**Cost Benefit Analysis**

Before undertaking projects and making decisions, you may wish to do a cost benefit analysis on each of the specific options you are considering.  It is important to realize that in most cases such an analysis is not an exact science as it often involves estimates.  However, by comparing estimated costs with expected benefits, you can begin to get an idea of which options would be more cost-effective to implement in your company or organization.  You may wish to work with your accountant or a work/life consultant in this process. Cost-benefit analysis may provide a useful tool to evaluate a proposed project.  This type of analysis works well in assessing the impact of many different factors that are easily quantifiable, such as building projects or hiring employees, and productivity gains.  The example worksheet below gives you an idea of how it works.

**Calculating the cost of reducing traffic by adding lanes to a highway**

|  |  |
| --- | --- |
| STEP 1 | |
| **Calculate the Total Cost of New Lanes** | | | |
| $200,000          x | | 3     = | $600,000 |
| (cost per lane) | | (# of new lanes desired) |  |

|  |  |
| --- | --- |
| STEP 2 | |
| **Calculate the Total Benefit of New Lanes** | | | |
| 0.5 points          x | | 3     = | 1.5 points |
| (impact of each lane) | | (# of new lanes desired) |  |

|  |  |
| --- | --- |
| STEP 3 | |
| **Calculate Expected Cost of Reducing Traffic** | | | |
| Divide the total cost of new lanes (step 1) by the estimated reduction in traffic that might result from proposed projects (step 2) to determine expected costs. | | |  |
| Total savings: $600,000    / | | 1.5 = | $400,000 per point |
| (Total cost) | | (expected benefit) |  |