



Is your business saving enough?



Cash flow management is crucial to the success of your business. Having a cash cushion can help your business power through tough times and finance growth. But how much do you need? This worksheet can help you find that sweet spot by examining the different variables.

Monthly Expenses

There are different ways to calculate or estimate your monthly expenses. You can go through the expenses on your quarterly or annual profit & loss statement to find the average monthly costs. To start, calculate how much cash your business uses every month.

Some categories to consider:	Amount
Payroll	
Rent	
Supplies	
Advertising and marketing	
Other business-related expenses	
Total:	

Tip: Another way to estimate monthly expenses is to calculate the burn rate, which is the rate at which a company spends its cash. This is helpful for early stage startups that haven't yet reached profitability.

To find the burn rate, review your [cash flow](#) statement over a certain period of time and compare how much cash you have at the beginning and end of the period, then divide that by the number of months you're looking at. The burn rate can show you how much time you have until cash runs out.

Credit

While 3 to 6 months of expenses is the usual guideline for cash reserves, you might feel comfortable holding an amount on the lower end of that range if you have access to credit or business is booming for the foreseeable future. The “right” amount will vary depending on your industry, stage of growth, comfort level and overall business environment.

- Do you have access to a line of credit? Yes No
- How much is in the line of credit? _____
- Have you applied for a bank loan? Yes No
- Do you plan to apply for a bank loan? Yes No
- Are you preapproved for a loan? Yes No
- What is the estimated interest rate? _____

Tip: Access to credit plays a big role in driving business growth. If you haven’t explored credit or borrowing options, you can start by [getting your application in order](#).

Accounts

Once you’ve determined how much you want to have in cash, see how much you have already.

How much do you currently have in your cash reserves? _____

How many months of expenses does it cover? _____

Where are you currently keeping your cash reserves and what’s the interest rate?

Some categories to consider:	Amount	Interest rate
Business checking account		
Business savings account		
Money market account		
CD		
Treasury bills		

Tip: Rising interest rates can make high-yield savings accounts and money market accounts attractive options because they allow you to earn a return on your balance along with the ability to access your money easily.

This worksheet may have raised some questions about how much you keep in your cash reserves. Figuring out the right amount of cash is an ongoing process that will require revisiting regularly. If you need more guidance, make an appointment to talk to a banker and examine different account options.

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