | Nominal in the first year (see one time expenses) |
| Marketing Travel | Depends on how aggressive you are. |

The total could vary between \$500 and \$2,500 per month when you have no clients. Once you have clients, a lot of your marketing will be follow on work with current clients and much of the marketing travel will piggy-back on client paid travel which will reduce costs. A save starting assumption here would be \$1,500 per month.

- **Be realistic about your consulting earnings:** If your practice is successful, it will take you at least a year to build a pipeline and start to get jobs lined up. You might get your first job right away or not for six months. I'd suggest you assume no earnings during your first six months and half your target earnings (at your assumed billing rate and billability) during your second six months. Remember that work done this month will take four to six weeks after the end of