

RESTORATION BUDGETING

6 minute read

Riding a racehorse that wins the Kentucky Derby. Be the starting QB for the Patriots. Walking on the Moon. Creating a Restoration Company budget.

If this was Jeopardy, then the question would be, "What are things that very few people have ever done?" And yes, it might seem that the degree of difficulty grows as we go through the list - there have been about 150 winning jockeys, 28 Patriots QB's, and 12 men have walked on the Moon. But how many - if any - restorers have created a budget for their company?



The short answer is: MORE THAN YOU THINK! Good businessmen understand the value of having a budget to follow, and they will go to great lengths to create one that can be a roadmap for success. Having a budget keeps your focus throughout the year; following the budget helps you avoid emotional decision-making in the slower times; and using the budget properly, keeps expenses in check - and keeps frivolous spending in check as well.

[Restoration budgeting](#) is a combination of science and art. History alone cannot forecast the future; it is only one tool in the toolbox. On the other hand, simply wishing it to be won't make it happen. It takes more than a single view- it takes facts and a good sense of your own company's capabilities.

SCIENCE

It all starts with data. You will need to have real numbers from the past year- revenue, expenses, payroll numbers, etc. Hopefully, you have these numbers at your fingertips. You can find them in your accounting software.



In addition, you should be able to tell what type of business you did- we call this your “Business Blend.” How much water damage, how much fire, how much mold? Mitigation, construction, or contents? Finally, you should know where the work is coming from- who your lead sources are. These facts will go toward building out the framework of a restoration budget.

ART

The data can only take you so far in the budgeting process. You need to take the data and give it some life and perspective. You need to *know* your company. In every budget, there are many assumptions that go into the projections. Your assumptions will come from some areas of the business that cannot be fully explained by data. For instance, your marketing efforts may be increasing over the last quarter, which may give you the confidence to project higher project numbers. Or, you may have changed some processes for invoicing which may result in higher average invoices in the future. These thoughts can translate into assumptions that will be applied to the data.



CREATING THE BUDGET

Restoration budgeting should be a thorough, realistic process. This is not a “brag book” that you show to others to prove how big you are. It should be a tool that guides your decision-making throughout the year. To that end, there are a couple of rules to follow to stay on the right path as you build the budget:

UNDERSTATE REVENUE PROJECTIONS



It’s important to err on the safe side, so try to use the lowest realistic projection for revenue. For instance, if you think your marketer can bring in from 10-15 projects every month, plan for 10. You will never go broke doing more business than you thought. Having realistic revenue projections allows you to deal with the quiet times without overreacting, and it allows you to capitalize on better months or quarters. [Great things happen to companies that make more profit than planned.](#)

ACCOUNT FOR EVERY POSSIBLE EXPENSE

It's easy to remember the large expenses your company has- payroll, rent, utilities, insurance. Most owners can remember those numbers and handle that part of the budget. Many budgets miss some exceedingly small line items that, at the end of the year, can make a *huge* difference between profit and loss. Over the course of the year your company has numerous little, one-time expenses that you must make sure to include. IICRC Registrations, conventions, business licenses, vehicle maintenance- and many more like that. Make sure to include them all.

BUILD IT RIGHT

A proper restoration company budget breaks down their revenue and expenses into distinct areas. Following the right outline increases your chance of a successful plan. First, try to be as granular in your numbers as you can be. For revenue, calculate water damage mitigation separate from mold revenue, fire revenue, recon, etc. Put all your direct job costs into the [Cost-of-Goods](#) section and calculate a REAL projected Gross Profit. Now, make sure you calculate every fixed expense, making certain that you have budgeted a final profit for yourself.

Believe it or not, many budgets do not show a profit. That is NOT a healthy, motivating tool for you. If you are projecting to lose money, then why work hard at all through any difficulty, since it won't matter anyway? Always start with a premise that you are going to make money, or don't keep going.

The hard work is already done. Now, simply follow the path you have already laid out for yourself. Plan your work and work your plan!



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