



THE FOGHORN



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Calculate Your Startup Costs

How much money will it take to start your small business? Calculate the startup costs for your small business so you can request funding, attract investors, and estimate when you'll turn a profit.

Calculate your business startup costs before you launch

The key to a successful business is preparation. Before your business opens its doors, you'll have bills to pay. Understanding your expenses will help you launch successfully.

Calculating startup costs helps you:

- Estimate profits
- Do a breakeven analysis
- Secure loans
- Attract investors
- Save money with tax deductions

Identify your startup expenses

Most businesses fall into one of three categories: brick-and-mortar businesses, online businesses, and service providers. You'll face different startup expenses depending on your business type.



Brick and Mortar



Online



Service

There are common startup costs you're likely to have no matter what. Look through this list, and make sure to add any other expenses that are unique to your business.

- Office space
- Equipment and supplies
- Communications
- Utilities
- Licenses and permits
- Insurance
- Lawyer and accountant
- Inventory
- Employee salaries
- Advertising and marketing
- Market research
- Printed marketing materials
- Making a website

Estimate how much your expenses will cost

Once you have your list of expenses, you can estimate how much they'll actually cost. This process will be different for each expense you have.

Some expenses will have well-defined costs — permits and licenses tend to have clear, published costs. You might have to estimate other costs that are less certain, like employee salaries. Look online and talk directly to mentors, vendors, and service providers to see what similar companies pay for expenses.

Add up your expenses for a full financial picture

Once you've identified your business expenses and how much they'll cost, you should organize your expenses into one-time expenses and monthly expenses.

One-time expenses are the initial costs needed to start the business. Buying major equipment, hiring a logo designer, and paying for permits, licenses, and fees are generally considered to be one-time expenses. You can typically deduct one-time expenses for tax purposes, which can save you money on the amount of taxes you'll owe. Make sure to keep track of your expenses and talk to your accountant when it's time to file your taxes.

Monthly expenses typically include things like salaries, rent, and utility bills. You'll want to count at least one year of monthly expenses, but counting five years is ideal.

Add up your one-time and monthly expenses to get a good picture of how much capital you'll need and when you'll need it.

Use your startup cost calculations to get startup funding

It's a good idea to create a formal report of your expected startup costs.

You want it in a format that's clear and easy to understand. Investors and lenders compare expected costs to projected revenue and determine the potential for your business to profit.



U.S. Small Business Administration

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