“What’s My Runway?”

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Your Available Investment Capital

1. How much do you have in savings, 401k’s, etc.?
2. How much equity do you have in your home? Multiple that by 0.75
3. Add in any other sources – trust funds, etc.
4. How much can you expect and are you willing to raise from family (Parents, Grandparents, siblings, etc.)?
5. How much can you raise from friends or other unnamed sources?
6. How much credit card debt do you have available?
7. Total these up – this is your baseline investment capital
Your Personal Monthly Income

1. What is your spouse/significant others monthly take home income?
2. What is your monthly take home income?
3. If you quit your job how much can you earn through consulting etc. while still pursuing the venture?
4. Do you have other sources of income (trusts, investments, etc.)? How much?
5. Total 1,2 & 4 – this is your personal monthly income before committing to the venture
6. Total 1,3 & 4 - this is your personal monthly income after committing to the venture
Your Personal Monthly Outflow

1. What is your monthly rent or mortgage payment?
2. What are you current car payments?
3. What do you spend on car insurance?
4. What do you spend on health insurance?
5. What do you spend on utilities?
6. What do you spend on phone, cable, internet, mobile?
7. What do you spend on food (groceries, restaurants & bars)
8. Budget for miscellaneous expenses and items not in above (Gas, auto repairs, entertainment, etc.)
9. Total 1-7 – This is your Personal Monthly Outflow
Your Business’ Monthly Burn Rate

1. Estimate the **revenues the business will collect** each month for at least the first 2 years (remember many customers demand terms)
2. Estimate the direct costs (labor & supplies) of providing the goods or services required to generate that revenue each month
3. Estimate monthly salary expenses (be sure to include payroll taxes & benefits)
4. Estimate monthly sales & marketing expenses
5. Estimate monthly office, rent and administrative expenses
6. Estimate the costs and date of capital equipment purchases
7. Estimate your inventory needs each month (you have to pay for these)
8. Estimate the business spend on phone, cable, internet, mobile, etc.
9. Budget for miscellaneous expenses and items not in above (Gas, auto repairs, entertainment, etc.)
10. Total 2 – 9 and subtract from 1 – This is your rough estimate of your business burn rate by month
Your Runway

1. Subtract your monthly outflow from the 2 monthly income figures (before you quit & after you quit). This is your personal monthly burn rate while getting a paycheck and not getting a paycheck.

2. You have to cover the personal burn rate when you start a business plus any losses the business generates until it becomes cash flow positive or you must raise additional capital.

3. Your Runway (months) = Available Investment Capital/ (Personal Burn Rate + Business Burn Rate)