

## How Much to Raise

### *Financial Projections*

Financial projections help you see gaps in your cash flow which might require you to bring on outside investment to prevent running out of cash. Many businesses raise capital when they are first starting out because it takes time to reach breakeven (when revenues meet or exceed expenses). If you can calculate how much of a shortfall you have before you reach breakeven, you know that you probably need to raise about that amount to be able to keep the doors open and not run out of cash.

If you do not yet have financial projections, we can provide a simple template.

### *What do You Need?*

Another approach you can use for determining how much you need to raise is to think about what you need to purchase to take your business to where you want it to be and how much that will cost. Here is an exercise to help you do that.

1. Make a detailed list of the things you need to buy over the next year or two that you cannot buy with current cash flow (or other resources such as barter).
2. Put dollar amounts next to the items you listed in Step 1. Add a 10-20% contingency line.
3. How will having that money affect your business? For example, if you hire two new sales reps, will that lead to more expenses e.g. will you have to hire a COO? If so, add those expenses to the list.
4. Consider creating more than one scenario. For example, if you focus on one line of business versus another, your needs will be different. Create multiple scenarios for each possibility. It is often best to choose the scenario that allows you to achieve breakeven while raising the lowest possible amount of money. You can also create scenarios for different amounts - you may want to raise a minimum of \$300,000, but you should also consider what a larger amount could make possible and consider setting a "stretch goal."

Below is an example:

Item	Low (items that I can't do without)	Medium (important but not essential)	High (nice to have)
Marketing campaign	\$75,000	\$100,000	\$200,000
Sales rep (1 year)	\$75,000	\$75,000	\$75,000
Programmer (1 year)	\$100,000	\$100,000	\$100,000
Salary increase for CEO (1 year)		\$25,000	\$50,000
Administrative Assistant (1 year)		\$65,000	\$65,000
Rent for larger office (1 year)			\$60,000
Professional video			\$25,000
Contingency (20%)	\$50,000	\$73,000	\$115,000
TOTAL	\$300,000	\$438,000	\$690,000

Create your own

Item	Low (items that I can't do without)	Medium (important but not essential)	High (nice to have)
Contingency (20%)			
TOTAL			

Based on reviewing my financial projections and what I need to buy for my business, my capital raising goal is

\$ \_\_\_\_\_ [can be a range and is not set in stone]

My goal is to raise that amount by \_\_\_\_\_ (date).