

The Money Map: Creating and Using a Budget in Your Practice

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Introduction

Veterinary practice owners and managers wear many hats—from medical provider to team leader to business strategist. Amid these responsibilities, budgeting is often overlooked or underutilized. However, creating and using a well-structured budget can be one of the most powerful tools a practice has for achieving financial health, improving operations, and enabling long-term success. This session is designed to demystify the budgeting process and provide a practical framework for building and maintaining a financial roadmap tailored to your practice's goals.

Why Budgeting Matters

A budget is more than a spreadsheet—it's your practice's financial compass. It guides decision-making, sets priorities, and offers a framework for controlling costs and pursuing growth. Without a budget, decisions become reactive, rather than strategic, and profitability often suffers. Budgeting provides clarity and intention, allowing practice leaders to plan with confidence and align their teams around shared objectives. In essence, budgeting shifts a practice from surviving to thriving.

Common Budgeting Misconceptions

Some practice owners and managers believe budgeting is unnecessary, especially if their business is stable or profitable. Others feel that budgeting is too complex, or that forecasting revenue is impossible due to the variability of veterinary work. The truth is, even amid uncertainty, a well-informed projection can dramatically improve financial outcomes. Budgeting does not require perfection—it requires structure, teamwork, and a willingness to engage with the numbers. With the right tools and approach, budgeting becomes a manageable and rewarding process.

The Role of a Budget in Veterinary Practice

A strong budget outlines expected income, anticipated expenses, and target profitability. It connects your day-to-day operations with long-term financial goals, and helps answer questions like: Can we afford to hire a new technician? Should we increase prices? Can we invest in new equipment this year? With a budget in place, your practice moves from gut-feel decisions to data-informed strategy. It also facilitates better communication across the team, as everyone understands what success looks like and how to get there.

Anatomy of a Veterinary Budget

Every veterinary practice budget should start with revenue projections. This involves estimating income based on the number of clients seen, the average transaction value, and the seasonality of services. Historical data is your best

starting point—adjusted for current trends and anticipated changes. From there, you'll break down your costs, starting with Cost of Goods Sold (COGS), which typically includes medical supplies, lab fees, prescriptions, and food. For most practices, COGS should fall between 20% and 25% of total revenue.

Staffing costs are the next major category. Payroll—including wages, taxes, and benefits—generally accounts for 40% to 45% of revenue. Analyzing staff schedules, overtime, and hiring plans is essential to keeping this category in check. The remainder of the budget should account for overhead expenses, such as rent, utilities, insurance, software, marketing, and continuing education. Finally, capital expenses—such as medical equipment or remodeling projects—should be planned separately and aligned with cash flow availability.

Budget Creation Process

Creating a budget doesn't need to be overwhelming. Begin with your financial reports from the prior 12 months and identify trends in income and expenses. Build projections for the coming year, month by month, using conservative revenue estimates and realistic cost assumptions. Budgeting should be a collaborative process involving the practice owner, manager, and key department leads. Aim to finalize your annual budget by November or December so it's in place for the new year. Then, schedule regular budget check-ins—monthly reviews and quarterly adjustments—to keep your plan on track.

Budgeting Tools and Technology

There are a variety of tools available to support veterinary budgeting. Simple Excel or Google Sheets templates work well for many practices and can be customized to match the AAHA/VMG chart of accounts. Practice management software can generate helpful reports, while cloud-based platforms such as QuickBooks, Planguru or Budgyt provide additional budgeting features, dashboards, and forecasting capabilities. The key is choosing tools that you and your team will consistently use and understand.

Using the Budget as a Living Document

A budget is only effective if it's used throughout the year. Comparing actual results to your budget on a monthly basis helps you spot problems early and adapt accordingly. If payroll costs spike unexpectedly or revenue dips below target, you can take corrective action before the year is lost. Treat your budget as a living document—one that evolves with your practice—and encourage active dialogue around financial results. By doing so, you promote financial discipline and empower your team to contribute to fiscal success.

Aligning KPIs with Your Budget

Key performance indicators (KPIs) bring your budget to life by turning financial data into actionable insights. KPIs such as revenue per doctor, payroll as a percentage of revenue, average client transaction, and net income margin help you track whether your budget is working as intended. Monitoring these metrics

monthly keeps your team focused and accountable. Dashboards and visual reports can make these numbers more engaging and easier to understand, especially when sharing with staff during meetings.

Key Takeaways

Budgeting isn't about limiting what you can do—it's about enabling smarter, more confident decisions. A clear budget helps practice owners and managers set goals, anticipate challenges, and stay aligned. The process does not need to be perfect, but it does need to be consistent. Start with what you know, refine over time, and make budgeting part of your practice culture. Ultimately, you can't fix what you don't measure—and budgeting gives you the roadmap you need to stay on course.