

# Burn rate template

The Burn Rate template helps you to work out the date when your business will likely run out of cash – otherwise known as its cash-zero date.

You'll then know how long your business will be able to keep going until it needs more funding.

## Find out how long your business can survive before it needs

<b>Today's date:</b>	
Enter your cash you have available now	
Enter your total monthly costs	
Enter your average monthly sales	
<b>Cash zero date</b>	

### Reserves, costs and sales

The template will automatically input today's date. Fill in the three boxes below the date. Start by entering the dollar amount of your cash and capital reserves, followed by your total monthly costs. Lastly, enter your average monthly sales figure (include all funds you expect to deposit into your bank account).

Your cash zero date will automatically be generated by the template. As an example, say you own a small convenience store with cash and capital reserves of \$1000, total monthly costs of \$600, and average monthly sales of \$500.

This would give your business ten months (relative to today's date) before you hit cash zero. In other words, you could pay your costs for ten months with your available reserves and monthly sales. After that time, you'd need extra funding.

To improve your situation, you'd have to either reduce your monthly expenses or increase your average monthly sales.

### Usefulness

Using the Burn Rate template will allow you to be aware of your business's cash situation early. If you need to, you can then plan to make changes to your business model.

You'll also have a clearer idea about whether you can afford to expand, hire another staff member or introduce a new product line.

### Note

This is a guide only and should neither replace competent advice, nor be taken or relied upon as financial or professional advice. Seek professional advice before making any decision that could affect your business.

# Burn rate template

## Burn Rate

### 1. Enter your cash and capital reserves

The burn rate template will provide early awareness of your business's cash situation. You can then plan to make changes to your business model if necessary as you'll also have a clearer idea about whether you can afford to:

- › Expand
- › Hire another staff member
- › Introduce a new product line.

Enter your cash and capital reserves figure. This is the money (or safety net) you've set aside to ensure your business has adequate funding during lean times.

### 2. Enter your total monthly costs

Input your business's total monthly costs.

These costs might consist of:

- › Rent - at \$6,000 per month
- › Electricity - costing \$800 each month
- › Wages - at \$2,500 a month for one employee.

In this instance, your total monthly costs would come to \$9,300, so you would enter this figure in your template.

### 3. Enter your average monthly sales

Enter your business's average monthly sales - and be sure to include all the funds you expect to deposit into your business bank account.

For example, if you owned a bicycle store, your average monthly sales could be made up of:

- › Bike sales - \$30,000 per month
- › Accessories - \$6,000 on average each month
- › Bike repairs and maintenance - \$4,000 a month.

In this instance, your average monthly sales would total \$40,000, so you would enter this figure.

After you enter these three figures, you'll be given a cash-zero date. You'll be able to pay your costs until that date at your current levels of sales and expenses.

After this date, you'll need additional funding.

### 4. Evaluate your cash-zero date

Look at your cash-zero date and, now that you know your business's starting point for negative cash flow, you have time to create an action plan to avoid it.

Your cash-zero date varies according to your sales and expenses, which is why it's important to continually check your cash flow. The sooner you're aware of it, the more time you'll have to plan and act.

## How to improve

If your cash-zero date is approaching sooner than you'd like, consider the following strategies:

### 1. Reduce monthly expenses

Lowering your burn rate extends your cash runway. Look for ways to cut costs without sacrificing business growth:

- › Negotiate with suppliers for better pricing on inventory.
- › Reduce discretionary spending on marketing, software, or non-essential services.
- › Evaluate staffing needs and consider contract or part-time employees instead of full-time hires.
- › Lower overhead costs by renegotiating rent or switching to more cost-effective utilities and services.

### 2. Increase monthly sales

Boosting revenue is another way to improve your financial outlook:

- › Improve marketing efforts by leveraging social media and email campaigns to drive sales.
- › Offer promotions and discounts to attract more customers and increase short-term revenue.
- › Expand product or service offerings to meet additional customer needs.
- › Improve customer retention by providing excellent service and implementing loyalty programs.

### 3. Secure additional funding

If cutting costs and increasing revenue aren't enough, consider seeking external funding options:

- › Apply for a business loan or line of credit to provide working capital.
- › Seek investment from partners or venture capitalists if your business has strong growth potential.
- › Explore grants or small business assistance programs available in your industry or region.

When you consistently monitor your burn rate, you're making sure your business remains financially stable.