

# How To Do A Family Financial Assessment

By Jeff Williams

How To Do A Family Financial Assessment

Jeff Williams  
jeff@bizstarters.com

Biz Starters <http://www.bizstarters.com>

Not starting a business with enough cash, known technically as being "undercapitalized", is probably second only to not researching your business concept as a major cause of small business failure. This outcome is usually the result of inadequate advance planning during the pre-launch phase.

First and foremost you must estimate what your family expenses are and how you will assure that your business income is sufficient to pay them. You should sit down with your family and honestly discuss the minimum amount of money the household must have each month to provide security. Ask each member of the family to offer one or two areas where some expense can be reduced.

In addition to knowing your living costs, you must also be brutally honest about your current debt situation. During the 1990's many families found themselves taking on increased debt in order to just get by. If your family is one of them, you should be realistic about your ability to take on more financial responsibility. New businesses almost always require more money to keep them running than the new owners estimate before starting. Remember: every dollar you must pay each month for credit card payments is a dollar not available to invest in marketing your new company.

To help you calculate your current family financial situation you should create a worksheet, which I call: My Current Financial Situation. Listed below are the categories to include. Some research among your household financial records may be required.

## Family Budget

Break your household expenses down into two groups:

- Fixed expenses. These are recurring expenses that don't change in dollar amount from month to month, such as your mortgage payment or auto loan payment. You may also be investing a fixed amount each month into a college savings plan.
- Variable expenses. All the rest of your monthly household expenses, which change some in dollar amount from month to month, such as entertainment, phone expenses, and groceries.

You may need to do some research.

To reveal these expenses may require going through your records. We suggest that you review

your cancelled checks for the past three months. Make a worksheet with the primary expense descriptions. List the dollar amount from each check under one of the headings. Similarly, examine your past three months of statements from each credit card account you use to pay household expenses.

### Family Balance Sheet

This part of the Current Financial Situation worksheet shows two additional aspects of your family financial situation:

- What you owe (debts or liabilities)  
E.g. Your mortgage loan balance.

- What you own (assets)  
E.g. Your house, autos, furniture, etc.

Be honest. If you kid yourself about your monthly debt payments before you launch your business, the cold, hard reality will only add to your psychological stress later.

### The Business Burden

When you look at your monthly family income, you should consider what will happen financially if you quit your job to pursue your business full-time.

Your expenses will not decrease much, but your income sure will. The difference between the family expenses and the family income other than yours can be called the "business burden." What this means is that unless you want your family's lifestyle to change dramatically, you must produce enough revenue from the business to cover the shortfall between expenses and the other household income.

Every month that you do not produce enough sales to cover this amount, you must borrow to keep the family going. This is why I call this the "business burden".

Jeff Williams worked for big business for years, until he decided to take his career in his own hands by establishing his practice as a small business trainer and coach. Since 1988, he has guided more than 3,000 people to successfully go from employee to boss. For those seriously considering self-employment, he is pleased to offer his free, monthly telegroup: "Are You Ready To Leave Your Job?". Register at: <http://www.bizstarters.com/ready2leave.cfm>  
Jeff may be reached at 847-593-5305 or by e-mail at: [jeff@bizstarters.com](mailto:jeff@bizstarters.com)

[Get-Articles.com : 1000's of reprintable business and internet marketing-related articles.](#)

[Submit your article for reprint.](#)