



Welcome! I know you are busy. You are an entrepreneur or a budding entrepreneur, and you are getting out there to have an impact on the world, so, I won't waste your time here. I want you to know what you can expect from this resource.

- *What this resource is NOT:* a “business finance” resource, explaining profit and loss or some accounting process. If you are looking for that information, this is not where you will find it. There are fantastic resources and coaches that can help you define your business processes, accounting, and other business matters.
- *What this resource IS:* a step-by step guide to protect your business, and income, even if you have a dip in sales. If you haven't started your business yet, that's ok, you can walk through the steps and identify the categories you will need to prioritize once start.
- *So, this resource is for you IF:*
  - You want to start a business, even a "side hustle"
  - You know your business model
  - You want to manage your business finances better
  - You are using the business for sole or extra income
  - You have personal debt

**Without any further delays, let's dive in!**

So many entrepreneurs start businesses for extra income, creative and calendar freedom, and for the joy of being the “boss.” Whether or not you are full-time in business, managing your business finances is critical to long term sustainment. Most entrepreneurs have heard the phrase, “50% of businesses fail within the first five years.” **This is primarily due to debt and tax issues that sap cash flow, and irregular income dips where there is no backup for paying overhead costs**, so regular expenses become difficult, or impossible, for the business to pay.

Here are the First 3 Steps to Protect your business's income!

1. *Create Separate Written Budgets* - Business & Personal
2. Prioritize your Expenses to ALWAYS Cover *Your 4 Walls*
3. Build a *Sinking Fund* for Routine Expenses

BONUS: A note about *Tax Considerations* and building up your *Business Emergency Fund*

There are worksheets for you in this guide, so get a cup of something, get comfortable, and let any stress about money go- because you are taking control of your business income. Starting now. You can send an email for support at any time to [assist@entremoneycoach.com](mailto:assist@entremoneycoach.com) .

Embrace your journey!

## Step 1: You Need Two Separate Written Budgets

In a recent trend, I am seeing more and more entrepreneurs that do not have a bright line separation between their business budget and their personal budget. And you NEED to have a bright line.

**Two separate budgets. This is non-negotiable.**

Why am I so adamant about this? Because we made this mistake early on as business owners . Many businesses have an “ebb and flow” of income and expenses. Proper budgeting ensures that all of your overhead bills will be paid, on time, you will know your “net profit” or any loss and can adjust what is or isn't working to make income.

The written business budget **is the written plan to spend the business's money**. You need a business budget to know how much you “must make” each month to cover all overhead and expenses. The personal written budget is the **plan to spend your personal money**.

You need a *personal written budget* to estimate how much you need to "bring home" each month from your business and to take that amount as a "salary" (you will need to calculate your taxes to withhold). Please keep your personal and business finances separate. DO NOT co-mingle these accounts.

*And yes, that “side hustle” is a small business, so even if it is “only” worked part-time, you must have a separate budget for that business.*

A good written business budget also allows for the buildup of a business emergency fund, the “management reserve” if you will. This is any money that the business has earned that is not needed for **current expenses**. This “extra” money, so to speak, should be set aside for lean months, when you are struggling to meet your minimums. We'll cover this later in more depth.

## Step 2: Prioritize Your Expenses to Protect the Business “Four Walls” First- at All Costs

Firstly, before anything else, you must prioritize your business income to *pay the expenses that keep your business running*. The expenses that are identified as your “4 walls” secured, or paid, before anything else is.

The Four Walls Consist of:

1. Rent or internet, and utilities, your access to your buyers
2. Critical Operating Expenses that are required to keep doors open
3. Inventory or products to sell or provide services with
4. Payroll and payroll expenses

If there are other bills and expenses, such as debt, loans, non-essential subscriptions and things that are part of your financial picture, but do not directly impact your ability to make money in business, they are further down the list of expenses.

Here's why: if you had slower than expected sales for a few months, and you have to choose between the minimum credit card payment and the internet, and you absolutely need the internet to make sales, you will have to prioritize the internet. **Or you will shut off the direct lifeline between the ability to make money, and not making a dime.**

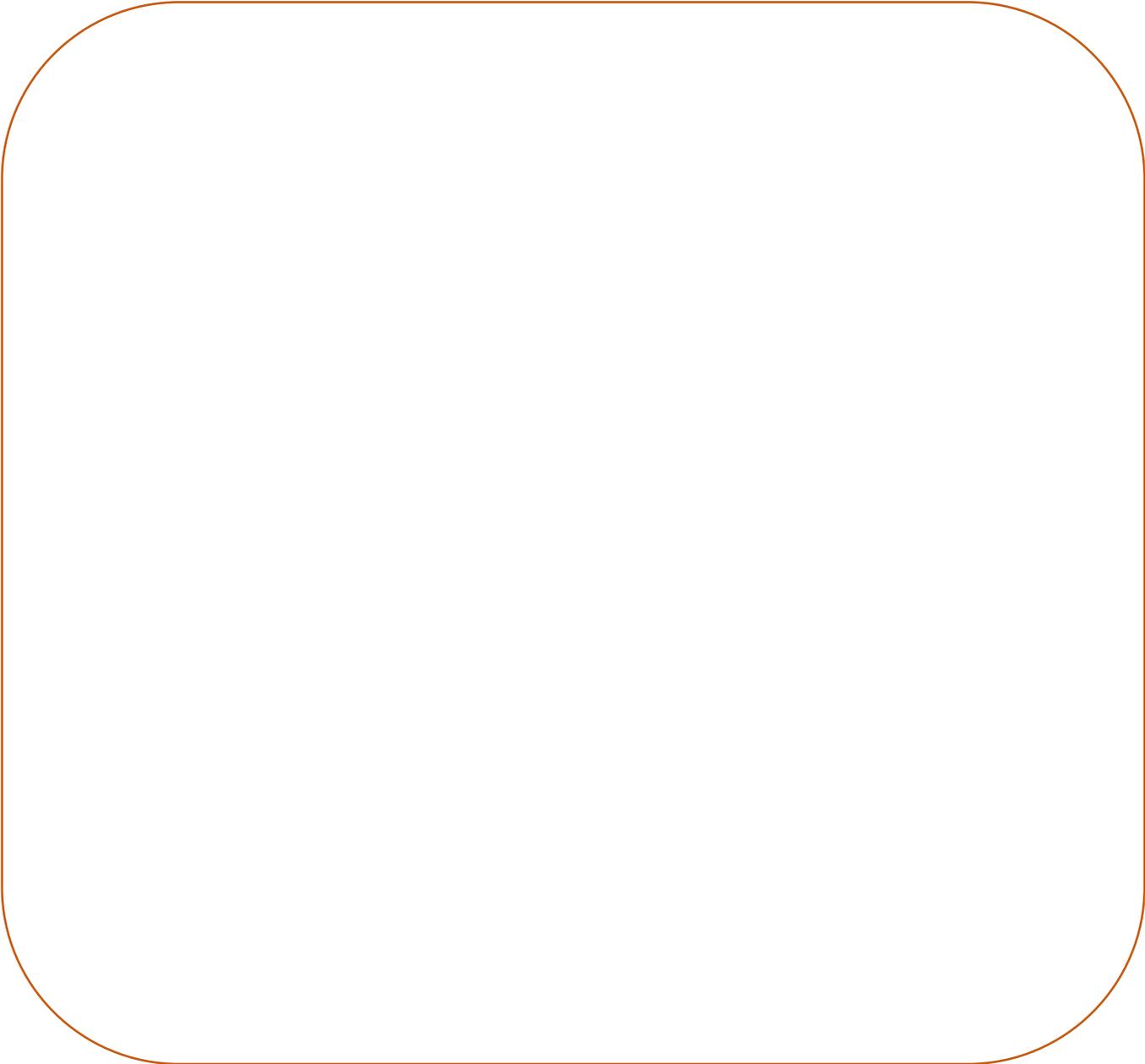
It is important to change your mindset to understand that you cannot keep making money if your business doesn't pay the key expenses that allow it to operate. It is so easy to be afraid when you have expenses and a slow sales month. I've been there. But you should not let your critical operating needs fall to the bottom of the “to pay now” list.

*You must prioritize your business income to pay the expenses that keep your business running first.*

Two important points about this. 1. your business is unique to you. You have a personal stamp on it that no one else has. In that vein, there aren't a “right” number or type of expenses at the stage of business you are in. 2. *The four walls will look different at each stage of business growth: solopreneur, side hustle, full time, employees, etc.* You must revisit your budget categories at least every six months, unless there are major changes.

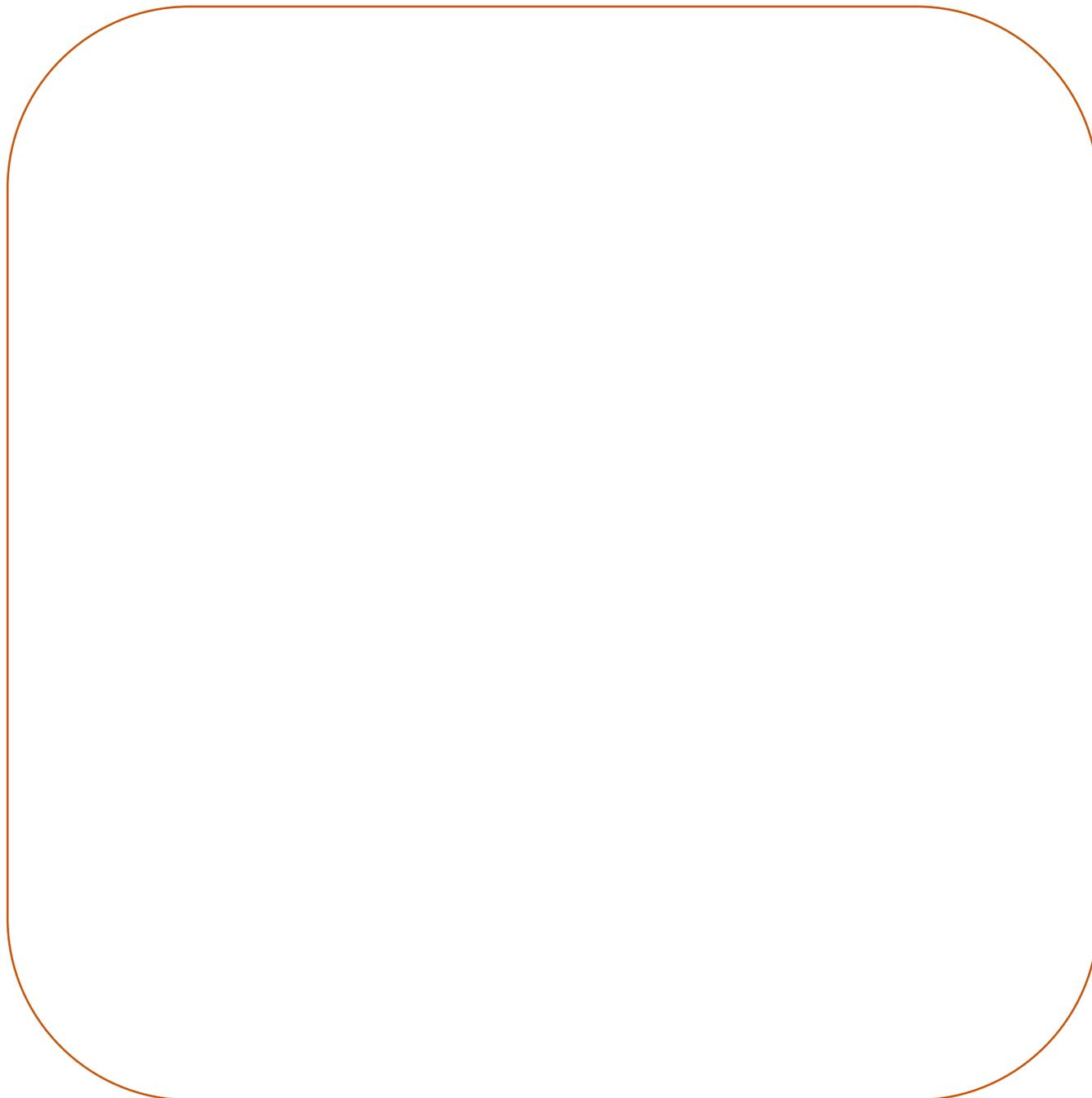
Use the following 3 step exercise to identify YOUR business's critical expenses and separate those from everything else.

**Step 1:** Write down everything you pay every single month- I mean every bill or expense related to your business. It should include non- four wall expenses, and any loan or credit payments. Don't worry about amounts, yet, just the expenses. Put them all down!



**Step 2:** Go back now, into your list and put an \* (asterisk) by every expense that you **absolutely need** to keep your business operating. Now, add a – (dash) next to the expenses that are important, but if they don't get paid, your ability to do business won't be interrupted. Don't worry, you will budget to pay all your bills.

**Step 3:** List the expenses with the \* (asterisk) here:



Next, we will sort the expenses with the (\*) asterisks into the “four walls.”

If you have blanks left over after these exercises, that's fine. You can, and should, repeat these exercises when business conditions change, to ensure that nothing gets missed. Don't worry if you remember things as you continue through! This is a process. Just go back and add it...



## The First Wall- Rent (or Internet) and utilities so you can keep the doors open

Whether you are a product based, service based, or some other venture such as a vehicle-based business, you must FIRST pay the expense that keeps the door open. For example:

- If you are in ecommerce, but didn't pay your internet and domain expenses, you cannot reach the customers who buy from you.
- If you have a “brick and mortar” boutique, and the landlord locks the door for non-payment, you cannot sell to customers.

*This is always the very first business expense, every month. Pay your rent!*

Next, you must have lights, heat (even in your own home), and in most cases a phone to operate. If you can keep the door open, but don't have electric, heat, or a way to communicate with your clients, you are not open.

If you are a home-based business, do not take your personal budget payments for utilities for granted! Put aside a percentage of your income, relative to the amount of office space you use for utilities. You should also pay your cell phone if it is primarily for business.



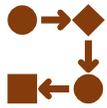
## Worksheet for the first wall: Rent and utilities or similar expenses

If you are a brick and mortar business, your first wall will be rent on your physical space and utilities. If you are e-commerce or services online, your first wall will be internet, payment software (or provider) if any, and any other expense that keeps you online. If you have a different business model, perhaps a hybrid of shared space and internet, include both. Make notes if you know of any upcoming changes in this wall.

List your expenses and amounts here:

Notes about changes or expected new expenses in the next 2-3 months:  
(ex: changing internet providers)

**Total Your First Wall Monthly Expenses:** \_\_\_\_\_



## The Second Wall- Other operating expenses for running the business

I pay monthly amounts for my cloud-based software, payment system, and Zoom account. These are critical to my business operation. I cannot operate without accessing files and having my client's access them, take payment for services, or lose the ability to videoconference with my clients. These expenses, if not paid, would shut me down very, very quickly.

These are the “critical” expenses, meaning that I cannot operate without them.

You have other expenses tied to the critical operation of your business. You need to identify them and prioritize them as the expenses that go “next.” If you can live without a service or product related to running your business, ask, “do I really need this?”

Think:

- Payment services
- Software on a monthly subscription
- Gas for your car if you travel to deliver goods or services

Another note on “critical business expenses.” Many of us start out with certain expenses that are important to us, maybe logo items for example, that we think are “critical”, but they really aren't. If the expense isn't absolutely critical to providing your clients with legendary service, it is not part of your second wall. Your second wall should be as “lean” as possible.

I want you to think of your business money in terms of longevity. Think staying power. I got rid of a software program called, “PDF Filler” because even though it was a fantastic program, I just didn't use it that much, so it ended up being “nice to have.” *If you don't use something each and every month, it may be more cost effective to cancel a subscription, and just pay for a single use, if and when you need it.*

And, at the risk of offending some people here, this means managing your money over the long term, perhaps when the novelty of what you do, make, sell, wears off. Maybe instead of \$8.00 gift boxes, you can find great \$4.00 ones and save the extra in an emergency fund for slower months. You are in control of your decisions. Also, if the boxes are that important to you and your business, **no judgment here!** Perhaps take an objective look in some other place you might be able to pare down critical expenses to a minimum.



## Worksheet the Second Wall: Critical Operating Expenses.

These are the expenses for the services or goods **you absolutely need to continue doing business, no matter what!**

Expense: \_\_\_\_\_ Amount: \_\_\_\_\_

Notes about upcoming changes:

Expenses to re-look:

**Total Your Second Wall Monthly Expenses:** \_\_\_\_\_



## The Third Wall- Inventory to sell or products to use

Seems almost obvious, but if you don't have anything to sell- you can't make money. If you are in a business that sells or creates products, you probably need either to get inventory to sell, or raw materials to create what you sell. For example, if you are:

- a beauty salon that does lash extensions, and don't have lashes, you can't take clients.
- A reseller on eBay, you must have things to sell.
- A custom tee shirt designer you probably need, at a minimum, the blank shirts and vinyl.

The key here, when money is tight, (and it may be some months) *is to be reasonable in purchasing inventory*. Buy only what you need to sell, plus a little for new customers or clients. One mistake many business owners make is having overestimated their needs. Having stock or product lying around that isn't being sold **is money sitting on a shelf** that could have been used for other things.

*Special Note if you are a boutique or other business that changes inventory on a regular basis:* you may have to order and plan seasonally, so this can be tricky. Many boutique owners have relationships with other owners to buy and sell excess inventory, or with vendors who can take reorders as needed.

- Purchase what you NEED, and don't overdo it when money is tight
- You may have to purchase a few months out for the season, and payment won't be due until inventory ships
- The money due when the apparel ships will be put into an account (and not touched) as if you paid it today. That is your cost to set aside in this category

*Special Note for E-commerce sellers:* you have the additional expense of shipping

- Any shipping costs need to be figured into this category, because customers won't purchase if they don't receive their merchandise!
- Put this as a line item into your budget. I know, I know, clients pay shipping
- But you need to purchase packing supplies and boxes up front to have on hand, and if you use logo anything for shipping, you cannot risk running out. Do not short yourself here



## Worksheet for your third wall:

\* Item: \_\_\_\_\_ cost: \_\_\_\_\_

Total sold last month: \_\_\_\_\_ Notes: \_\_\_\_\_

\* Item: \_\_\_\_\_ cost: \_\_\_\_\_

Total sold last month: \_\_\_\_\_ Notes: \_\_\_\_\_

\* Item: \_\_\_\_\_ cost: \_\_\_\_\_

Total sold last month: \_\_\_\_\_ Notes: \_\_\_\_\_

\* Item: \_\_\_\_\_ cost: \_\_\_\_\_

Total sold last month: \_\_\_\_\_ Notes: \_\_\_\_\_

\* Item: \_\_\_\_\_ cost: \_\_\_\_\_

Total sold last month: \_\_\_\_\_ Notes: \_\_\_\_\_

Notes:

**Total Your Third Wall Expenses Here:** \_\_\_\_\_

A last thing on the third wall: you may want to take note of your “long lead items,” the ones **that take the longest to receive after you order them.**

Perhaps keep more of those items, but less of the items you can have shipped within a few days. These products and numbers will change, no worries, just keep an idea of how much you use and reorder each month, so you can plan to keep money on hand to replenish if you have an odd income cycle.

## The Fourth Wall- Payroll and Payroll Expenses

If you do not have employees yet, but you pay yourself, **you get paid before debt.** Trust me, you do. You are a business expense. If you have employees, they get paid. Period. We've all heard stories of paychecks bouncing... never let that be you. If you have employees, but things get VERY tight, and you must lay off, even temporarily, your employees will appreciate that you paid them always, and on time. Pay your payroll taxes as well.

This is an important wall of your business to figure/consider even if you do not yet have employees or take a check from your business. This is also a great planning tool if you are considering hiring an employee or increasing your salary. If you are looking to add employees, this should be a guide for your financial decision. You need to know what this expense will be (generally) so you can plan and put enough in the management reserve.

To figure out your fourth wall, you need to determine:

1. Hourly wages or salary by position, including yours
2. Gross weekly or bi-weekly wages
3. Your portion of employer taxes
4. Your personal tax withholding for self-employment

If you are the only employee for your business, set aside the proper amount of self-employment taxes for the pay period. **You must write yourself a business check for your reasonable salary, don't just take from the till.** You won't want to take all of your net profit for personal bills. In step one we talked about setting up a personal written budget. It is in that budget you will decide your target salary to aim for from your business.

Pay your quarterly (or other scheduled) self-employment portion of your taxes. I pay into my tax account online every time I get paid, every two weeks. You will also thank me at the end of the year when you don't have a nasty tax bill directly related to your self-employment or employees.

As an employer in the United States, you will have additional out of pocket costs above the hourly wage. You must contribute to your employee's Medicare and Social Security, as well as pay any state and federal employment insurance taxes. This often comes as a surprise to new employers. In the US you must pay a percentage of the employees Social Security and Medicare, and that is around 6.5% of the gross pay. They pay 6.5%, you pay 6.5% to equal the 13% required.

There are four worksheets to estimate your fourth wall.



## Payroll Worksheet 1: What are you paying? To Whom? How Often?

How often will or do you pay employees (including yourself)? \_\_\_\_\_ (every week, every 2 weeks, etc.)- You will need this for Monthly Estimates.

How much will or do you pay per hour/ or a salary? \_\_\_\_\_

If you have different hourly pay amounts for different roles, describe them and give amounts here:

Self: \_\_\_\_\_

Employee: Description: \_\_\_\_\_ cost/ hr. \_\_\_\_\_

Employee: Description: \_\_\_\_\_ cost/hr. \_\_\_\_\_

Notes:



## Payroll Worksheet 2: figure your gross wages per payday

You need to multiply the hourly wage by the number of hours, to estimate the gross wages **you will pay per payday**. EX: if you pay weekly, and you have an employee making \$12.00/ hr. for 10 hours, the gross per week is \$122.00 For each employee or for yourself:

Self: \_\_\_\_\_

Employee: per hour: \_\_\_\_\_ estimated hrs.: \_\_\_\_\_ cost \_\_\_\_\_

Employee: per hour: \_\_\_\_\_ estimated hrs.: \_\_\_\_\_ cost \_\_\_\_\_

Employee: per hour: \_\_\_\_\_ estimated hrs.: \_\_\_\_\_ cost \_\_\_\_\_

Employee: per hour: \_\_\_\_\_ estimated hrs.: \_\_\_\_\_ cost \_\_\_\_\_

Employee: per hour: \_\_\_\_\_ estimated hrs.: \_\_\_\_\_ cost \_\_\_\_\_

Add the costs for each employee to determine your estimated gross pay total for payroll **every pay period**: \_\_\_\_\_

If there is an odd income fluctuation, looking at your gross pay to each employee per pay period may be a good way to make scheduling adjustments if needed.

Notes:



## Payroll Worksheet 3: Other Payroll Costs

As an employer, you have additional out of pocket costs above the hourly wage. This often comes as a surprise to new employers, because we understand tax withholding from the employee is when we deposit their federal and state taxes. In the US you must pay a percentage of the employees Social Security and Medicare, and that is around 6.5% of the gross pay. They pay 6.5%, you pay 6.5% to equal the 13% required. If you are a US employer, withhold your portion of Social Security and Medicare. Your withholding for your employees is in addition to their hourly pay. So, if you pay \$10.00/hour you must also pay a percentage of that cost out of pocket for your portion of withholding. What is your withholding now, or likely to be?

For self-employment, have an accountant help you figure the percentage for your personal taxes, or use an online tool to help.

Amount of withholding **per pay period**:

Self: \_\_\_\_\_

Employee: gross: \_\_\_\_\_ + withholding: \_\_\_\_\_ = employee cost \_\_\_\_\_

Employee: gross: \_\_\_\_\_ + withholding: \_\_\_\_\_ = employee cost \_\_\_\_\_

Employee: gross: \_\_\_\_\_ + withholding: \_\_\_\_\_ = employee cost \_\_\_\_\_

Employee: gross: \_\_\_\_\_ + withholding: \_\_\_\_\_ = employee cost \_\_\_\_\_

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Employee: gross: \_\_\_\_\_ + withholding: \_\_\_\_\_ = employee cost \_\_\_\_\_

Add the total employee costs for your employees to can get an estimate of your payroll costs **per pay period** \_\_\_\_\_

Notes:



## Payroll Worksheet 4: Monthly Estimates

- a. Take **Worksheet 2 total** and add it to **the Worksheet 3 total** \_\_\_\_\_. This is your estimated cost every payday.
- b. Multiply your estimated cost per payday by the number of pay periods in a month:
  - a. If you pay every two weeks multiply by 2: \_\_\_\_\_
  - b. If you pay every week multiply 4: \_\_\_\_\_

The total for either a or b is the **monthly amount** that you should anticipate for your payroll and withholding, unless you either reduce or increase hours for your employees.

### **Your Estimated Fourth Wall Monthly Expenses:** \_\_\_\_\_

If you are planning to add employees within the next 3-4 months, it is a good idea to repeat the worksheets to determine your upcoming future payroll expenses. Make sure you also account for any increased costs for adding employees if you pay an agency or accountant to manage your payroll.



## Figure Your Monthly 4 walls:

Transfer the totals from each of the four wall worksheets:

Wall 1: \_\_\_\_\_

Wall 2: \_\_\_\_\_

Wall 3: \_\_\_\_\_

Wall 4: \_\_\_\_\_

Now add the four totals to determine your monthly four walls: \_\_\_\_\_

### **My Monthly 4 Walls:** \_\_\_\_\_

- This is the minimum amount your business must make for one month
- This is the number for ONE MONTH to start saving towards in your “emergency fund” or management reserve.



## Figure your total business “emergency fund”:

You must aim for 3-6 months of expenses in a management reserve.

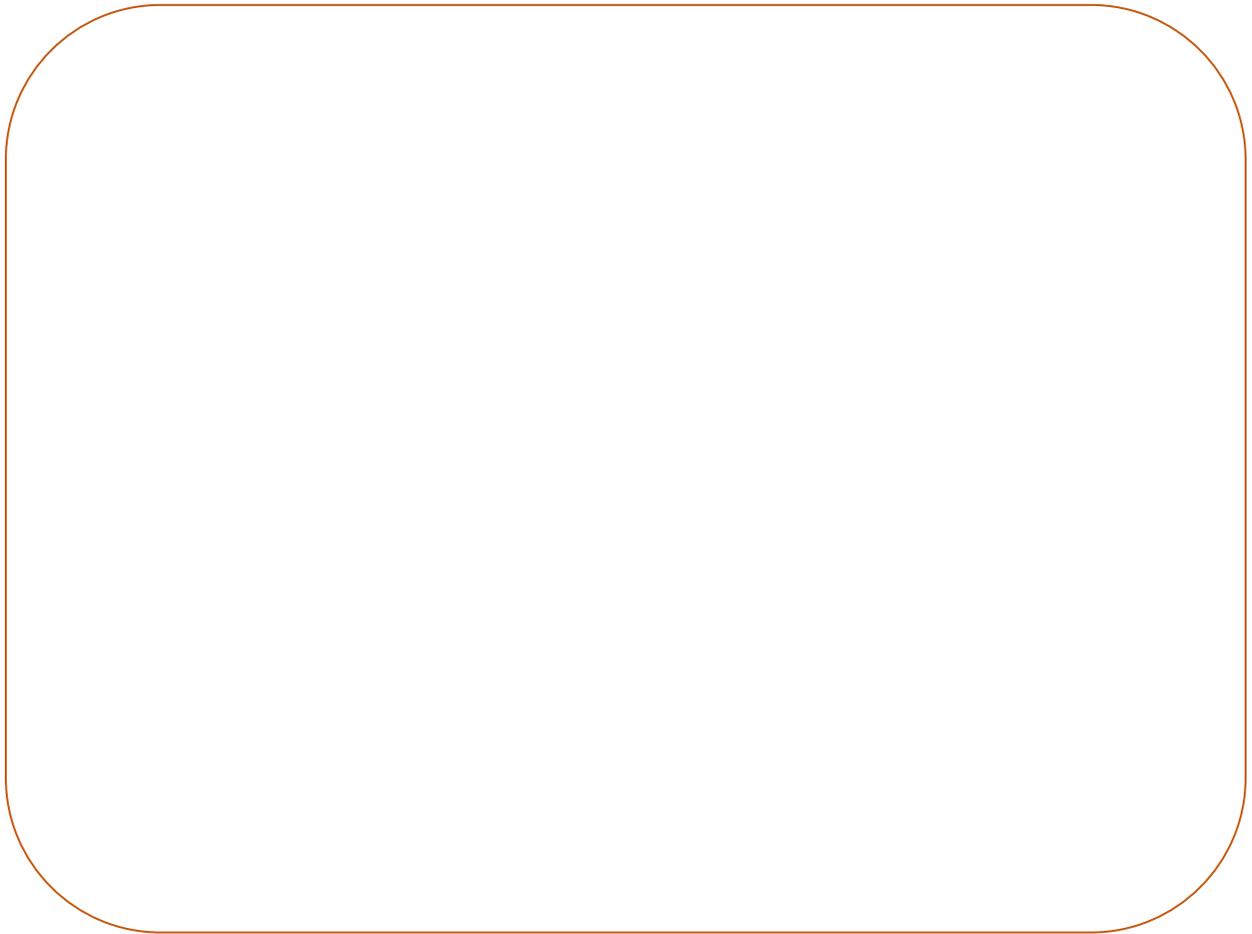
3-month reserve (3x your total) \_\_\_\_\_

6-month reserve (6x your total) \_\_\_\_\_

Don't panic if it looks like a big number to you, you can get there.

- Put a “management reserve” line item into your written budget
- Save a few hundred dollars a month toward your goal- you'll get it
- If you have a great sales month, fill it up before you spend outside your budget items!

Finish step 2 with a list of your Non-Critical Expenses  
These are the expenses you wrote down and marked with a dash (-).



## **Congratulations! You have completed step 2!**

- You know Your Expenses for Your Four Walls
- You know your one, three, and six months emergency fund amounts!
- You have identified all the bills that go on your monthly written business budget, 4 walls and the rest

## What if my business income doesn't yet cover my critical expenses (overhead)?

This question gets asked by many entrepreneurs, and the answer is simple- you need to take from your personal income, but it may be better to get another side gig. I am serious. Particularly if you have personal debt that limits the amount of money in the personal budget to cover any expenses that the business income cannot.

Even if you are just about covering your four walls, you may want to think about a side gig to stash cash in an emergency fund for the business. Just do the math, set your intention, and hustle.

The truth is, sometimes extra money from another side gig is necessary for the short term.

True story, I recently bartended at a wedding. Yup. I have no issue with getting out there and doing what I must do to reach my goals. Bonus: I love tending bar!

The key is that you can't care what anyone else thinks. Too many entrepreneurs start a business and believe, "I can't let anyone see me..." deliver pizza, tend bar, wait tables, work in retail, etc. There are so many very part-time things that entrepreneurs can do to make up any overhead gap.

Be VERY careful about using any type of credit or loan for routine overhead expenses. Avoid putting utilities on personal or business credit cards, for example, because in reality, you owe the electric bill twice: once to the electric company, and once to the bank. And the bank is charging interest on your electric bill. That is a quick way to go under.

# You are Ready for The Last Step!

## Step 3: The Sinking Fund for Routine Expenses

When you stop and really think about it, there are probably a few things that are renewed annually. Do you renew your business license annually? Business insurance? Domain name and SSL certificate? Chances are, you will have an average of five or six important business expenses that keep the doors open. It is important to figure out the non-monthly, but regular expenses that are important for the business.

You also need to:

- estimate the amount you will owe
- the month the expense comes due
- the amount per month you need to deposit to save for these expenses
- Then placing the estimated amount of money into a “holding” type account or reserving them separately in your checking account will allow you to have the funds available when the payments are due.

Here are a few additional things to consider when starting a sinking fund, to save a little each month for your expected annual expenses:

- Make sure IF you open a separate **CHECKING** account at the bank, you have a FREE account. Service fees will eat up what you put aside and cause you to go a bit backwards.
- Do NOT open a **SAVINGS** type account if you will make frequent withdrawals to pay these bills as they come due. In the U.S. “Regulation D” is a federal rule that limits you to 6 free transfers or withdrawals. After 6, you can be charged a fee for each one .
- In the beginning, you may have a bit of overlap *with what's due and what is saved*, so you may have to pay a bit more and continue saving. I know if you are living paycheck to paycheck this doesn't always allow much room, but if you don't start soon enough before the next expense, you may have to stretch.
  - Example: You have \$85.00 due in three months. You typically put away \$21.00/ month. In three months, you have \$63.00 saved, but are \$21.00 short. Pay the \$85.00, but still try to put away the \$21.00 so you are on track for the next expense due.



## Worksheet for Determining Your Sinking Fund

This worksheet is for the expenses you do not make monthly, perhaps your business license or insurance, dues for professional organizations, etc.

- List the expense,
- The month due
- How often it gets paid (every 3, 6, or 12 months)
- The amount,
- The month due,
- **and divide by 12** to determine your MONTHLY expense to save for your annual bill.

Expense: \_\_\_\_\_ Month due: \_\_\_\_\_

Frequency: \_\_\_\_\_ Amount: \_\_\_\_\_ Monthly budget: \_\_\_\_\_

Expense: \_\_\_\_\_ Month due: \_\_\_\_\_

Frequency: \_\_\_\_\_ Amount: \_\_\_\_\_ Monthly budget: \_\_\_\_\_

Expense: \_\_\_\_\_ Month due: \_\_\_\_\_

Frequency: \_\_\_\_\_ Amount: \_\_\_\_\_ Monthly budget: \_\_\_\_\_

Expense: \_\_\_\_\_ Month due: \_\_\_\_\_

Frequency: \_\_\_\_\_ Amount: \_\_\_\_\_ Monthly budget: \_\_\_\_\_

Expense: \_\_\_\_\_ Month due: \_\_\_\_\_

Frequency: \_\_\_\_\_ Amount: \_\_\_\_\_ Monthly budget: \_\_\_\_\_

Sinking fund expense total: \_\_\_\_\_ divide by 12: \_\_\_\_\_

Total to deposit monthly: \_\_\_\_\_

It's so easy to get frustrated when we forget when the annual bills come due, and of course they still come due. Consider the sinking fund as a way to put a little away each month to cover what you will need. The stress is really reduced when the amount you need for an expected expense isn't squeezed 100% from the same monthly budget.

# Congratulations!

You have taken the three biggest steps to managing your business finances.

You now know to:

1. *Create Separate Written Budgets* - Business & Personal
2. Prioritize your Expenses to ALWAYS Cover *Your 4 Walls*
3. Build a *Sinking Fund* for Routine Expenses

There is going to be work involved in setting up the budget and characterizing your expenses, but you now have the roadmap.

If you were unable to finish any of the worksheets, it's okay to get back to them and update them as new info arrives. If you are just starting, or recently opened, all of these categories and expenses may not be known yet, no worries, you can print out these pages as you need to add or revisit any financial information.

**BONUSES:** I have added three more keys that are important to note for every business owner.



## Always Pay Your Taxes!

If you collect sales taxes, know right up front, you are collecting someone else's money and holding it for them, keeping it safe, until you can send it to them. Make no mistake- you cannot touch sales or other taxes you are required to collect.

- Put the money IMMEDIATELY (daily) into a holding account strictly for that purpose.
- Open a second (free if you can get it) checking account only for that purpose.
- Never "co-mingle" or "mix" their money with your business's money.

There are also taxes that many businesses pay in addition to sales and use taxes. Use the sinking fund approach to save for them if you pay quarterly or any period more than monthly.

The state has the power to close your business for non-payment of taxes. Do not mess with this legal requirement. Know the requirements for submitting these taxes, monthly, quarterly, or semi-annually. Make sure they are submitted on time.



## Start Your Emergency Fund (Management Reserve) as soon as you can!

You need to start your "emergency fund" as soon as you can, ideally before you open your doors if you are just starting up. You need to have around three months of "four walls" expenses in reserve, *available to fill any gaps in your critical expenses if your income goes down.*

- Keep this fund in a separate account, from your operating account.
- The "reserve" money is not to be touched except for an emergency.
- This is not a fund that you continue to put into and pull out of.

To start your fund, you can take a percentage from the net profit from the months that have a lot of sales. I often see entrepreneurs get a good start on this account during the holiday shopping months starting in the fall. You can also use personal income to start this buffer account, or perhaps set aside the money from a "side-hustle" you take on until the income for the business is comfortable for you.

It's important to note that *this emergency fund can also act as a warning for your business*, a canary in a coal mine if you will. If you find that you are using this reserve account regularly for overhead expenses (and not just in a slightly down month) **it is a good indication that you need to re-look your business model, pricing, processes**, etc. to figure out why you are not generating enough income each month to cover those critical operating expenses.



## My Note About Managing Business Debt

A word of caution on using debt to start or run your business. I run a debt free operation, now. I didn't before when my husband and I ran UNEQ consulting, LLC. Today we talk about UNEQ Consulting (pronounced unique), LLC, in the past tense. Because it's been gone since March of 2014. On November 1st, 2013, Mike was working at a site in Eufaula, Alabama and fell headfirst 18 feet off a ladder. Onto concrete. Yup. In three seconds, our life was changed forever. By the grace of God, he survived. But our consulting business didn't.

And the realization that we were deeply in debt became evident. *We lost Mike's income, our business, and stared at the stack of bills we could no longer pay.* We were normal! Two car payments, personal and business credit cards, many we kept only for the "points"... we could have paid cash. But those credit cards "we paid

off every month" stopped being paid when the medical deductibles started needing to be paid, and I had to choose.

Mike has made an amazing recovery, but it has taken years of digging in and working hard to recover financially. I took a second and then third "side hustle" on, and we tackled the debts, in a snowball, until we had paid off \$76,000.00 in 39 months. We paid it all in full, including the IRS lien on the house (for back self-employment taxes), and have sworn off personal debt. There are some coaches and money pros that will tell you that business requires debt- I am always very, very cautious.

**If you currently have business debt, there is no judgment here.** As you read in my own story, I know where you are, because I was there a short time ago. You need a plan to get out or get it down as soon as you can, and it starts by not taking any more on. Prioritize your four walls, so you can keep operating. Fund your sinking fund. Then tackle the debt as if your life and business depend on it. Because one day it might.



Now you are also ready to set up a free call with me to discuss what you discovered and what you need so we can find your options for your next financial steps! You will come away from our call with ideas and tips to make managing your business money easier. You can use <https://dawnkennedy.as.me/schedule.php> to put yourself on my calendar. I look forward to chatting with you. This call is completely free, and I look forward to providing individualized assistance for your passion's money.

***Wishing You All the Best and Happy Entrepreneuring!***

## About the Author



Dawn Kennedy is the Entre Money Coach, a consumer lawyer and serial entrepreneur who is passionate about seeing other small businesses avoid the financial mistakes that threaten small businesses and the livelihoods of entrepreneurs. Thanks to technology, she has financial coaching, clients all over the world. She happily lives in an old farmhouse in Van Wert, Ohio with Mike, four dogs, and two cats. Reach her at [assist@entremoneycoach.com](mailto:assist@entremoneycoach.com)