

Burn Rate Calculator

The Burn Rate Calculator helps you to work out the date when your business will likely run out of cash – otherwise known as its cash-zero date.

How to use the burn rate calculator

1. Enter your cash and capital reserves amount

Enter your cash and capital reserves figure – this is the money you've set aside to ensure your business has adequate funding during lean times. In the current crisis, this amount may include:

- Lump sum financial relief you're eligible to receive from government programs and other sources
- Funds you can raise, borrow or commit from savings
- Any other way of creating cash (selling unneeded assets or excess inventory)
- Any other sources of cash you may have access to (loans, personal funds, or money from friends and family)

For example, a business expecting a one-time payment of \$40,000 from a government loan and \$20,000 from returning excess inventory would enter \$60,000 in the field.

(Before you inject your own money into the business, think carefully about the decision to re-invest in your business now or wait until the crisis is over. It might be best to simply 'keep the lights on' to meet minimum operating commitments until economic conditions improve – and invest your funds to rebuild your business at that time. Speak to your accountant or financial advisor about what's best for your business.)

2. Enter your total monthly costs

Input your business's total monthly costs. Use the **Cash Flow Forecast Template** (see details below) or your accounting software to get accurate figures. Be sure your monthly costs reflect any recent decreases to line items such as:

- Licenses or subscriptions you've canceled
- Any lease or rental costs that you no longer have to pay (or had reduced)
- Employees you've had to lay off

Make your burn rate calculation below

Today's date

Enter your cash and capital reserves

Enter your expected monthly sales & other income

Enter your total monthly costs

This calculator includes functionality that requires Adobe Acrobat Reader or equivalent. Acrobat reader is free software that can be [downloaded here](#).

- Reduction in any variable costs attributed directly to production (which has either dropped significantly or fallen to zero)
- Unprofitable activities
- Supplier costs reduced through negotiation or discounts
- Anything else you've managed to stop paying

For example, a business might have had \$14,000 in monthly expenses before COVID-19 but has reduced its expenses down to \$6,000 a month.

3. Enter your monthly sales & other monthly income

Enter the amount of your projected monthly sales plus any funds you expect to deposit into your business bank account. This field should include:

- Sales
- Monthly government relief funds such as wage subsidies for employees
- Any other recurring income

For example, a business may anticipate sales of \$5,000 each month but will also receive \$3,000 a month from government sources, so the amount to enter in the field is \$8,000.

4. Evaluate your cash-zero date

Look at your cash-zero date. Now that you know your business's starting point for negative cash flow, you have time to create an action plan to avoid it.

Your cash-zero date varies according to your sales and expenses, which is why it's important to continually check your cash flow. The sooner you're aware of it, the more time you'll have to plan and act.

For example, a business might have a cash-zero date of 16 weeks from now.

5. Take action

You now know how much time your business has before it runs out of money.

There is of course a chance that monthly sales will be higher than expenses (so you'll never run out), but in the current crisis we're assuming this is not the case. Regardless if your business has enough cash to last four weeks or four months, timetable the actions you need to take now to reverse these numbers.

Download and complete the **Crisis Planning Workbook** and the **Creative Marketing Workbook** to make your plans.

Figure out your monthly sales and costs with our Cash Flow Forecast Template

You can download and complete our [Cash Flow Forecast Template](#) to work out your monthly sales, monthly costs and other sources of income. Enter those monthly totals into your Burn Rate Calculation above.



This workbook is intended as general information only and is not to be relied upon as constituting legal, financial or other professional advice. A professional advisor should be consulted regarding your specific situation. Information presented is believed to be factual and up-to-date but we do not guarantee its accuracy and it should not be regarded as a complete analysis of the subjects discussed. All expressions of opinion reflect the judgment of the authors as of the date of publication and are subject to change. No endorsement of any third parties or their advice, opinions, information, products or services is expressly given or implied by Bank of Montreal or any of its affiliates. Bank of Montreal does not warrant the accuracy, completeness, quality, adequacy or content of any information in this workbook nor does it make any warranty as to the results that may be obtained from the use of this workbook.

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