***Cost2Target***

# The Business Planning and Modelling Tool

The aim of ***Cost2Target*** is to provide a tool that new and established translators can use to generate a business model for their translation business and compare it to a budget or personal target.

Translators can generate an income and expenditure account to plan for the year ahead based on five different variables which feed into the model: capacity, productivity of chargeable and non-chargeable time, rates per word or per hour, client mix and business and personal expenses.

The tool also allows to create another three “what if?” scenarios which can be compared side by side with the original plan. These scenarios can be created by making changes to these five variables. For instance: what would happen to my original plan if I increase my productivity by 2%? Or what would be my income if I decrease the number of hours I work? What would happen if I increase my fees? etc...

Like any budgeting model, the figures that feed into the model will have to be based on personal experience or educated guesses and assumptions or, for new translators, it could be even other translators' experiences. In this respect, the other "what if" scenarios could be used to provide a what would happen in the best/worst case scenario.

On the other hand, ***Cost2Target*** can also be used to take a proactive approach to your business. The experienced translator can feed the model with the previous year's trading results and plan ahead by adjusting the existing figures to see if that improves the existing business model.

The notes column on the right of the model columns encourages the translator to jot down notes and actions to take to achieve the desired goals.

***Cost2Target*** is divided into the Dashboard summary at the top (section 1) and the business analysis section below (section 2). For further instructions on how the tool works, please read our [***Cost2Target*** webpage](https://www.iolante.com/en/a-career-in-translation/cost2target-to-calculate-translation-rates).

**SECTION 1:** The **DASHBOARD SUMMARY** provides a condensed overview of the main data that has been input into the model and provides the following information for each of the four scenarios:

1. A summary of income, expenditure and profit

**Business expenditure** can be a target in the sense that you are budgeting for the year ahead. You may have a target of not spending more than, say, £3000. It is an opportunity to review your costs and ensure that you decrease some costs (negotiate mobile contract, insurance…) but spend enough money on CPD, translation tools...

1. The number of weeks and hours the translator needs to work to achieve that level of income. This section aims to compare the hours a freelance translator works with an "average" 9 to 5, 5-day week job. Please note that the number of equivalent weeks could be higher than 52 if the translator were to work more than five days per week.
2. Expectations of rate per hour.
3. Productivity key figures. Two key figures to measure productivity: Number of words translated per hour\* and the percentage of time a translator works that is charged to the client.

The dashboard uses a red, yellow and green flag system. It compares the key figures for each scenario against goals set by the translator. The translator can see at a glance if all his goals are being met or if some goals are met at the expense of others.

How to fill in section 1:

* Only fill in the shaded cells.
* Decide a brief title for each of the four scenarios. In our example we have used the first two columns for a budding translator and the last two for an established translator.
* Insert your goals for each of the key figures.
* Use the “notes” column for your own notes.

This column gives you the opportunity to make notes on the budget, for instance if you identify certain items of expenditure which could be reduced, e.g. "move to a cheaper tariff when mobile contract expires in August" etc. The model thus becomes a working document or "to do list" of actions you need to take to achieve or improve your target.

**SECTION 2:** The **BUSINESS ANALYSIS SECTION** contains all the details that feed into the dashboard summary. It is divided into two parts:

A. Income analysis and B. Expenditure.

Fill in the shaded cells only. Use the “**notes**” column to make your own notes.

**Section A.3** Only daily output needs to be inserted.***Cost2Target*** calculates weekly, monthly and yearly figures that can be compared and contrasted with the translator’s previous experience.\*

**Section A.4** This section allows you to insert more than one rate and the percentage of income charged at that rate. ***Cost2Target*** will issue a warning message if the percentages do not add up to 100%.

**Section A.5** This section works like A.4.

**Section B**. You can amend all the categories in the expenditure section to fit your individual circumstances.

**Section B.1** Please include **annual software renewal fees** in the running costs (B.2).

**Section B3.** The way to calculate your tax in the UK is visiting HMRC's website and using their [tax and NI calculator](http://www.hmrc.gov.uk/tools/sa-ready-reckoner/calculator.htm).

**Section B4.** General living and personal expenditure. We recommend you fill in this section in detail to obtain a realistic estimate of the amount of income necessary to meet costs. However, it is possible to insert just one line with the total amount of desired income.

\* Please note that increasing the number of hours you translate per day or week does not necessarily lead to the equivalent increase in productivity. Tiredness slows you down, therefore decreasing your average hourly output. Tiredness also increases the risk of errors, resulting in increased revision time.

## Definitions

Working time = time you are working on tasks relating to your translation business.

Chargeable time = time you are working on a translation project that you can invoice to your client.

Productivity = an increased output: you can increase your productivity by increasing the number of words per hour or by decreasing the time it takes you to do non-chargeable activities.

Chargeable time as a % of total time worked is a measure of productivity. Here we are not aiming to be 100% productive but to make sure that the % of non-chargeable time is spent on activities that add value to the business (e.g. marketing or CPD).