

FINANCIAL SURVIVAL

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Financial survival is a situation where **the money you have coming in (your income) is less than your money going out for business and personal expenses**. In other words, you are spending more than you are making. The shortfall is made up frequently by going into greater debt, drawing down your savings and investments, or from gifts from others.

Most of us experienced survival when we were in college and shortly after graduation. We had lots of time but money was scarce and had to be spent carefully.

People experience survival when they are starting a new business. Income usually builds up slowly while our expenses generally begin at a higher level so that we have a negative cash flow. The solution in a new business setting is to grow your business and increase income as expenses generally cannot be cut back. Most people starting businesses will get out of survival and into a breakeven situation given enough time. This will work as long as they have enough funds to get them through the period of negative cash flow without running out of money. Doing a cash flow projection where you estimate your inflows and business and personal outflows can be very useful during business start up as the projection will give you an idea of how much cash you will need to have to get to your breakeven point.

Sometimes a person will get into a business and never manage to grow it past a low level. They barely make enough income to pay their business expenses and often rely on a spouse or family to bail them out. It's as if they don't know how, or are unable to get the business growing past a certain minimal level. Very often this situation occurs when someone has an issue with being successful or they are in the wrong occupation. Looking at one's life goals, skills, and past is the way to explore this situation.

Probably the way most people find themselves in survival is when they allow their spending to get out of control. Typically this happens with personal expenses. Whatever money comes in is simply spent and then some. They are always living slightly above their means. They have a lot of fixed expenses, high debt loads and leases. They wonder why they never seem to get ahead. Typically, their spending goes up before a corresponding increase in income so they maintain the negative cash flow.

People in survival whose spending is out of control have a hard time with delayed gratification. They see something and want it now. They have no interest or vision of their future beyond their immediate wants. Typically, they feel out of control and unable to even conceive of functioning differently with their money.

When you are in survival, the goal is to get to breakeven (income equals business expenses, income taxes, and personal expenses). Once you are in a breakeven situation, the net outflow of your money then stops. The primary strategy in breakeven is to conserve cash. Defer and decrease unnecessary expenses. You can also get out of survival by increasing your income. However, be aware that if you have an issue on a survival level, you will increase your expenses as your income increases.