

A **good cash flow projection** is like a crystal ball for your business's bank account—it helps you see when money will come in, when it will go out, and whether you'll have enough on hand to cover your obligations.

## What Makes a Good Cash Flow Projection

### 1 Clear Timeframe

- Most are done **monthly** (sometimes weekly if cash is tight or seasonal).
  - Project 2 years ahead
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### 2 Realistic Income Estimates

- Base revenue forecasts on **real data** (past sales, signed contracts, seasonal trends) rather than wishful thinking.  
Include **timing**—when will you *actually receive* the cash?  
(Example: If you invoice in March but customers pay 30 days later, the cash shows up in April.)
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### 3 Detailed Outgoing Cash

Break expenses into logical, predictable categories:

Category	Examples
Operating	Rent, utilities, wages, insurance, subscriptions
Cost of goods sold	Materials, manufacturing, packaging
Marketing & sales	Ads, printing, events
Debt service	Loan repayments, credit card payments
Owner compensation	Draws or salaries
Taxes	Income tax, payroll tax, sales tax remittance
One-time purchases	New equipment, renovations

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### 4 Inflow & Outflow Timing

- Match cash inflows/outflows to **when the money moves**, not when it's earned or billed.
  - This helps you predict **cash crunches**—e.g., a big bill due before your next payment arrives.
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## 5 Built-in Contingencies

- Include a “**what if**” **buffer** for unexpected costs or slower-than-expected sales.
  - Many businesses use a **low-case scenario** alongside the main projection to prepare for surprises.
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## 6 Regular Updates

- A projection is a living document—review and update it **monthly** with actual numbers. Compare **projected vs. actual** to improve your accuracy.
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## Simple Structure of a Monthly Cash Flow Projection

Month	Cash In	Cash Out	Net Change	Ending Cash Balance
Jan	\$12,000	\$10,500	+\$1,500	\$6,500
Feb	\$11,000	\$12,200	-\$1,200	\$5,300
Mar	\$15,500	\$11,000	+\$4,500	\$9,800

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## Why It Matters

A good cash flow projection will:

- **Show if you can cover expenses** before they happen.
  - **Spot seasonal swings** or lean months in advance.
  - **Guide decisions** on hiring, inventory, equipment purchases, or taking on new debt.
  - **Support loan or grant applications** (lenders love to see it).
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