CHARTER CAPITAL

America's Leading Invoice Factoring Company for More Than 20 Years

Financial Forecasting: Why it's Important for Your Business

Financial planning and forecasting aren't things many small business owners think about, but they become more imperative as a company grows. Learn the basics of financial forecasting for your business and why it matters below.

What is Financial Forecasting?

Financial forecasting is the process of projecting a business's future performance based on its current and past. It helps with many financial planning activities, including budgeting and financial modeling.

Why Financial Forecasting is Important for Your Business

Forecasting can help you with many different things, depending on what you're looking for.

It Helps Measure Your Progress

Forecasting can tell you if you're on track to meet your financial goals. If not, it can also help you see where you're falling short and help you strategize ways to get back on track.

It Helps You Identify Potential Issues

If you're performing regular forecasts, you'll likely spot issues before they become serious problems when they're easier to correct.

It Can Help Prevent Tax Surprises

If your business grows rapidly, your projections can help you make more accurate tax payments, so you're not surprised by a huge bill later.

Common Types of Financial Forecasting

There are many types of financial forecasting a business might perform. A few examples are highlighted below:

Cash Flow Forecast

A cash flow forecast predicts how much cash will flow in and out of your business during a set period and whether you'll have enough cash to cover expenses.

Expense Forecast

An expense forecast outlines all accounts payable your business expects to pay during a set period to help ensure you're prepared for them.

Sales Forecast

A sales forecast anticipates future sales, making it easier for the business to meet demand or manage inventory.

Startup Cost Forecasting

Startup cost forecasting predicts how much a new business will spend.

Let Charter Capital Help You with Your Short-Term Shortfalls

Oftentimes, a temporary lack of working capital rather than a lack of profit causes issues for small businesses. Thankfully, businesses can often catch these issues with proper forecasting and take steps to address the shortfall before it becomes a problem.

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6750 West Loop South, Suite 1010 Bellaire, TX 77401 | +1-855-645-1639