

The Cash Crunch Playbook: Tame the Cash Eating Monster

A guide for navigating financial emergencies without sacrificing long-term goals.

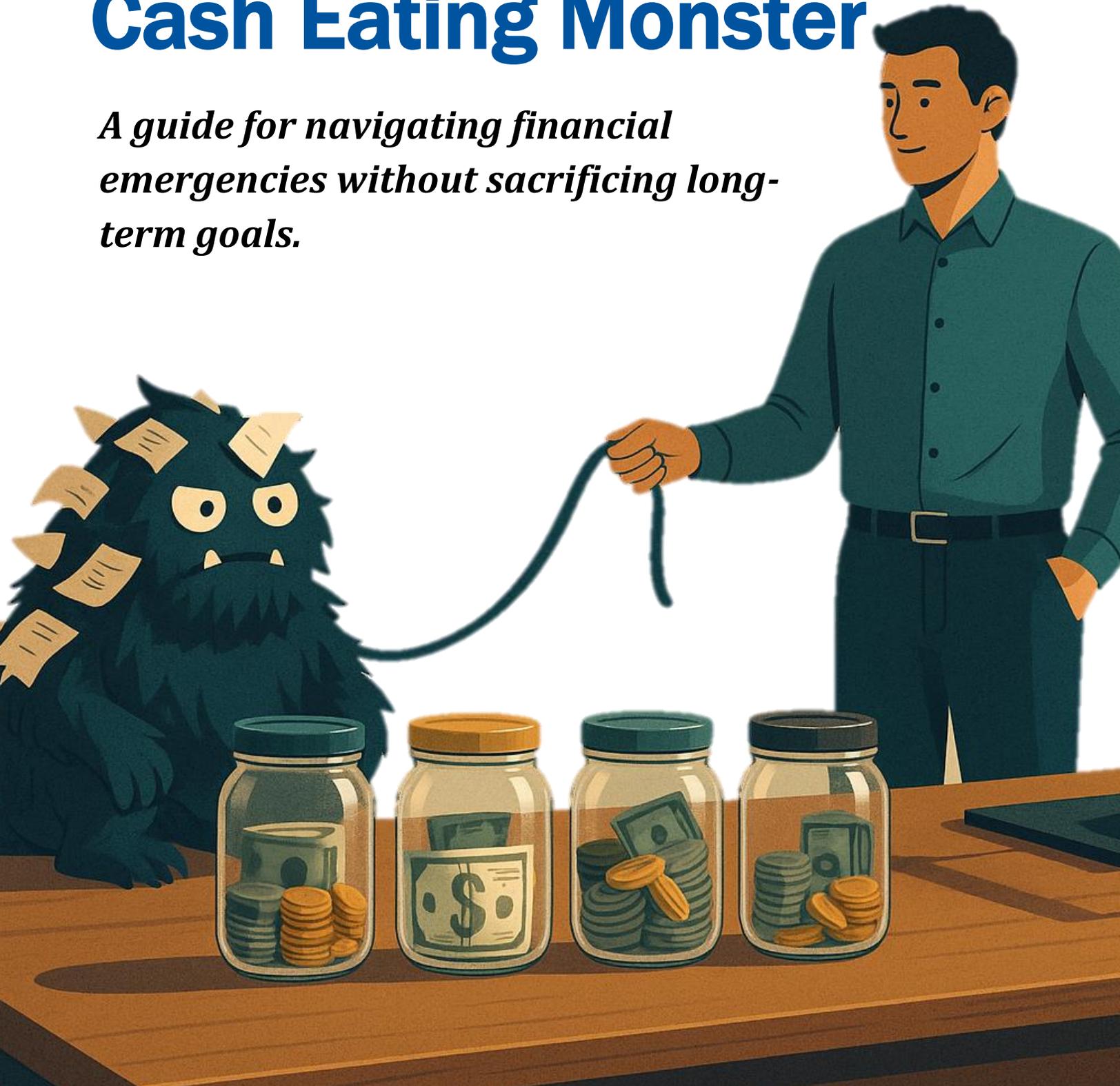


Table of Contents

Core Principle: Escaping the Survival Trap	3
When Crisis Hits: What to Do (and What Not to Do)	6
 What Not to Do.....	6
 What to Do First.....	7
 Last Resort Options.....	7
Some Specific Scenarios	9
 Scenario 1: Break down of essential equipment.....	9
 Scenario 2: Building repairs.....	10
 Scenario 3: Loss of a key employee	11
 Scenario 4: Supplier Bill and Payroll Collide.....	11
 Scenario 5: Large, Unexpected Tax Bill.....	12
 Scenario 6: Customer Pays Late.....	12
 Scenario 7: Ongoing Cash Shortage (Legacy Debt or Old Bills)	13
 Scenario 8: Personal Health or Family Emergency.....	14
 Scenario 9: Unexpected Lawsuit or Legal Issue	14
 Scenario 10: Seasonal Revenue Gap.....	15
 Scenario 11: Sudden Drop in Sales or Market Shift.....	15
 Scenario 12: Technology Failure or Data Loss.....	16
 Scenario 13: Sales spike with delay in resulting cash flow.....	17

Core Principle: Escaping the Survival Trap

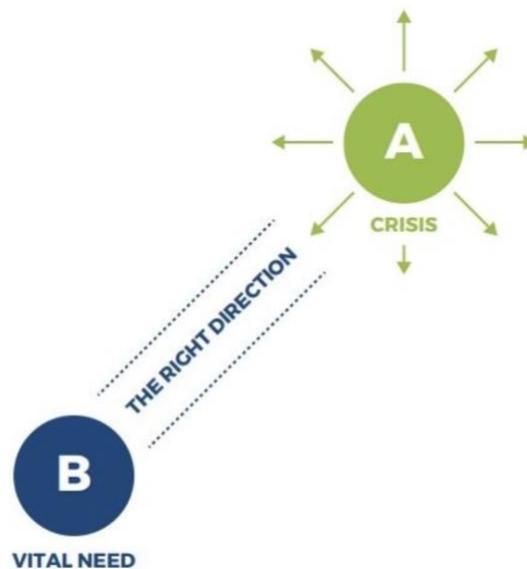
Most entrepreneurs spend too long living in cash flow chaos. Their business becomes a cash-eating monster, constantly swinging between moments of surplus and panic. A big sale comes in, and suddenly, everything seems to be ok. Then the next month hits, bills pile up, and the same stress returns.

This constant cycle keeps owners trapped in reaction mode—solving today’s problems at the expense of tomorrow’s growth.

The Survival Trap

THE SURVIVAL TRAP

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This is what we call **The Survival Trap**. When crisis hits, our instinct is to move—any direction feels better than standing still. The problem? Most quick fixes solve the immediate pain but quietly create long-term damage. You make payroll today by taking on high-interest debt... but that same debt eats your cash flow for months to come.

Why?

The real goal of business isn't just to survive the next crisis—it's to build a system that allows you to thrive and live the life you want. Profit First and the strategies we teach at Better Biz Info help you make financial decisions that handle both: solving short-term pain and building toward long-term stability.

Accept the reality of business - there will always be crisis, even for the most profitable business. A landscaping business with expensive trucks and equipment will need to repair and eventually replace their equipment at some point. A chiropractic practice will have delay on their insurance billing collections. A restaurant's industrial fridges and ovens will break down at times and need to be fixed immediately if the doors are to open. It happens to everyone.

When living paycheck to paycheck, we often live in fear that something will go wrong. But hoping to avoid emergencies is not realistic. Accept this and you will be able to do the high value work of expecting and planning for these crises.

The difference between surviving and thriving lies in expectation and preparation—knowing that crisis will come and planning for it ahead of time.

Example:

Take one client, a plumbing company with a top of the line \$80,000 truck. We worked together to prepare for the inevitable depreciation of that asset. We projected maintenance and replacement costs and timing (the truck had a good 5 years of life left), then built them into their Profit First plan. \$5,000 per year for upkeep and \$1,300 per month toward eventual replacement. When the day comes, they'll replace that truck with cash—not debt and avoid the panic and stress because we expected the unexpected.



The earlier you plan for crisis, the more power you have to resolve it without stress.

Need help Planning for the Future?

If you're ready to build your plan, schedule a Cash Flow Strategy Session by [clicking here.](#)



When Crisis Hits: What to Do (and What Not to Do)

Even the best-run businesses will face emergencies or moments of financial pressure. What separates successful entrepreneurs from those who burn out is how they respond in these moments.

Think about the COVID-19 Pandemic. Even profitable established businesses experienced significant stress and even failed. We also meet owners often who are already in financial trouble and experience ongoing or regular cash flow crises.

Example:

Take a restaurant owner we are working with to implement profit first and get control over their cash flow. Only a month or two in, we were making progress, but the business still needed some time to get to where they were fully profitable and optimized. Unfortunately, their Industrial fridge broke down and risked losing their entire food stock unless it was fixed immediately at significant cost. The owner hadn't yet set up a reserve for emergencies so there was no clear plan, no easy way to get through the crisis.

That is the purpose of this guide, to help you navigate cash flow crisis while protecting your long-term vision. We'll also share some common scenarios that we see very often and some tips for what to do.

✘ What Not to Do

- Don't panic and take on high-interest loans or quick-cash advances—they solve today's problem but create tomorrow's crisis.
- Key principle: Debt is never a good idea except for very specific circumstances (i.e. investment debt, timing debt) [Check out our article to understand the types of debt](#)
- Don't use a credit card or line of credit without a clear and confident plan to pay it off.

- Don't ignore the numbers—avoiding financial visibility only delays the pain.
- Don't use your profit account as an ATM—it exists to protect your long-term stability.

✓ What to Do First

- Pause. Take a breath and get clear on your current position. List out every bill, due date, and available cash.
- Reflect. Have you figured out your long-term goals and vision? What does your ideal life/business look like? Whatever your response, make sure it also moves you toward your long-term goals.
- Prioritize essential operations—what truly keeps the doors open and customers happy. Consider reducing other spending temporarily to give you some breathing room.
- Communicate early and honestly with vendors or lenders—most will work with you if you're proactive.
- Assess short-term options that align with your Profit First structure before touching reserves
- Don't expect to be perfect. Especially in the beginning, you will not be able to prevent or prepare for all crises. Give yourself some grace while working to make the wisest decision with the options available to you.

⚠ Last Resort Options

- If necessary, consider temporarily reallocating from your profit account—but document the withdrawal and set a payback plan.

Don't beat yourself up if this happens when you're first starting Profit First. You're normal. When this happens, take time to evaluate why it happened and what you can do to prevent it from happening again. You may consider temporarily decreasing your Profit percentage temporarily until you get back under control.

- You may inject personal funds, but only if you've calculated how it impacts your personal finances.

- Debt should only be used for investments that clearly generate future cash flow, not to plug short-term holes.

Your business will always face challenges. The key is to design your systems so that when crisis hits, you can act with calm, not panic—and make decisions that protect both today and tomorrow.

Some Specific Scenarios

You might be thinking, “My situation is different. There’s no way I could have prepared for this.”

And you’re right—every business is unique, with its own challenges, pressures, and goals.

But while every crisis feels different, the principles for getting through it — without sacrificing your future — are universal.

The following scenarios will help you think through short-term decisions using long-term wisdom. Each one follows a simple rhythm: understand the crisis, avoid the common traps, make decisions aligned with your long-term goals, and learn how to prevent it next time.

Pro tip: Elements from each scenario can also be applied to others. Be creative. The key is choosing a course of action that aligns with your goals.



Scenario 1: Break down of essential equipment

Situation:

Your delivery van, industrial fridge, or essential machine suddenly fails. Work stops until it’s repaired.

Temptation (Avoid These):

- Swipe the business credit card or take out a quick loan to get back in motion.
- Discount services or factor receivables to get cash earlier
- Steal from Profit, Owner’s Pay, or Tax accounts

Better Response:

- Assess the true urgency: can you rent, borrow, or delay operations briefly?
- Do a special allocation with funds sitting in revenue.

- Review available cash accounts (especially Operating and Materials & Subs). Borrowing from OpEx and Materials is far better than stealing from Profit and Tax.
- If full replacement is needed, consider financing the replacement – This would be considered investment debt (the financed asset produces profit).
- Call vendors; some offer payment plans or short-term financing with better terms than quick-cash lenders.
- **Last resort:** Reallocate temporarily only from the Profit or Owner Pay accounts if necessary—but document and repay.

Long-Term Fix:

Create an Equipment Replacement Reserve within your bank structure. Even \$100–\$300/month builds protection.

Scenario 2: Building repairs

Situation:

A roof leak, plumbing issue, or HVAC failure creates unexpected repair costs.

Temptation (Avoid These):

- Swipe the business credit card or take out a quick loan to get back in motion.
- Delay repairs or use the lowest-cost contractor, leading to bigger problems later.
- Steal from Profit, Owner’s Pay, or Tax accounts

Better Response:

- Prioritize safety and operations first-fix what keeps you running.
- Review your insurance policy-many owners forget to check coverage options.
- If needed, reallocate funds temporarily from less essential accounts, but track repayment.

Long-Term Fix:

Budget an annual Facility Maintenance Fund (often 1–3% of revenue for brick-and-mortar businesses).

Scenario 3: Loss of a key employee

The Situation:

A manager or key team member leaves suddenly, creating an immediate gap in your operations.

The Temptation:

Rush to replace them, overpaying just to fill the role and calm the chaos.

The Better Response:

- Pause and evaluate—can responsibilities be distributed temporarily?
- Communicate clearly with your team and customers.
- Only commit to new hires when cash flow allows, not out of panic.
- [Check out this guide for deciding who to hire next](#)

The Long-Term Fix:

Cross-train your team and document systems so one person’s absence doesn’t derail everything. Also, build a Payroll Buffer Account to weather transitions calmly.

Scenario 4: Supplier Bill and Payroll Collide

The Situation:

A large supplier invoice and payroll come in the same week, with not enough cash to cover both.

The Temptation:

- Pay both in full and hope upcoming sales cover it—risking overdrafts or debt.
- Pay the invoice with a credit card with no concrete plan for paying it off.
- Steal from profit or tax account to cover the shortfall.

The Better Response:

- Contact your supplier early—most will offer extended terms if you’re proactive.
- Prioritize payroll—your team’s trust and continuity matter most.
- Delay non-essential purchases until the next cycle.

The Long-Term Fix:

Align payment schedules to your cash rhythm and build a Timing Reserve Account to smooth timing issues.

Scenario 5: Large, Unexpected Tax Bill

The Situation:

You discover you owe far more in taxes than you planned for.

The Temptation:

Use credit cards or pull from any available account (profit etc.) to pay it off immediately.

The Better Response:

- Contact your accountant—IRS and state agencies often offer affordable payment plans.
- Review your Profit First Tax Account allocations and adjust moving forward.
- If you must, reallocate funds from Profit to Tax to cover the shortfall.
 - **Advanced principle** - Profit and Tax are both part of your “**Collective Owner Benefit**” – they benefit you as the owner. This issue indicates your allocation percentages were off slightly and need to be adjusted.

The Long-Term Fix:

Schedule quarterly Profit First reviews to ensure tax funding stays on pace. Adjust percentages as needed. Taxes shouldn't be a surprise.

Scenario 6: Customer Pays Late

The Situation:

A major client delays payment, throwing off your entire month's cash flow.

The Temptation:

Float the gap on personal cards, line of credit, or use high-interest credit to keep up.

The Better Response:

- Contact the client immediately—communication often speeds up payment.
- Prioritize payroll and core operations.

- Offer future incentives for early payments (small discount) or penalties for chronic late payers.
- Industry tip: Certain industries such as contracting often must purchase materials for a job before the customer pays their invoice. Using a Line of Credit can help manage this time difference. Keep tight control of this though as it can lead to significant cash flow stress if left to get out of control.

The Long-Term Fix:

- Tighten payment terms, add automated reminders, and keep at least one payroll cycle of expenses in a reserve account.
- Control spending so you don't get behind in bills

 **Scenario 7: Ongoing Cash Shortage (Legacy Debt or Old Bills)**

The Situation:

Old debt or overdue vendor bills are eating every dollar that comes in.

The Temptation:

Pay whoever screams loudest or take on new debt to cover the old.

The Better Response:

- List all debts with minimum payments, due dates, and interest rates.
- Focus on smallest balances first to gain traction (Profit First Debt Snowball). [Check out this article for more info on this strategy](#)
- Don't hide or juggle—face the reality and make steady progress.
- Contact your suppliers—most will offer extended terms if you're proactive and consistent (keep paying the minimums and set up a plan for paying the rest).
- Focus on making the business self-sustainable in the present (make cuts so you can cover current bills) and use excess funds to pay down old debt.

The Long-Term Fix:

Negotiate payment plans and, once the debt is gone, redirect those funds into Profit, Tax, and Owner Pay.

♥ Scenario 8: Personal Health or Family Emergency

The Situation:

A personal or family health crisis forces you to step away or cover unexpected expenses.

The Temptation:

Drain your business accounts to handle the emergency.

The Better Response:

- Take care of yourself and family first—without you, there's no business.
- Delegate or reduce workload temporarily.
- Tap your Owner Pay account before touching Profit.
- Your profit reserve is there for a reason – it rewards you for the risk you take but also is a worst-case scenario emergency fund. This may be a time to use it after exhausting other funds.

The Long-Term Fix:

Build a Personal Emergency Fund outside your business and ensure your business has operational systems that can run without you for short periods.

⚖ Scenario 9: Unexpected Lawsuit or Legal Issue

The Situation:

A client dispute, accident, or compliance issue brings legal expenses you didn't expect.

The Temptation:

Panic, stop communicating, or throw money at the problem hoping it goes away.

The Better Response:

- Contact your attorney and insurance provider immediately.
- Set a spending limit and stay calm.
- Avoid emotional responses that could make things worse.
- Your profit reserve is there for a reason – it rewards you for the risk you take but also is a worst-case scenario emergency fund. This may be a time to use it after exhausting other funds.

The Long-Term Fix:

- Review insurance coverage annually and maintain a legal expense buffer or business protection plan.
- Review your compliance standards, gaps, and plug any risks for lawsuits.

Scenario 10: Seasonal Revenue Gap

The Situation:

Your business slows down during off-season months (common for landscaping, window cleaning, entertainment and other seasonal businesses).

The Temptation:

Rely on short-term loans or credit cards to get through the slow months.

The Better Response:

- Forecast the slow periods early—review prior years' patterns.
- Reduce spending before the downturn hits. Put extra funds into a seasonal reserve.
- Create alternate income streams (indoor work, add-on services, prepaid packages).

The Long-Term Fix:

Calculate your monthly fixed costs (consistent operating costs in busy and slow times) and set aside any revenue above this level during busy months into a seasonal reserve account. When revenue is below this threshold, pull from the reserve to cover the gap. Make sure to also include profit, tax, and owners pay in your calculation so these are protected throughout the year.

Scenario 11: Sudden Drop in Sales or Market Shift

The Situation:

Sales drop due to economic change, competition, or client loss.

The Temptation:

Slash prices/discount, ramp up ad spend, or panic-hire help to “fix” the problem.

The Better Response:

- Review your cash flow rhythm and cut unnecessary expenses immediately. If sales are decreasing, the cost of fulfillment can likely decrease also. Decrease materials purchases, decrease hours of staff. Be realistic. Hoping things turn around or ignoring the trends to avoid making cuts can put you into deeper crisis.
- Double down on the most profitable products and top clients.
- Communicate with your team—stay transparent and focused.

The Long-Term Fix:

Regularly track leading indicators (inquiries, quotes, conversions) to see trends early. Build a reserve fund for downturns. This can give you the breathing room so you can make adjustments intentionally rather than with panic.

 **Scenario 12: Technology Failure or Data Loss**

The Situation:

Your system crashes or critical tech fails, halting operations.

The Temptation:

Panic-buy replacements or overcommit to expensive IT services. Panic or rushed solves often don't lead to lasting solutions and are more costly.

The Better Response:

- Pause. Evaluate: what's essential to restore immediately? Be intentional
- Contact vendors for repair or replacement support—often faster and cheaper than expected.
- Use backups or manual systems to bridge the gap.

The Long-Term Fix:

Invest in routine backups, cloud systems, and an IT maintenance reserve.

↳ Scenario 13: Sales spike with delay in resulting cash flow

The Situation:

This may apply if you have a business that relies heavily on variable costs (costs that increase or decrease directly with revenue). You may sell inventory, run a restaurant, or rely on contractors for generating revenue. When revenue spikes above normal levels, you will likely have a coming spike in costs to replenish supplies or pay for extra labor. If you are running Profit first, you may have up to a week or two before the cash flows to your OpEx account to pay for these timely.

The Temptation:

You may need to pay the extra bills before funds flow from the income account to your operating account. You will be pressured to pull the funds from your income account or another non-OpEx account to cover the bill.

The Better Response:

- Pause. Evaluate: Can the bill be paid in a few days until your allocation day when the funds reach your OpEx account?
- Contact vendors extended payment terms.
- Do a special allocation from your income account using your current allocation percentages. This puts cash in your OpEx account earlier than normal to cover the extra spending.

The Long-Term Fix:

When businesses with significant materials and subcontractor costs experience random spike in revenue, you will likely keep experiencing this cash crunch. You can prevent this by creating a separate materials and subcontractors account and transferring funds to this account daily or weekly based on your current allocation percentages for these costs (the remaining funds continue to be allocated as part of your normal schedule). This separates the funds from your OpEx account, so you are covered when sudden increases in revenue occur.

Don't See a Scenario That Fits Your Situation?

This guide isn't exhaustive. Every business faces its own version of a cash crunch. If you're in one right now, we can help.

Reach out to us at info@betterbizinfo.com or [post in our Facebook group here](#) and share your situation. We'll help you create a clear next step to get out of crisis—and back on track toward your long-term goals.