



Is your business saving enough?

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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.

Upcoming Expenses

Do you have growth plans, additional hiring, or big expenditures coming up in the next 12 to 15 months? Capture them here.

Some categories to consider:	Date needed	Amount
Equipment		
Inventory		
Additional payroll		
Consultants and professional services		
Software		
Advertising and marketing		
	Total:	

Add it all up

Calculate your monthly expenses from the first table and multiply by 3 to get the minimum recommended amount to hold in cash reserves. If you have some upcoming expenses, in the second table try to bump up the amount.

Monthly expenses: _____ **x 3 =** _____

Monthly expenses: _____ **x 6 =** _____

Business environment

Generally, it's advisable to have more in cash reserves when you're anticipating economic headwinds. When times are tough, you're more likely to have to dip into savings.

Rate on a scale of 1 to 5

1 being not much and 5 being a lot

- How is the current economic environment affecting your business? 1 2 3 4 5
- How are sales being affected? 1 2 3 4 5
- Is your business paying more for materials and labor?
(Higher costs may mean you need to put more into savings.) 1 2 3 4 5

If your numbers are closer to 5, consider bumping up your savings.

Tip: Consider forecasts as well. Even if your business isn't affected yet, what is the likelihood that you'll see some impact in 3 months? 6 months?

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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