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CASHFLOW MISTAKES

ENTREPRENEURS
MUST AVOID
AT ALL COSTS!

**UPDATED
FOR
2024**

SAVAGE
SECRETS

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INTRO

According to the Small Business Association (SBA), 82% of businesses fail because of poor cashflow. Holy shit!!! What???

If you started a company to chase your dream, you are most likely working in an area where you have a high level of passion. You may have busted your ass to get to where you are, but unfortunately, passion and hustle are not enough. You need different skills if you want to continue to grow and you **MUST UNDERSTAND CASHFLOW!!!**



For entrepreneurs, managing your cashflow is a critical aspect of running your business. Cashflow is the amount of cash that flows in and out of your business, and it's a key indicator of your company's financial health. Cashflow IS NOT PROFIT & LOSS. You can be profitable and still have shitty cashflow. You can be losing money but still be in a strong cash position.

Without proper cashflow skills, you will quickly run into financial trouble, which can ultimately lead to failure. In this article, you'll learn the five biggest cashflow mistakes you, as an entrepreneur and business owner, must avoid at all costs.



1

NO PLAN



Not having a cashflow plan in place is one of the biggest mistakes entrepreneurs make. A cashflow plan is a detailed projection of your business's cash inflows and outflows over a specific period. It helps you anticipate cashflow problems and make informed decisions to avoid them. Without a cashflow plan, you're essentially flying blind, and you will likely not realize you have a problem until it's too late.

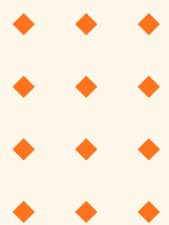


2

OVERESTIMATING



Another common mistake is overestimating revenue. It's common for entrepreneurs to assume that they will make more money than they actually do. This can lead to a cashflow shortage, especially if you've made plans to spend money based on your revenue projections. To avoid this mistake, you must look at both best and worst-case revenue projections and have a cash infusion strategy if you miss your sales forecast.



3

TAXES



Taxes can be a significant expense for your company, and not setting aside money for this expense can cause serious problems with your cashflow. I have personally worked with entrepreneurs that were forced to pay hundreds of thousands of dollars in back taxes and penalties because they did not plan for taxes.

To avoid this mistake, you should set aside a portion of your revenue to pay for taxes. The exact amount you'll need to set aside will depend on your business's size, location, and tax obligations. By setting aside money for taxes, you'll avoid a situation where you don't have enough cash on hand to pay your tax bill.



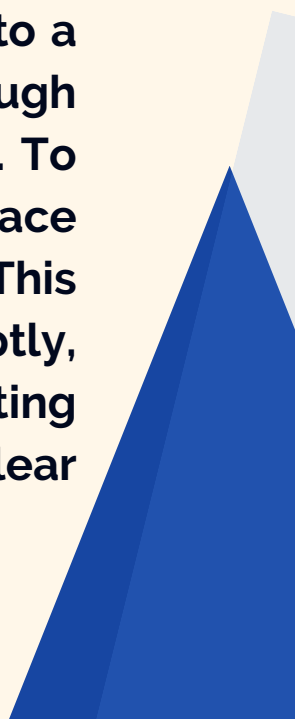
4

POOR RECEIVABLES



Not managing accounts receivable kills cashflow. Accounts receivable refers to the amount of money owed to your business by customers who haven't paid yet. If you run a cash based or eCommerce business, this may not apply to you, but it is still essential to understand the fundamentals.

Not managing your accounts receivable can lead to a cashflow shortage, as you may not have enough money to pay your bills or invest in your business. To avoid this mistake, you should have a system in place to track and manage your accounts receivable. This can include sending out invoices promptly, aggressively following up on late payments, getting payments or deposits up front, and setting clear payment terms with your customers.



5

HIGH EXPENSES



Finally, failing to control expenses is a significant cashflow mistake that way too many entrepreneurs make. It's easy to get caught up in the passion of your industry and the excitement of growing your business, but overspending on things like office space, employees, marketing, and a whole bunch of other unnecessary shit will kill you.

Overspending can quickly drain your cash reserves and lead to financial trouble. To avoid this mistake, you should create a cashflow budget and analyze your results monthly. Be mindful of every dollar you spend and focus on investing in things that will help your business grow.



6

NOT CURRENT



A critical oversight that can lead businesses into financial ruin is the failure to update their cashflow spreadsheet on a monthly basis and forecast out for the next 12 months. This task is essential for several reasons:

Real-Time Financial Health Assessment: Regular updates provide a current view of the business's financial health, enabling timely adjustments to spending, investment, and strategy to avoid cash shortages or surpluses that could be better deployed. Each line item, higher or lower than original forecast, must be reviewed.

Accuracy in Forecasting: By updating monthly, you refine the accuracy of your cashflow forecasts. Each month's actual figures help to adjust future projections, making them more reliable for decision-making. This iterative process is crucial for developing a financial strategy that reflects the real-world dynamics of your business.

Identifying Trends and Patterns: Consistent updates allow you to spot trends and patterns in cashflow, such as seasonal fluctuations in revenue or expenses. This insight is invaluable for planning purposes, such as stockpiling resources during lean months or capitalizing on expected peaks in demand.

Strategy Adjustment: Face facts, none of us have a crystal ball. Entrepreneurship is dynamic, with frequent changes in market conditions, consumer behavior, and competitive landscapes. Monthly updates to your cashflow spreadsheet make your strategy equally dynamic, allowing for swift responses to external pressures and opportunities.

Show Me The Money: For businesses seeking investment, loans, or partnerships, demonstrating disciplined financial management through up-to-date cashflow analysis can significantly enhance credibility with stakeholders.

Neglecting to update your cashflow spreadsheet every month is simply irresponsible. Without the guidance of accurate, current financial data, making informed decisions becomes guesswork, significantly increasing the risk of financial mismanagement. Regular updates ensure that your business remains agile, informed, and capable of thriving in the face of financial challenges.



7

REVIEWS & REPORTS



One significant mistake that entrepreneurs make is not thoroughly reviewing specific Profit and Loss (P&L) reports every month. These detailed reviews are crucial for financial oversight and informed decision-making. Here are the four essential P&L reports to be analyzed:

Current Month P&L vs. Prior Year: This report compares the current month's profit and loss statement with the same month in the previous year, highlighting differences in dollars and percentages. It allows businesses to identify significant changes in revenues, costs, and profitability on a year-over-year basis, providing insights into seasonal impacts, growth trends, and areas requiring attention.

Current Month P&L Analysis as a Percentage of Sales: This analysis breaks down each line item of the current month's P&L as a percentage of total sales, allowing for a detailed understanding of how each segment of spending or revenue contributes to the overall financial picture. Comparing these percentages with the prior...

...year can reveal shifts in cost structure, profitability of sales, and areas where efficiencies or inefficiencies are emerging.

Year-to-Date P&L vs. Prior Year: Similar to the monthly comparison, this report looks at the year-to-date figures and compares them against the same period in the previous year, analyzing differences in both dollars and percentages. This longer-term view helps identify overarching trends, adjustments in strategy effectiveness, and cumulative impacts of operational decisions.

Year-to-Date P&L Analysis as a Percentage of Sales: Reviewing the year-to-date figures with each line item expressed as a percentage of sales, and comparing these figures to the prior year, offers deeper insights into the business's financial health over time. It provides a clear view of how revenue streams and expense categories are evolving, influencing the net profitability and financial stability.

It is also crucial to engage in these reviews with your bookkeeper, controller, or CFO. This collaboration ensures a comprehensive understanding of the financial data, facilitates strategic discussions about financial planning, and leverages their expertise to identify potential issues or opportunities for improvement. Regular, detailed examination of these four P&L reports is indispensable for maintaining a robust financial management framework, enabling proactive adjustments and fostering sustainable growth.



CONCLUSION

Cashflow management is a critical aspect of running a successful business, and entrepreneurs must have a good grip on these fundamentals to avoid the pitfalls these mistakes can create. By having a cashflow plan, being realistic about revenue projections, setting aside money for taxes, managing accounts receivable, controlling expenses, consistently updating your cashflow spreadsheet and reviewing reports, you'll be able to manage your cashflow effectively and avoid unexpected cashflow problems. Remember, cashflow management is an ongoing process, and you should regularly review your financial situation with your financial team to identify potential problems and opportunities. By being proactive and vigilant, you'll set your business up for long-term success.



After building several multi-million dollar companies over the past 30 years and speaking with thousands of business owners, I understand, with 100% certainty, why so many passionate, driven, entrepreneurs often fail at cashflow and I can help.

Need help with your cashflow? Click here to book a 15-minute CRUSH IT call with me today!

WHAT'S NEXT?

Like most entrepreneurs, you feel stuck because you're working a ton of hours without seeing a path forward.

You need a plan and help navigating all the pitfalls that come with this journey to the next level.

Help that gives you more time freedom so you can get back to doing what you love and what you're good at.



Hi, I'm Mike Savage,



Having built several multi-million-dollar companies over the past 30 years, I have been through almost every possible challenge that an entrepreneur can face.

100's of entrepreneurs just like you have leveraged my experience to get to the next level while saving time, money, and the heartache of trying to figure it out alone.

BOOK A BREAKTHROUGH CALL



CEO & Founder
of Savage Secrets



WHAT PEOPLE ARE SAYING



"Mike helped me see the big picture and set up the infrastructure needed to get to the next level."

Kim Penney

One-On-One College Consulting, LLC

"After a year of working with Mike, my SALES are up 30%, my EXPENSES are down 15% and my NET INCOME is up 168%!!!"

Pat Tuure

Out There Web Designs



"Mike is there to keep our focus on what's important and to keep us motivated to achieve just that! To anyone thinking of working with Mike, I'd say DO IT!"

John-Paul Plouffe

Golden Rule Home Care

"Mike helped me go from an owner/operator to a true business owner/leader that dreams big and I now see financial freedom in my future!"

Josh Gadbois

RenoVista Construction



"The one change that had the most profound impact on my business was managing cash and getting our cash sooner! The best decision we made was hiring Mike!"

John Reed

For2Fi

