



Startup Series: Financial Basics & Readiness



Small Business Development Center Network

Dream Focused. Business Minded.

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Why Financial Readiness Matters

**Most businesses don't fail from bad ideas...
They fail from money problems.**

This is not about accounting.
It's about one question:

“Am I financially ready for this?”

Awareness > Perfection



Financial Reality Check

If your business made \$0 for 6 months...

What would happen to your life?

(Pause. Let it sit.)

No right answer—just awareness.

- 1 = I'd be okay
- 2 = It would be tight
- 3 = Not sustainable

Personal Finances → Business Success

Your business finances start with you.

- Credit
- Debt
- Savings
- Stress

Stronger personal finances = better business decisions.

Stability > Perfection

What does stability look like for you?

Debt, Savings & Your Safety Net

Before you start, ask:

- Do I have high-interest debt?
- Do I have a financial cushion?

3-6 months of expenses = strong position

Less than that = more pressure

Pressure (too much) reduces your ability to take high quality action

Survival vs. Growth Phase

Every business goes through this.

Most people underestimate the survival phase.

SURVIVAL PHASE

- Little or no income
- You carry the business
- High pressure

GROWTH PHASE

- Revenue starts coming in
- Business carries itself
- You build momentum

Funding Reality (Simplified)

If you want funding, lenders ask:

- Can we trust you?
- Can you repay?
- Do you have your own money in?
- Do you have backup?
- Does this make sense?

Your personal finances shape your options.

Financial Concepts (Keep It Simple)

At the core, every business tracks:

- Money IN
- Money OUT
- What you own vs. what you owe

Let's go a little deeper into each of these.

Income Statement (Profit & Loss)

Did you make money or not?

- Money IN → Revenue (sales)
- Money OUT → Expenses (costs)

Revenue - Expenses = Profit or Loss

This tells you if the business is working.

Profit ≠ What You Keep

Profit is not your take-home money.

- Taxes will be owed
- What you keep = Profit - Taxes - Other obligations

Every situation is different.

Plan for it before you spend it.

Cash Flow (The Lifeblood)

Cash Flow = Money moving in and out

- Money IN → Sales, payments received
- Money OUT → Bills, expenses, payroll

If cash runs out... the business stops.

You can be profitable on paper and still run out of cash.

Balance Sheet (Snapshot of Health)

What you have vs. what you owe.

- Own (Assets) → Cash, equipment, inventory
- Owe (Liabilities) → Loans, bills, debt

Assets - Liabilities = Your Position

This is your financial snapshot at any point in time.

Startup Costs

Two types of costs—and most people underestimate both.

ONE-TIME

- Setup & registration
- Equipment
- Licenses

ONGOING

- Rent & utilities
- Marketing
- Payroll

Common Pitfalls

Watch for these early:

- Overestimating revenue
- Underestimating expenses
- Relying too much on credit
- Not managing cash flow
- Mixing personal & business money

Which one feels most real to you?



Where Are You Now?

Be honest—no judgment.

- 1. Not ready yet
- 2. Exploring
- 3. Almost ready
- 4. Ready

You can move forward from any level.

Clarity = better decisions.

Your Next Steps

- Not ready yet → Build stability first
- Exploring → Keep learning + meet with an advisor
- Almost ready → Start planning + validating
- Ready → Build your strategy

We'll meet you where you are.