

DAY 5: Forecast Your Profit on the Back of a Napkin

To estimate the profit of your side hustle, you don't need a finance degree or a scientific calculator. You just need a napkin, a pen, and the power of observation.

For this day's lesson, there's a free spreadsheet in the resources section that you may want to follow along with.

I noticed when I wrote the book that I got a lot of feedback about this concept, both from people who really liked it and also from people who were a little confused.

So first, a disclaimer: this forecasting model doesn't work for every hustle. What it's good for is helping you think through different scenarios for client work, or for teaching a class, or for selling some kinds of products. If you're focusing on reselling or affiliate marketing, on the other hand, it won't be as useful.

That said, it's important to know how to do some basic projections.

Some principles:

- Revenue model must be clear from the beginning
- Later we'll look at pricing, but also from the beginning, consider what your time is worth
- If you're providing a service or teaching a course or anything else that *will* work well with this model, be sure you consider the indirect costs and additional time you'll spend that isn't necessarily billable

The secret to turning a profit for any business or venture boils down to one basic principle: don't spend more money than you take in. (I know, your mind is blown.) With this principle in mind, the projected profit for just about any hustle can be calculated by the following simple equation:

$$\text{expected income} - \text{expected expenses} = \text{projected profit}$$
$$\underline{\hspace{2cm}} - \underline{\hspace{2cm}} = \$\underline{\hspace{2cm}} \text{ (cha-ching!)}$$

In the accompanying worksheet (in addition to the spreadsheet), you'll find some examples that illustrate how to think through a project and get an idea of its profit potential.

Basically what you'll do is play around with some variables.

[how i did this when i was thinking through the side hustle workshops in 2017]

If you struggle in this process, it's okay to go on *as long as your revenue model (source of income) is clear*. That part is definitely not optional.

Call to Action: Do three simple projections with your most viable idea.

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