

Why Most Small Businesses Run Out Of Money And What To Do About It

Every year, millions of small businesses open their doors. And every year, a significant number of those businesses fail. One of the most common reasons for small business failure is running out of money.



The E-Myth Chief Financial Officer: Why Most Small Businesses Run Out of Money and What to Do About It

by Michael E. Gerber

★★★★☆ 4.5 out of 5

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There are a number of reasons why small businesses run out of money. Some of the most common include:

- **Poor financial management:** This can include not tracking expenses, not invoicing customers on time, and not having a budget.
- **Underestimating costs:** Many small business owners underestimate the costs of starting and running a business. This can lead to them running out of money before they can even get their business off the ground.

- **Overestimating revenue:** Another common mistake is to overestimate how much revenue a business will generate. This can lead to businesses spending more money than they can afford.
- **Unexpected expenses:** Even the best-laid plans can be derailed by unexpected expenses. This could include things like a broken down truck, a lost shipment, or a sudden increase in rent.
- **Seasonal fluctuations:** Some businesses experience seasonal fluctuations in their revenue. This can make it difficult to budget and can lead to businesses running out of money during slow periods.

So what can small business owners do to avoid running out of money?

Here are a few tips:

- **Track your expenses carefully:** This will help you identify areas where you can cut costs.
- **Invoice customers on time:** This will help you get paid faster and avoid cash flow problems.
- **Create a budget and stick to it:** This will help you control your spending and ensure that you have enough money to cover your expenses.
- **Plan for unexpected expenses:** Set aside a small amount of money each month for unexpected expenses.
- **Manage your inventory carefully:** Don't overstock your inventory, as this can tie up your cash flow.

- **Get help from a financial advisor:** A financial advisor can help you develop a financial plan and make sure that your business is on track.

By following these tips, you can help your small business avoid running out of money and increase your chances of success.

If you do find yourself running out of money, there are a number of things you can do to get back on track. These include:

- **Talk to your creditors:** See if you can negotiate more favorable payment terms.
- **Apply for a loan:** This can give you the cash flow you need to get back on your feet.
- **Sell off assets:** This could include equipment, inventory, or even your business itself.
- **Cut expenses:** This may mean reducing staff, closing a location, or renegotiating contracts.

Running out of money is a serious problem, but it doesn't have to be fatal. By taking action early on, you can increase your chances of getting your business back on track.



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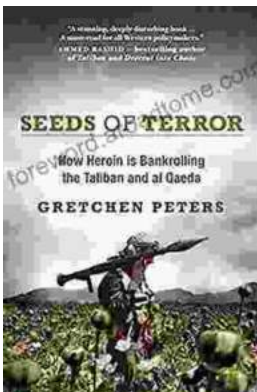
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