

Step 1: Estimate Your Total Startup Costs

Launching a business isn't just about having a great idea—it's about having **enough cash to reach your first real customers and survive until the business can support itself.**

This step helps you answer one critical question:

How much cash do I need to start my business and operate it until it reaches break-even?

Founders who underestimate startup costs often don't fail because the idea was bad—they run out of cash before the business gains traction.

What You'll Calculate in This Step

By the end of this step, you will know:

- Your **one-time startup investments** (and required cash down payments)
- Your **monthly operating expenses**
- How many months of **cash runway** you need to reach break-even
- A **contingency reserve** to protect against surprises

Your Total Startup Cash Required

Total Startup Cash Needed =
Cash Down Payments for One-Time Investments
+ Monthly Operating Expenses × Months to Break-Even
+ Contingency Reserve

Step 1: One-Time Startup Investments

One-time investments are items you typically purchase once and use over several years. These are usually recorded as **assets** on your balance sheet.

Common examples include:

- Computers, laptops, and servers
- Vehicles
- Equipment and machinery
- Furniture and fixtures
- Leasehold improvements
- Buildings or real estate

- Initial inventory (for product-based businesses)
- Intangible assets such as patents or trademarks

Important: Focus on Cash Required, Not Asset Value

You usually **do not pay the full cost upfront** for most fixed assets. Instead, you make a **down payment**, and the remaining balance is financed or leased.

What matters most at startup is:

How much cash do I need to put down—not the total value of the asset?

Example: One-Time Investment Template

Use the table below to list your major startup assets.

Fixed Asset Type	Amount	Useful Life (Years)	Annual Depreciation
Real Estate – Land	\$15,000	Indefinite	N/A
Real Estate – Building	\$220,000	39	\$5,641
Furniture & Fixtures	\$6,500	7	\$929
Vehicles	-	5	-
Equipment & Machinery	\$3,400	6	\$567
Leasehold Improvements	\$19,000	15	\$1,267
Computers & IT Equipment	\$7,800	5	\$1,560
Intangibles – Patents	\$6,000	15	\$400
Total Fixed Assets	\$277,700		\$10,363

Note: Depreciation affects your financial statements—not the amount of cash you need on day one.

Typical Down Payment Ranges

Below are common down payment ranges for startup assets. Actual terms vary by lender, credit profile, and industry.

Asset Type	Typical Down Payment
Commercial real estate (buildings)	20%–30% (often higher for startups)
Heavy machinery & specialized equipment	10%–20%

Asset Type	Typical Down Payment
Standard equipment & machinery	10%–15%
Vehicles (business use)	10%–20%
Furniture & fixtures	10%–20%
Computers & IT equipment	0%–10% (often leasable)
Leasehold improvements	15%–30% or landlord TI allowance

Step 2: Monthly Operating Expenses & Cash Runway

Operating expenses are **recurring monthly costs** required to keep the business running. These expenses are consumed in the current period and are expensed immediately.

Common operating expenses include:

- Rent and utilities
- Payroll and contractor labor
- Marketing and advertising
- Insurance
- Licenses and permits
- Professional services (legal, accounting, HR)
- Repairs and maintenance
- Taxes and fees

Operating Expense Template

Operating Expense	Monthly Amount
Rent / Lease Payments	\$2,200
Utilities	\$230
Payroll – W2 Employees	\$3,600
Contractors – 1099	\$1,450
Marketing & Promotion	\$1,400
Legal Fees	\$500
Accounting & Tax Support	\$350
Insurance	\$700
Repairs & Maintenance	\$1,800

Operating Expense	Monthly Amount
Licenses & Permits	\$170
Taxes	\$1,270
Total Monthly Expenses	\$14,670

Estimating Months to Break-Even

Break-even occurs when **monthly revenues are sufficient to cover monthly operating expenses**.

You should plan to cover several months of operating expenses before reaching this point. This is your **cash runway**.

Typical Break-Even Benchmarks (Planning Only)

Business Type	Typical Break-Even Time
General startup (average)	24-60 months
Tech startup	18-36 months
SaaS business	12-24 months
Retail business	12-18 months
Restaurant / food service	6-36 months
Service-based business	12-36 months
E-commerce / marketplace	12-24+ months

These are planning benchmarks—not guarantees. Conservative estimates improve survival odds.

Example: Operating Cash Needed

Calculation	Amount
Monthly Operating Expenses	\$14,670
Months to Break-Even	6
Operating Cash Required	\$88,020

Step 3: Contingency Reserve

Even the best startup plans encounter surprises—delays, cost overruns, slower sales, or unexpected expenses.

A **contingency reserve** provides a financial buffer and significantly improves your odds of success.

You can estimate an appropriate contingency reserve using a structured, criteria-based approach here:

👉 **Contingency Reserve Guide:** <https://startup-financial-plan.com/contingency-reserve>

Final Check: What You Should Know Now

By completing this step, you should clearly understand:

- How much **cash you need upfront**
- How long that cash must last
- Whether your startup is **under-capitalized or realistically funded**

This clarity makes every next step—pricing, funding, hiring, and growth—far easier and far less risky.

Need Help?

If you'd like personalized guidance or want to review your numbers with an experienced mentor, you can schedule a consultation here:

👉 <https://dc-small-business-mentor.as.me/schedule/309365be>