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Hustle up! Series

Data Friendly Version

CASHFLOW 101



Lesson One

Cashflow needs

Why do I need to have a budget for my Side Hustle?

We all have ambitions to be our own boss, but we have to start somewhere. Whether it is through a side hustle or diving straight into a start-up business, we don't want our goals and success to fail due to a lack of cash flow. Keeping track of your Side Hustle's cash flow is so important in the early stages as this period is critical for your growth and liquidity (Cash on hand to spend).

All of the money management practices you will learn here are simply budgeting and managing your Side Hustle's income and expenses to allow for greater growth.

Business dealings

First thing is first, Open a bank account! In our current world, not much of your income and expenses are going to be paid with physical cash. You need a dedicated business account to facilitate these transfers, the benefit is that it provides you with an immediate form of tracking your money. Remember, in the beginning you want to minimise costs, so find a business bank account that has minimal fees. As your business grows then you can take on greater costs for the benefits they offer.

The purpose of your Business account is to separate your personal finances from that of your Side Hustle. Payments made for expenses and payments received from clients all need to be facilitated through your Business account. This makes tracking your finances much easier and provides a clear record of your Side Hustle's cash flow from the start of your operations.

Get set up with internet banking or a banking App to have instant access to your business account.

Money in and Money Out!

The purpose of managing your finances is to allow you as the owner, to view the profitability of your Side Hustle and your financial position. This information helps you decide on your next goals and steps. Therefore, you need to know exactly what money you are making and what you can afford to be spend within any given month.

Money In – Any money you make from selling your products/services. You need to keep a record of every sale for each month so that you can always be aware of what you have made for that month in sales. Ensure you keep the payments received and those still due to pay you later separate, you can't count money that is due to you as cash on hand until it is repaid.

Money Out – This accounts for all of the payments you have made out of your business account for costs involved with your Side Hustle. This can include your internet needs, ingredients for products, advertising, transport, and any other cost you need to keep you Hustle going.

Cash Flow – The trick in managing cash flow, is to make sure the above two elements always balance each other out. You always should be making more money than you are spending each month. If not, then you need to seriously find ways of cutting costs or bringing in more sales. What you make minus what you spend is your current Cash flow balance and needs to remain positive to keep you going.

Lesson Two

How to set up my statements and budget

Budgets and Templates

Your Budget statements will only be truly accurate if you track and record all income and expenses properly. This is made a whole lot easier through the advancements of Online banking! Using the statements from your dedicated business account, you can track every payment you have made, and income received within a month. This is a great place to start in putting together your budgets.

But keeping track of what has been paid and received will fall on your hands, so you need to be active each month in managing your money.

We have put together some templates and spreadsheets for you, so you have the foundation you need to start taking control!

Invoices

This needs to be one of the first things you create when offering out your product or services. It needs to be both informative and professional, a necessity to ensure you services and products are paid for and on time! Every single piece of work you provide and charge for needs to have an invoice created and provided to the customer. You will also need to do regular follow ups on invoices sent out to ensure you payments are coming in. It can be uncomfortable doing this but remember, this income is the lively hood of your Side Hustle.

See our template invoice that you can download, we have left the fields empty so that you can add your own details as needed. Or create your own copy to match this one!

Budget spreadsheets

You need to have a lot of discipline to maintain your Side Hustle's finances. However, this is made a lot easier by utilising the simple templates we have made accessible for download and for FREE. Below are two templates to use in setting up your financial statements and Side Hustle budgets. If you can set up and maintain these spreadsheets you will have a huge amount of comfort and confidence in your Side Hustle growth and success.

The Financial Summary Budget – Accounts for the Income and Expenses of your Side Hustle as well as incorporating the Cash Flow calculations within the same monthly template. Provides an overview of the Income Statement based on these monthly calculations all in one Master Template. We have included examples one each page so you know what should be included!

Creditors and Debtors Ledger – A single template to track all of the outstanding payments from clients as well as the long/short term credit due to be paid by your Side Hustle. We have included examples one each page so you know what should be included!

These Excel tools have been set up for a full calendar year with template allocations for your basic Side Hustle needs. Download them and make changes where you need. For each year You control your financial understanding and need to be comfortable with the ways in which you manage your money.

Lesson Three

Room for Growth!

Credit and loans

There is always a temptation to take out a credit loan to give your Side Hustle an immediate boost. But this option is not always sustainable as you are committing to a significant repayment every month. Rather try to minimise your costs when starting out and use what you have available. Almost all of the concepts within this Hustle Up series embrace the free alternatives to get started, so start there and use what is Free and available.

As your Side Hustle starts to grow and you are making a lot more money each month, then you can start to consider your options at expanding. If you are ready to open a shop, buy a vehicle for transport and other bigger moves – This is a good time to consider credit options.

Tax Obligations

Any Side Hustle you have that receives income will need to be taxed, this is standard and can be a lot trickier as a business owner than your personal tax requirements. As with any business, your income and profitability will fluctuate, and it is difficult to determine how much tax will need to be paid every year.

Always understand that tax is a legal requirement and ensure you make provisions for this expense when it is required. A good rule of measure is to allocate 15% of your profit towards taxes each month, it may be more or less than your eventual payments, but it should be close to the required value.

Once you start earning you first clients and income, consult a local tax consultant to advice on the requirements of your Side Hustle and how to navigate these issues along the way.

Growth and Outsourcing

As your business grows, so will the income and expenses you take on. This will start to make your budgeting practices a lot more complicated and time consuming. But growth brings further profits that will allow you to use services that ease the burden of this admin. There are countless options for financial consultants and accounting systems that automate and lighten your load with the financial recording and tracking you need.

Once you are able to cover the cost of these services, it is highly recommended that you find one that fits your budget and financial needs. You can than focus all of your energy on doing what you enjoy most and are passionate about – Growing your Side Hustle!!!

