

it's time to fund your business!

① Determine your ending cash balance 'low point'

↳ hint: look at the ending cash balance line of your CF statement; find the month that has the lowest balance in 2020

↳ round to an even number
ie: \$110,000

② Add a cushion!

↳ hint: this cushion should be approx. 1-2 months worth of operating expenses (look at your income statement)

ie: \$60,000

③ Add your numbers from steps #1 & #2 together.

↳ lowest point + cushion

ie: \$110,000 + \$60,000

= \$170,000

let's give this number a name...

your pre-loan funding

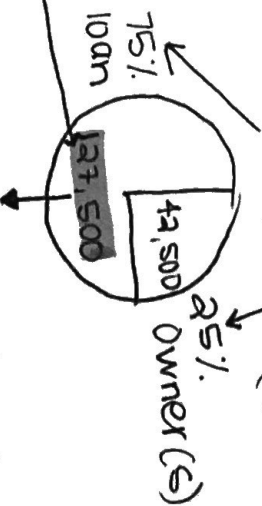
④ Determine what % you as owner(s) will contribute to your needed funding & what % you'll ask for in a loan

- ↳ common % breakdowns
- 30% owner, 70% loan
 - 25% owner, 75% loan
 - 40% owner, 60% loan

once you've determined your % breakdown...

⑤ Apply it to your pre-loan funding # (from step #3)

ie: → \$170,000 (w/ 25% / 75%)



⑥ This number needs to go into an amortization schedule calculator.

↳ I like the bankrate.com one!

1. Plug the number from here into the "mortgage amount" section
2. Plug in 5 into the "mortgage term in years" section (pay back in 5 yrs)
3. Plug in 8 into the "interest rate per year" (standard interest rate %)

funding your business continued...

7 Time to add your annual loan payment to your "pre-loan funding amount"

↳ on your amortization schedule calculator, hit "calculate" & you'll see your anticipated monthly payments. Multiply it by 12.

$$\begin{array}{r} \text{ie: } \$2585 \text{ (monthly payment)} \\ \times \quad 12 \\ \hline \$31,020 \text{ (annual anticipated loan payment)} \end{array}$$

8 Add the annual loan payment (anticipated) number to your "pre-loan funding" amount

$$\begin{array}{r} \text{ie: } \$31,020 \text{ (from step #7)} \\ 170,000 \text{ (from step #3)} \\ \hline \end{array}$$

~~\$201,020~~
THIS is the amount of funding you need to have better ending cash balance

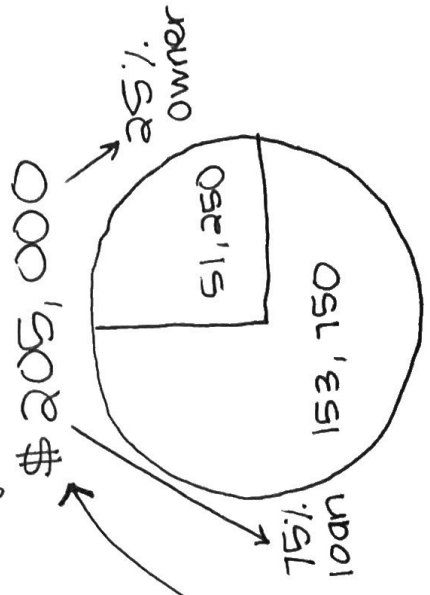
~~\$205,000~~

↳ rounded up to a nicer-looking even number.

9 Now recall your % breakdown for your funding (how much owner(s) contribute, how much in loan)

↳ mine were: 25% owner, 75% loan

10 Another pie chart! This time, use your number from step #8.



These numbers aren't super pretty, so I'm going to round them up/down:

$$\begin{array}{l} \text{Loan: } \$155,000 \\ \text{Owner: } \$50,000 \end{array} \quad \text{---} \quad = \$205,000$$

11 Plug these numbers into your ~~cash flow statement!~~