

HOW TO CREATE AN ECONOMIC MODEL

1. COLLECT THE FOLLOWING NUMBERS:

(These are only expenses that will need to be covered by the income generated by your business.)

Estimate of your total annual personal expenses:

Estimate of your total annual business expenses (including taxes):

Estimate emergency fund annual savings:

Estimate of annual savings goal (IRA, retirement etc.):

Estimate special activities fund goal (travel, competition etc.):

Any other expenses you anticipate in the coming year that will need to be covered by your business:

2. ADD THEM ALL UP.

THIS IS THE TARGET REVENUE FOR YOUR BUSINESS.

3. If you currently have a business, make a list of your income streams (services or products) and determine the percentage of your revenue that comes from each one.

(If you are just starting a new business, make a list of your potential income streams.)

4. Make a list of your current (or potential) rates.

Determine, roughly, how much revenue you bring in for each income stream per week, per month and then per year based on your current fees and schedule.

5. Plug your current numbers into the following equation:

Annual revenue from income stream #1 x percentage of total =

Annual revenue from income stream #2 x percentage of total =

Annual revenue from income stream #3 x percentage of total =

(You may have more.)

6. Add them all up.

This is the estimated current revenue for your business.

Estimated current revenue:

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7. Compare the two numbers.

You can now begin to look at ways to leverage your more high value activities, decrease your low value ones, change your pricing, adjust the structure of your services, and/or change your schedule to meet your business and personal goals.

8. Play!

Plug in new rates, adjust your income stream percentages, add possible new income streams, use different numbers of income stream units (lessons, training packages, clinic days etc.) and try out different schedules.

With your goals in mind, identify some strategies you will use to meet your financial and time goals or simply to make your business run more smoothly and efficiently. It's up to you to decide how much personal time you want, how much time you need for your own horses or riding, how much time you want to spend traveling, with family or doing other hobbies and then protect that time!

NOTE: If you're just starting your business, use the numbers you have and make realistic but aspirational projections for the rest.