***Habit 5 – Predict the key numbers***

Many budget holders manage their budget reactively. They get their financial report after the end of the month, and start to look at their numbers.

If you want to be a more effective financial manager, the challenge is to move from working reactively with your financial report, to being proactive. This means starting to think about your financial numbers before you look at them, rather than afterwards.

This is a bit like driving proactively. The experienced driver sees two trucks close together on the inside lane of the motorway half a mile ahead, expects the rear one to pull out and overtake, and makes sure there is enough room to manoeuvre. The inexperienced driver is taken by surprise, and has to brake sharply when the truck unexpectedly pulls out.

In habit 4 we talked about focussing on the key numbers in your financial report:

* Sales
* Total costs
* Profit or loss
* Your individual major costs (probably no more than 5 cost lines)

Try predicting those key numbers.

At the start of the month, make a note of what you think those numbers will be for the coming month, based on what you expect to happen this month.

As you go through the month, update your predictions in the light of what is happening.

At the end of the month check your predictions against the actual key numbers for the month.

How will this help you?

This isn’t some kind of guessing game. Our financial numbers come out of what we do. Some of those things are predictable (we’ve got a major deadline to meet this month, so there will be overtime). Some are less predictable (a key project runs into unforeseen technical difficulties).

Predicting your financial numbers will help you make the connection between what’s happening, and the financial implications.

As you update your predictions during the month, think about why you’re updating them. “This issue has now come up, and this will be the financial consequences.” The more you make those conscious links, the more you’ll find yourself unconsciously linking events to their financial implications.

You’ll know you’ve mastered this habit when you look at your financial numbers and there are no surprises in them. They are the numbers you expect to see because you understand the financial implications of everything that’s happening around you.