● RESOURCE GUIDE · HERMIT BUSINESS SOLUTIONS

Running a Budget Process as a Sole Trader

Six simple steps to plan your year, stay in control ***and avoid the most common money mistakes.***

Why this matters

A budget does not have to be complicated. Even a simple one, revisited regularly, helps you to plan for quiet periods, avoid nasty surprises and make better decisions about spending and investment. Without one, it is easy to feel like you are reacting to your finances rather than managing them.

The six steps at a glance

Step	When	Who
1. Set your goals for the year	Nov-Dec	You
2. Estimate your income	Dec	You (with your accountant)
3. Plan your spending	Jan	You
4. Sense-check the numbers	Jan-Feb	You (with your accountant)
5. Finalise and commit	Mar	You
6. Review it through the year	Apr-Mar	You, monthly

What each step involves

- Set your goals: decide what you want the year to look like. More clients? A quieter summer? A specific income target? Start here, not with the spreadsheet.
- Estimate your income: look at last year, factor in any changes and build a realistic month-by-month income forecast. Be honest rather than optimistic.
- Plan your spending: list all your regular costs (software, insurance, travel, subscriptions) and any one-off investments you are planning.
- Sense-check the numbers: does the income cover the costs with enough left over for tax and drawings? If not, something has to change.
- Finalise and commit: we can help you to do this in Quickbooks, Xero or Sage
- Review monthly: compare what actually came in and went out against your plan. Even a 15-minute check each month makes a real difference.

The mistakes to avoid

- Being too optimistic with income: budget for a realistic figure, not your best-ever month repeated twelve times.
- Forgetting irregular costs: insurance renewals, accountancy fees, equipment replacements. These are predictable, so plan for them.
- Not setting aside tax as you go: a good rule of thumb is to put 25-30% of every payment you receive into a separate savings pot. Bank accounts like Monzo do this automatically for you.
- Building a budget and never looking at it again: a budget you do not review is just a document. The value is in the monthly check-in.

IT'S EASIER THAN YOU THINK

A lot of sole traders tell us that they have never had a proper budget because they did not know where to start. We can help you to build one in a single session: realistic, simple and actually useful. Get in touch and we will sort it together.

Five habits that make it work

- Start planning in late summer, before the new year creeps up on you.
- Keep a separate pot for tax from day one.
- Review actuals versus your plan every month, even briefly.
- Adjust your forecast when things change: a budget is a living document, not a fixed rule.
- Ask for help early: we're here for more than just the tax return.