Law Firm Business Plan and Operations Starter Kit

A working kit for small law firms. It prices every matter type at the true cost of a billable hour with realization shown, turns advance fee deposits, monthly invoices and business retainers into a collection pattern, measures how much of the paid week is billable, finds cash break-even through the summer and holiday troughs, and scores the plan on six pass-or-fail tests.

LAW FIRMS
FREE EDITION · VERSION 1.0 · OCTOBER 2026
19 PAGES · PRINT IT, WRITE ON IT, KEEP IT
LATEST VERSION: BUSINESSCONSULTANT.SERVICES/KITS/LAW-FIRMS/
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PAGE 2

Start here

A law firm can be busy in March and short of cash in July. Salaries go out every month, a family matter is billed over months and collected later, and a flat-fee estate plan that takes twelve hours was priced for nine. This kit writes those numbers down and tests them before a lender or a partner asks.

WHAT IS INSIDE

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HOW TO USE IT

1. Build matter and retainer sales on page 6 and costs on pages 5 and 8. Run the cash forecast on page 11, then score the plan on page 4. Draft pages 3 and 4 last.
2. Use pencil. Rates, scopes and deposit terms move before an engagement is signed, and every worksheet expects your own figures.
3. Once you open, use the page 14 checklists on every matter and the numbers review every week. Run the page 7 write-down check when each matter closes and update the page 9 retainer table every month.

HOW THIS KIT WAS BUILT

- **AI tools helped create this kit.** Example figures are illustrative, not benchmarks.
- **The owner question** on page 3 is one of the law firm questions published at businessconsultant.services; the answer is general guidance, not a research finding.
- **The six questions** on page 14 were drafted by AI models from World Consulting Group desk research and challenged by a second AI model. None was measured in the field, so treat them as hypotheses to test, not findings.

SCOPE

This kit gives general operational information. It is not legal, tax, accounting, employment, professional, client-funds and confidentiality or financial advice. Professional, registration, insurance and employment requirements vary by location, and rules on holding client funds vary too; review every one of them with a qualified professional. Review them with qualified professionals before you commit money.

PAGE 3

Business plan, part one

A lender or an incoming partner will want to know whether the matters and retainers pay the salaries, the rent and the loan through a slow summer. Answer each point in a few plain sentences here, then draft the full sections on separate sheets.

1. Executive summary (write it last)

Say what the practice does, whom it serves, how much money it needs and what that buys, from the fit-out to the first payroll; then name the month in which the page 6 forecast first clears the page 8 cash break-even, and give the page 4 result.

2. Practice areas and clients

Name the matters you take, from a flat-fee estate plan to a limited-scope family matter, and say what clients value beyond the documents: a call returned the same day, plain explanations, a bill that matches the estimate. Write it in the words your clients use, and list who refers them.

3. Positioning and capacity

State which matters the firm takes and which it refers out, then count the hours your timekeepers can bill in a week and how many matters and retainers those hours support.

4. Matters, retainers and pricing

Write down each matter type, the hours it takes and its fee. A flat fee copied from the firm down the street, with no hours counted behind it, is guesswork.

MATTER OR RETAINER	BILLABLE HOURS	FEE	FEE PER BILLABLE HOUR

> *Owner question: our consultations are full but half the people who book never engage us. Are our fees too high?*
>
> Look at this cause before the fee: the consultation ends with no written next step, no fee and no date, so the decision drifts. Record every consultation by referral source, who held it and the days to a signed engagement (page 14), send a one-page engagement summary with the fee and the first step the same day, and compare the close rate of consultations that got one with those that did not, like for like by source and matter type, before you cut the fee; it is a comparison, not proof.

PAGE 4

Business plan, part two

5. Operations

Describe how a matter runs from signed engagement to final invoice: intake, conflict check, the work plan, monthly billing and the closing letter. Name who reviews the work when you are not in the office.

6. Team

List every role, its hours and its pay, including a market wage for your own hours. Name the person who can run the office for a week without you; the first question on page 14 checks that dependency.

7. Marketing and sales

Explain where consultations come from, how a consultation becomes a signed matter, and why clients come back or refer; referrals pay for the consultations you lose.

8. Financials and funding

Attach pages 5, 6, 8 and 11 and the result below, with the money needed, its sources and its runway.

DOES THE PLAN PASS? SCORE IT BEFORE ANYONE ELSE READS IT

TEST	PASS?
Gate 0. Draft engagement letters with fee and deposit terms, retainer agreements, insurance and software quotes, the lease and the requirements of every professional registration the plan needs are in writing, reviewed by a qualified professional where needed.	
1. In the expected case, sales reach cash break-even at the month-12 run rate (page 8) and closing cash, payment timing included, holds your floor for 24 months (page 11).	
2. Slow start (tested share of sales, page 11): closing cash holds at or above your floor every month (if not, note the reserve that would hold it).	
3. Planning debt service coverage at full-run sales and at the month-12 run rate (page 8) meets your lender's ratio, on your lender's definition.	
4. Paid hours needed in the busiest month (pages 7, 9 and 10) fit the hours you can staff (page 6), and planned matters reach break-even (page 8).	
5. Signed engagements and retainer agreements back the matter count; a referral list supports a forecast of consultations, not of matters.	
6. The full-run steady-state year (seasons in; not the forecast year) leaves net cash above zero after principal, before income tax set-aside, replacements and stock build-up; set aside its largest fall in running net cash, the year run twice.	

Not ready: Gate 0 fails. **Green:** Gate 0 and all six tests pass. **Amber:** Tests 1 and 3 pass, but Test 2, 4, 5 or 6 fails, so fix the plan before you sign a lease or hire an associate. **Red:** Test 1 or 3 fails, so change the plan before you commit money. Tests 1 and 3 score the plan as written; Test 2 is the slow start, and the page 13 what-ifs stress-test Tests 1, 3 and 6. Count a test without evidence as a fail. Result: _____

PAGE 5

Startup budget worksheet

Fill the estimate column first, then record each source: a written quote from the insurer, the software vendor or the landlord, or a documented calculation. Law firm budgets break on payroll before the first invoice is paid, so leave no line blank without a reason.

LINE ITEM	INITIAL ESTIMATE	QUOTE OR SOURCE	APPROVED BUDGET	ACTUAL OR COMMITTED
OFFICE AND TECHNOLOGY				
Computers, phones, printers and scanners				
Practice management and research setup				
Office furniture				
SETUP AND APPROVALS				
Entity, registrations and professional requirements				
Insurance down payment				
Office deposit and first month				
PRE-OPENING				
Pre-opening payroll and recruiting				
Launch marketing, website and directories				
Library, forms and templates				
WORKING CAPITAL				
Working capital reserve (cash you open with)				
Contingency for overruns on the lines above				
Total				

Size the reserve in two passes: run the page 11 expected case with opening cash of zero (no reserve, no other cash), set the reserve to your floor, plus one more month of fixed costs and principal as a buffer, plus how far its lowest closing cash falls below zero (zero if it never does), rounded up to the next $100, then rerun. If the Test 6 cushion (page 4) is larger than that buffer, add the difference. If the setup runs over, the contingency pays first and the reserve second; then rerun page 11.

PAGE 6

Sales forecast builder

Every other number depends on sales, so build them from signed engagements, retainer agreements and the hours your timekeepers can bill, not from the payroll you need to cover. Count retainers first; add matters at the volume the consultation record supports.

```
Monthly sales for a line = units times average fee times days open in the month (or times 1 for units counted per month)
Days open in a month = days open per week times 52, divided by 12
```

SALES LINE	UNIT	UNITS PER DAY OR MONTH	AVERAGE FEE	DAYS OPEN PER MONTH (OR 1 FOR MONTHLY UNITS)	MONTHLY SALES
Hourly and flat-fee matters	matters				
Business client retainers	retainers				

Full-run month

RAMP AND SEASONS

MONTH	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
Ramp, % of full run												
Season, % of full-run month (M1 = opening month)												
Expected sales												

Expected sales for each month = full-run matter and retainer sales times ramp (the share of full-run volume the consultation record and the retainer base have reached) times season. Use 100 percent where a factor does not apply. Ramp and season are your assumptions; write down the evidence for each, such as your consultation record by month; a signed matter or retainer with a start date replaces its ramped figure that month.

CAPACITY CHECK

```
Paid hours available per month = the sum over timekeepers (the associate, the paralegal and me) of each person's hours a day times days worked a week, times 52, divided by 12; paid hours needed = billable hours on matters and retainers divided by utilization
```

Write how many hours your timekeepers are paid each day and how many days you work each week. Add up the monthly billable hours your matters and retainers need (matters a month times billable hours each, page 7, plus retainer hours used, page 9) and divide by utilization (page 10). If the plan needs more paid hours than you can staff, the plan is wrong, whatever the consultations say.

PAGE 7

Matter pricing and realization

Fees come from hours and rate, costs from a billable hour's true cost, cash from paid bills.

Invoiced = hours on the matter times the standard rate times realization (the share of standard value that reaches the bill), plus costs advanced for the client and billed back at cost
Labor = matter hours times the page 10 cost of a billable hour (intake and admin live in that cost); contribution = invoiced less labor, costs advanced and fees at the page 8 share; per hour = contribution over matter hours
Signing rate = matters signed divided by consultations held; consultations needed = matters needed divided by the signing rate

WORKED EXAMPLE: THREE MATTER TYPES A SMALL FIRM TAKES (ILLUSTRATIVE)

MATTER TYPE	A MONTH	RATE, REALIZATION	MATTER HOURS	INVOICED	LABOR	COSTS, FEES	CONTRIBUTION	PER HOUR	SIGNING RATE
Estate planning package	5	$300 x 100%	9	$2,850	$727	$227	$1,896	$210.67	60%
Family law matter, limited scope	5	$325 x 88%	24	$7,264	$1,938	$596	$4,730	$197.08	45%
Business formation	5	$350 x 92%	11	$3,792	$888	$352	$2,552	$232.00	60%

Labor is charged at $80.77 for each billable hour (page 10); processing fees and matter consumables take 2.7 percent of fees billed (page 8 lines 15 and 16); costs advanced are billed back at cost. Pricing charges every hour; on page 8 the associate and paralegal sit in line 3 and only hours beyond them reach line 14. Hour for hour, the business formation brings in the most ($232.00) and the family law matter, limited scope the least ($197.08). Business client retainers: 6 a month, 8.8 billable hours each, which the capacity check and line 14 both count. The page 12 example draws its advanced-cost and labor shares from these matters (hourly and flat-fee matters: 15 a month, at an average of $4,635 invoiced).

YOUR MATTER TYPES

MATTER TYPE	A MONTH	RATE, REALIZATION	MATTER HOURS	INVOICED	LABOR	COSTS, FEES	CONTRIBUTION	PER HOUR	SIGNING RATE

DEPOSITS, MONTHLY BILLS AND RETAINERS: WHEN THE MONEY LANDS

LINE	PAYMENT STEP	SHARE OF THE FEE	LANDS
Hourly and flat-fee matters	Applied from the advance deposit	60%	in that month
Hourly and flat-fee matters	Monthly invoice, paid net 30	35%	the next month
Hourly and flat-fee matters	Slow payers	5%	two months later
Business client retainers	Invoiced on the first, paid net 30	100%	the next month

Of each $100 billed in a month, the firm receives $48 in that month, $48 the next month and $4 two months later. Matters and retainers are weighted by full-run billings (hourly and flat-fee matters 80 percent, business client retainers 20 percent) into one whole-percent pattern for this sentence alone; page 11 runs matters and retainers each on its own terms, month by month, and your forecast should too. Advance fee deposits are held apart, out of closing cash, until earned; rules on holding client funds vary, so review them with a qualified professional.

WRITE-DOWN CHECK

At every close, compare hours recorded with the hours the fee allowed.

Hours written down = hours recorded less the hours the fee allowed; their cost = those hours at the page 10 cost of a billable hour. Put added scope in writing first and reprice the next engagement letter.

PAGE 8

Break-even and coverage

Use this one numbered cost list everywhere in the kit. Loan interest is a fixed cost here. Loan principal is not an operating cost: it enters cash break-even below and the cash forecast on page 11, so interest and principal are each counted once. A line that starts or steps up during year 1 goes in at its amount once in place; page 11 uses each month's amount.

FIXED COSTS PER MONTH	PER MONTH
1. Office rent	
2. Professional liability and general insurance	
3. Associate and paralegal, salaried, with payroll taxes and benefits (the minimum staff)	
4. Owner's market wage (client work, intake, management)	
5. Loan interest (fit-out, technology and launch loan)	
6. Phones, internet and legal research subscriptions	
7. Marketing, website, directories and referral network	
8. Practice management, document and accounting software	
9. Accounting, bookkeeping and bank fees	
10. Continuing education, dues and memberships	
11. Reception and intake (part-time)	
12. Office supplies, postage, printing and other fixed costs	
Total fixed costs	

VARIABLE COSTS AS A SHARE OF NET SALES	SHARE
13. Pass-through filing, recording and service costs, billed to the client at cost	
14. Contract counsel and paralegals above the salaried staff, with their fees	
15. Payment and processing fees	
16. Courier, travel and matter consumables	
Total variable cost share	

```
Contribution margin ratio = 1 minus variable cost share; contribution = sales times the line's ratio
Operating break-even sales = fixed costs divided by contribution margin ratio
Cash break-even sales = (fixed costs with line 4 even if undrawn, plus principal and other recurring
cash out) divided by contribution margin ratio; page 13 covers a result with no usable number
Break-even matters = (fixed costs, principal and other recurring cash out minus retainer contribution)
divided by one average matter's contribution; retainers: no pass-through, kit's other lines
Month-12 run rate = average monthly sales over a year at month 12's ramp and bookings, seasons applied
Planning debt service coverage (before income tax and replacements) = (full-run sales times contribution
margin ratio, minus fixed costs other than line 5) divided by (line 5 + principal)
```

RESULT	PER MONTH	PER WEEK	PER DAY OPEN
Operating break-even sales			
Cash break-even sales			
Break-even matters (use cash break-even)	one figure per month		
Office share and debt service coverage at full-run sales		ratios, monthly only	

Weekly = monthly times 12, divided by 52; per working day = weekly divided by days open per week. Office share = line 1 divided by net sales.

PAGE 9

Retainer pricing, hours used and scope creep

A business retainer looks like the steadiest money in the firm until you count the hours it uses. Price every retainer on the hours used, not the hours the agreement names.

```
Effective hourly rate = the monthly retainer over the hours actually worked, not the hours promised
Labor = hours worked times the page 10 cost of a billable hour
Contribution = retainer less labor and processing fees at the page 8 share; per hour = contribution over hours worked
```

WORKED EXAMPLE: THREE BUSINESS RETAINERS (ILLUSTRATIVE)

RETAINER CLIENT	ACCOUNTS	MONTHLY RETAINER	HOURS PROMISED	HOURS WORKED	EFFECTIVE HOURLY RATE	LABOR	FEES	CONTRIBUTION	PER HOUR
Small-business general counsel	2	$2,500	7	7.5	$333.33	$606	$68	$1,826	$243.47
Property-management legal support	2	$1,800	5	5	$360.00	$404	$49	$1,347	$269.40
Franchise or multi-location client	2	$4,500	13	14	$321.43	$1,131	$122	$3,247	$231.93

Labor runs at $80.77 for each billable hour (page 10); processing fees and matter consumables take 2.7 percent of the retainer (page 8 lines 15 and 16). Hour for hour, the property-management legal support brings in the most ($269.40) and the franchise or multi-location client the least ($231.93). The small-business general counsel uses 0.5 hours beyond what it promises; the franchise or multi-location client uses 1 hour beyond what it promises. Every hour is priced at true cost here; page 8 keeps the associate and paralegal on line 3, puts only hours beyond them on line 14, and counts these retainer hours in the capacity check. The example on page 12 carries 6 retainers averaging $2,933 a month.

YOUR RETAINER CLIENTS

RETAINER CLIENT	ACCOUNTS	MONTHLY RETAINER	HOURS PROMISED	HOURS WORKED	EFFECTIVE HOURLY RATE	LABOR	FEES	CONTRIBUTION	PER HOUR

SCOPE CREEP CHECK

Retainer clients add a contract review, then a call, then an employee question. At every month end, compare the hours used with the hours the retainer includes.

```
Creep hours = hours worked in the month less the hours the retainer promises; their cost = creep hours at the cost of a billable hour. When creep repeats, reprice the retainer, bill the extra work by the hour, or narrow the scope in writing.
```

PAGE 10

Billable utilization and the true cost of a billable hour

The associate's salary is the start of the cost, not the end. Hours spent on intake, on a consultation that never signs or on redoing a filing are paid hours with no invoice, and every billable hour carries them.

```
Utilization = hours billed to clients over hours paid
Loaded hourly cost = salary expressed per hour, with payroll taxes, benefits and paid leave added as a share
Cost of a billable hour = the whole paid week at loaded cost, spread over the hours that were billed
```

WORKED EXAMPLE: THE ASSOCIATE AND THE PARALEGAL IN ONE WEEK (ILLUSTRATIVE)

HOURS	HOURS IN THE WEEK	SHARE OF HOURS PAID
Paid hours	80	100%
Hours billed to clients	52	65%
Consultations and intake	12	15.0%
Written-down and redone work	6	7.5%
Admin, training and firm matters	10	12.5%

At a $42.00 wage with 25 percent payroll taxes and benefits on top, a timekeeper costs the firm $52.50 an hour; at 65 percent utilization every hour billed costs $80.77. Set every fee from that cost, never from the salary or the loaded rate alone.

YOUR TIMEKEEPERS, WEEK BY WEEK

TIMEKEEPER	PAID HOURS	HOURS BILLED	CONSULTATIONS, INTAKE	WRITTEN DOWN	UTILIZATION	COST OF A BILLABLE HOUR

WHERE LOSING AN ASSOCIATE HURTS MOST

An associate who leaves takes the file history, the deadlines and the client's trust unless they are written down. Keep the matter file, the deadline list and the contact notes current for every client, so the next timekeeper picks up the same file.

PAGE 11

Twelve-month cash forecast

Salaries leave before invoices are paid. Enter $000 (51.25 means $51,250), receipts net of sales tax; collected tax stays out of closing cash.

EXPECTED CASE ($000)	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
Opening cash												
In: collections, in the month each payment lands, net of sales tax												
Memo, not cash: billed this month (page 6)												
In: owner money and loans received												
Out: pass-through costs, fees and consumables (lines 13, 15, 16)												
Out: payroll, line 4 if drawn in cash (lines 3, 4, 14)												
Out: office rent (line 1)												
Out: other costs, with loan interest (lines 2, 5 to 12)												
Out: income tax set-aside, equipment replacement, stock build-up												
Out: loan principal												
Out: startup bills still to pay												
Net cash flow (in minus out)												
Closing cash, expected (your floor: _____)												
Actual closing cash, once open												
Memo: sales tax collected (not in closing cash)												
Memo: sales tax remitted												
Memo: tax owed = last month's + collected minus remitted												
Memo: receivables = last month's + billed minus collected												
SLOW-START CASE												
Sales receipts, slow start												
Out: variable costs, slow start (lines 13 to 16)												
Out: fixed, principal, bills, less funding												
Net cash flow, slow start												
Closing cash, slow start												

Month 1 opening cash is cash on the first day a matter opens after startup spending is paid; each closing balance opens the next month, and the slow start opens with the same cash. Your floor is at least one full-run month of fixed costs plus principal. Salaries, contract help and filing fees are paid in the month of the work. For the slow start, test 70 percent of expected sales in every month (a stress assumption, not a benchmark; a higher share only with evidence); fixed costs, other cash out, principal, startup bills and funding stay as expected, and all variable lines fall with sales; line 14 holds only hours you would cut. The first month either case falls below your floor is your planning deadline: act before it. Then run a second year at the month-12 run rate (page 8), month by month with the seasons continuing, and check the floor holds.

PAGE 12

Runway, and what the summer costs

```
Runway = the number of consecutive future months, counted from the latest closed month (before opening,
from the first day a matter opens), before the first month in which closing cash falls below your floor
```

Worked example: a hypothetical law firm

Example figures, chosen to show the arithmetic rather than to set a benchmark. Matters are billed monthly against the advance deposit, and the associate and paralegal are salaried from month 1. Cash floor $39,212. Matter fees follow the page 7 terms (60 percent applied from the advance deposit in the billing month, 35 percent a month later, 5 percent after two); retainer bills go out on the first and are paid a month later; every cost is paid as it falls due; the owner draws the wage in cash; nothing new comes in.

Page 5, budget	The startup budget adds up to $176,100, funded by a $75,000 loan (10.5 percent over 5 years) and $101,100 of owner money; the total includes a $102,800 reserve that pays for the ramp, the summer slowdown and the gap between a bill and its payment, with the floor and the buffer on top. Page 5's two passes give a floor of $39,212, plus a buffer of a month more, $39,212, plus $24,362 (the shortfall of the first pass when it opens with nothing in the bank), rounded up to $102,800.
Page 8, costs	Fixed costs $38,209 a month, including $2,600 for office space and $609 of which loan interest; principal $1,003 a month (both year 1 averages); variable share 7.3 percent, leaving a contribution margin ratio of 0.927. Lines 13 to 16 take 4.6, 0, 1.5 and 1.2 percent of sales (line 13 blended across the sales lines). Lines 1 to 12 run $2,600, $900, $15,500, $10,000, $609, $900, $3,500, $500, $550, $450, $2,200 and $500 a month.
Page 8, break-even	Operating break-even falls at about $41,218 a month. Cash break-even (fixed $38,209 plus principal $1,003, divided by 0.927) is about $42,300 a month: 5.2 matters a month from hourly and flat-fee matters after the other lines' contribution (line 13 runs 5.8 percent on hourly and flat-fee matters, 0 on business client retainers; lines 14 to 16 charge each line the same share, which gives a contribution ratio of 0.915 on hourly and flat-fee matters, 0.973 on business client retainers), so 6, against the 15 the plan provides for.
Page 6, sales	Hourly and flat-fee matters: 15 matters a month at $4,635.33. Business client retainers: 6 retainers a month at $2,933.33. The month at full run is about $87,130; matters and retainers ramp 40, 55, 65, 75, 85, 92, 96 percent for the months 1 to 7, then 100 percent; season 105, 115, 105, 100, 90, 90, 100, 100, 105, 100, 85, 105 percent across months 1 to 12, on matters and retainers both.
Page 19, expected case	Billings in month 1 of $36,595; month 1 closes out at $78,438, month 12 at $388,344. Low: month 1, closing $78,438, $39,226 above the cash floor.
Page 19, slow start	At 70 percent of the planned matters and retainers, month 1 sales $25,616; month 1 closes out at $73,983, month 12 at $161,517. Low: month 3, closing $60,024, $20,812 above the cash floor.
Page 8, coverage	At full-run billings of $87,130, coverage on the planning formula, income tax and equipment still to be paid, is 26.78 against the 1.25 the example lender expects, and at the month-12 run rate it is 26.78, and Test 3 asks for both. Office share is about 3.0 percent.

PAGE 4 RESULT FOR THIS EXAMPLE: AMBER

Gate 0 is taken as met for the example. Test 1 passes: by month 12 the run rate is about $87,130 a month, above the $42,300 break-even; the floor holds for a further year at that rate (lowest balance $433,244, month 1 of year 2). (Context alone: expected billings first reach cash break-even in month 2.) Test 2 passes: at 70 percent of the matters and retainers the floor is never breached. Test 3 passes on the planning formula, though the lender's own definition governs. Test 4 passes: in the firm's busiest month (month 2, season 115 percent, scored at full ramp) the matters on page 7 and the retainers on page 9 need about 314 billable hours, which is about 480 paid hours once 65 percent utilization (page 10) is applied, or near 2.8 full-time timekeepers; the firm can field 520 paid hours (3 timekeepers at 8 hours a day, 5 days a week: the associate and paralegal from line 3 plus the owner, 520 in all), so the caseload fits, and the 15 planned matters are above the break-even count. Test 5 fails for want of evidence. Test 6 passes: a full year at the steady state, summer included, leaves about $498,689 after principal, with no full-run month below zero, so no cushion is needed. That is the steady state, not the opening year: the first year on page 19 adds about $285,544 to cash because the caseload builds through the year and the summer lull comes before the first busy autumn. Break-even takes about a third of the matters in the plan; the wait on invoices, not the volume, tests the reserve, and the small loan keeps coverage high, so Test 3 is far from binding here.

PAGE 13

What moves the result

Each row changes one input of the page 12 example and reruns the forecast. A row names Test 1, 3 or 6 when the change would newly fail or pass it; a test the example already fails stays failed. The last column also gives the slow start, which is Test 2.

WHAT MOVES THE RESULT (FULL-RUN MONTHLY CHANGES; DEADLINES RERUN; SLOW-START LOSSES SCALE WITH SALES)

CHANGE	MONTHLY CASH	CASH BREAK-EVEN AND DEADLINE
Matters and retainers down a tenth (lines 13 to 16 fall)	minus $8,077	Expected case holds the floor
Hourly and flat-fee matters: average fee 5 percent higher, same volume (processing fees alone rise)	plus $3,424	Break-even matters fall from 5.2 to 4.9 a month, so from 6 to 5: per-unit costs stay the same, so the ratio rises from 0.927 to 0.929 on the new sales (sales-linked fees, line 15, take 1.5 percent of each added dollar)
Fixed costs $1,000 lower	plus $1,000	Cash break-even falls to about $41,221
Lose the family law matter, limited scope line (5 matters a month, $36,320 of billing), from month 6 onward	minus $33,246	Expected case still clears the floor; slow start below the floor in month 8 (closing $37,984)
Every client pays two months after billing (staff and bills still paid on time)	no change	Expected case below the floor in month 2 (closing $17,682); slow start below the floor in month 2 (closing $19,690); would fail Test 1
The franchise or multi-location client retainer billed from month 6 never arrives for 2 months ($4,500 a month)	no change	Expected case still clears the floor; slow start still clears the floor; $9,000 never collected
Matters run 15 percent over the hours the fee assumed, absorbed inside the timekeepers' paid hours in an average month (483 paid hours needed of the 520 they are paid for; line 14 stays at zero until they run 24 percent over the fee; in the peak month 2 the overrun would need about 555, 35 more than the firm supplies, so work is rescheduled or contract counsel is hired that month)	no change	Cash break-even is unchanged at about $42,300; expected case still clears the floor; slow start still clears the floor
Realization falls 5 points on every matter (the weakest from 88 to 83 percent of standard fees; about $3,588 a month less billed, hours and salaries unchanged), from month 1 onward	minus $3,534	Expected case still clears the floor; slow start still clears the floor
Setup overrun of $10,000 beyond the contingency, met from the reserve	no change	Expected case still clears the floor; slow start still clears the floor
Opening 3 months late (office space, insurance, loan interest and principal, $5,112 a month, paid while closed; no sales; the ramp starts at the new opening, and seasons stay on the calendar)	no change	Expected case holds the floor; its low falls to $57,459 in month 5 from the planned opening, $20,979 lower than on time; slow start below the floor in month 6 from the planned opening

WHEN A PAGE 8 FORMULA GIVES NO USABLE NUMBER

```
Contribution margin ratio zero or below: break-even is N/A; score Tests 1 and 6 as failed
One unit's contribution, or the count it is multiplied by, zero or below: break-even units are N/A;
score Test 4 as failed
Other lines already cover fixed costs and principal: break-even units are 0, never a negative number
No loan: coverage is N/A; score Test 3 as passed
```

PAGE 14

Matter checklists, weekly review, six questions

Operations checklists only, not a compliance program. Add the conflict, confidentiality, client-funds and data-handling steps your profession and qualified advisers require.

BEFORE THE MATTER OPENS

- ☐ Signed engagement letter in hand, with scope, fee and advance deposit, before any work starts.
- ☐ Conflict check run and its result recorded in the file.
- ☐ The hours the fee allows written down, with the name of the person who records time against them.
- ☐ Costs to be advanced for the client listed, with how each is billed back.
- ☐ Matter file, time log and deadline list opened on the first day.
- ☐ The client's preferred contact method and confidentiality instructions noted.

MATTER CLOSE AND MONTH END

- ☐ Hours recorded on each closed matter set against the hours the fee allowed.
- ☐ Hours worked on each retainer set against the hours it promises.
- ☐ Bills sent on the same day every month, with earned deposits applied as the engagement letter allows.
- ☐ Realization recorded for the matter: fees billed against the standard value of the hours.
- ☐ Every consultation logged with its referral source, days to signing and outcome.
- ☐ Closing letter sent and a referral requested before the file is closed.

WEEKLY NUMBERS REVIEW

MEASURE	TARGET	THIS WEEK	LAST WEEK	VARIANCE TO TARGET
Fees billed and cash received, by matter, retainer and payment step				
Hours recorded against the hours each fee allowed				
Hours billed over hours paid, timekeeper by timekeeper				
Retainer hours worked against hours promised				
Consultations held, matters signed and the signing rate by referral source				
Bills and deposits due in the next 30 days				
The owner's own billed hours				

SIX QUESTIONS TO INVESTIGATE

1. **Founder dependency.** Does every engagement wait on the owner to quote it, and does the associate hold a client question until the owner is free?
2. **Reactive operations.** Count the client messages in a week that say nobody called me back, the bill does not match the estimate or what happens next, and the hours that go unbilled.
3. **Growth without structure.** How many matters a month need a mid-matter conversation about scope, and how many hours are written down before the invoice goes out?
4. **Talent and retention.** How many matters depend on one person who alone knows the file, the deadlines and the client's situation?
5. **Revenue plateau.** How long does an estate-plan client take to become a business or retainer client, and what share ever hears about the other practice areas?
6. **Strategic confusion.** Do matters of one type take very different hours, and does the work delivered drift from the scope the engagement letter set?

Hypotheses from AI-assisted World Consulting Group desk research, described on page 2. Check each one against a record: the client message log, hours logged against hours assumed, the consultation record, or the retainer hours log.

PAGE 15

Your first 30 days

WHEN	DO THIS
Week 1	Start the weekly numbers review and log hours on every matter and retainer. Log the hours the owner bills.
Week 2	Fill the page 7 matter table at the true cost of a billable hour and mark any matter type priced below its labor, pass-through and fees.
Week 3	Fill the page 9 retainer table and record hours used against hours included for every retainer.
Week 4	Enter actual closing cash on page 11 and recalculate runway. Write the decisions the associate may make without calling you.
After month 1	Run the write-down check on every closed matter and measure billable utilization on page 10.

BEFORE YOU SIGN A LEASE, GET WRITTEN ANSWERS TO THESE

- [ ] Will you have to sign a personal guarantee, how much does it cover, and when does it end?
- [ ] Which charges sit on top of base rent, such as common area, property tax and insurance, and how are they settled each year?
- [ ] What does the space need before you can open, and who pays to add or upgrade it?
- [ ] Does the landlord contribute to the build-out, when is that money paid, and must any of it be repaid if you leave early?
- [ ] When does rent start, at signing, at permit or at opening?
- [ ] Are there limits on operating hours, signage, parking, deliveries or the uses allowed in the space?
- [ ] What happens to the lease and the fixtures if you sell the business?

Have a qualified professional review the lease before you sign. These questions prepare you for that conversation; they do not replace it.

WHAT THE FULL KIT ADDS

The full Law Firm Business Plan and Operations Kit adds an editable business plan, a three-year financial model with profit and loss, cash flow and a debt schedule, a matter pricing calculator from hours, rate and realization to a fee at a target margin, a deposit and invoice tracker, editable consultation, pipeline and utilization trackers, matter checklists and hiring checklists. Release status is on the kit page.

SOURCES

World Consulting Group material. Origin of the questions: AI-assisted World Consulting Group desk research on small law firms, 2026, an internal working file that is not published, described on page 2; the questions are hypotheses and no figure in this kit comes from it. Law firms owner questions, businessconsultant.services, 2026.

SCOPE AND DISCLAIMER

General information only. Not legal, tax, accounting, employment, professional, client-funds and confidentiality or financial advice. Provided as is, without warranty. © 2026 World Consulting Group. Free diagnostic tool at businessconsultant.services. The site's privacy page explains what the diagnostic tool sends to an AI provider for analysis and the third-party analytics on the site.

About the author. Kamyar Shah is the founder of World Consulting Group and works as a fractional COO and CMO. He has more than 25 years of experience and more than 650 engagements across more than a dozen industries. Contact and the latest version: businessconsultant.services.

PAGE 16

Customize this kit with AI

Attach this PDF to ChatGPT, Claude or Gemini, paste the prompt below, and answer with your own matters, retainers and staff costs. A copy-ready version is on the kit page.

BEFORE YOU RELY ON THE ANSWER

Check every total with a calculator. An AI assistant can misread a file or slip on arithmetic, even when it runs code, so rerun every figure you will act on with the page formulas. Check your AI provider's data settings first, and never paste personal data, account numbers, passwords, customer-level records or anything an agreement restricts, such as client files, client names, matter details, deposit balances, employee records or bank account details. Totals and rounded figures serve the arithmetic, though rounding does not make a record anonymous, and you can run the arithmetic on your own computer.

I am opening (or running) a small general-practice law firm. I have attached the Law Firm Business Plan and Operations Starter Kit from businessconsultant.services. Help me turn it into my own plan for my matters, retainers and staff, using my numbers only.

Follow these rules for the whole conversation:
1. Use only numbers I give you, or numbers you calculate from mine with the formulas below. Never invent a rate, a fee, a salary, a realization figure, a close rate, percentage or benchmark, and never state a professional rule.
2. The numbers printed in the kit are worked examples. Never use them as my numbers, not even as a placeholder.
3. If a number you need is missing, ask me for it. If I ask you to estimate or use typical figures, write [NEED: ...] instead and tell me which quote, record or calculation will give me the real number. If I give you my own estimate, label it MY ESTIMATE.
4. Use these formulas exactly, and show your arithmetic for every number you calculate:
- Monthly sales for a sales line = units times average fee (every line here is counted per month). Each month's expected sales = full-run matter and retainer sales times ramp times season; a signed matter or retainer for a line replaces its ramped figure that month, never both; before opening, count expected signings by month, each marked MY ESTIMATE until confirmed.
- Net sales exclude sales tax. Labor = wages, payroll taxes and benefits, plus a market wage for the owner's management time (line 4); the owner's own billable hours sit inside line 4 (client work, intake and management); staff hours go in line 3 or 14. Shift hours count as cash even if I skip my own pay, so the plan still holds when I step back from client work; only line 4 may go undrawn, and Tests 1 and 6 count it anyway.
- Contribution margin ratio = 1 minus variable cost share; a line's contribution = its sales times its own ratio. Operating break-even sales = fixed costs divided by contribution margin ratio. Cash break-even sales = (fixed costs with line 4 even if I do not draw it, plus monthly loan principal and any recurring other cash out) divided by contribution margin ratio; only the cash forecast drops an undrawn wage. A blended ratio holds only at its own sales mix: name that mix beside each break-even, and recompute from each line's own contribution when a what-if changes one line. Loan interest is fixed; principal is not an operating cost, so it never enters operating break-even or operating profit.
- Weekly = monthly times 12, divided by 52. Daily = weekly divided by days open per week.
- Break-even matters = (fixed costs, principal and other recurring cash out minus retainer contribution) divided by one average matter's contribution; retainers: no pass-through, kit's other lines. If the other lines already cover fixed costs and principal, report 0 and say so; never report a negative break-even count. Paid hours available per month = the sum over timekeepers (the associate, the paralegal and me) of each person's hours a day times days worked a week, times 52, divided by 12; paid hours needed = billable hours on matters and retainers divided by utilization.
- Office share = line 1 divided by net sales. Planning debt service coverage, before income tax and equipment replacement = (full-run sales times contribution margin ratio, minus fixed costs other than loan interest) divided by (loan interest + loan principal).
- Month-12 run rate = average monthly sales over a year at month 12's ramp and bookings, seasons applied (not month 12's own sales). Test 1 needs that rate at or above cash break-even and my floor held 24 months; Test 3, coverage at full run and at that rate.
- Test 6 = 12 months of (full-run sales minus their variable costs, minus full-run fixed costs, line 4 included, minus principal), seasons applied to every sales line but booked lines, which run in their own months, and seasonal fixed lines at each month's amount. The cushion to set aside = the largest fall in running net cash from a high to any later low, the year run twice so a dip can cross into month 1 (zero if it never falls).
- Full-run figures (break-even, coverage, floor) take a late-starting fixed line at its full amount, and a seasonal fixed line at its year average.
- For pages 7, 9 and 10, use the formulas printed on those pages of the attached kit, exactly as written, with my own figures.
- Cash forecast: closing cash = opening cash + cash in minus cash out. Month 1 opening cash = cash on hand on the first day a matter opens after startup spending is paid. Place every receipt and payment (deposits, supplier invoices, startup bills, funding) in the month the cash moves. Income tax set-aside, equipment replacement and stock build-up go in their own row. Open month 1 with the cash I give; the page 5 two-pass size is advice to report beside it, never a substitute. Enter each matter invoice and each retainer in the month it is paid; payroll, contract help and filing fees are paid in the month worked. Advance fee deposits are held apart, out of closing cash, until earned. In the slow-start case, every month's sales, signed matters included, are the tested share of expected sales; fixed costs, other cash out, principal, bills and funding stay as planned; all variable lines fall with sales, each figured from the slow-start sales of the same month, on the same payment timing as the expected case (fair because line 14 holds only hours I would cut). Runway = the number of consecutive future months, counted from the latest closed month (before opening, from the first day a matter opens), before the first month in which closing cash falls below my cash floor.
(Continued on page 17.)

PAGE 17

The prompt, continued

Paste this part directly after the rules on page 16, as one message.

5. Do not give legal, tax, licensing, permit, professional, client-funds and confidentiality obligations, employment, wage or lease advice. Do not name laws, license or permit types, agencies, government fees or wage rates, even as examples. When my question touches these, write only "Review this with a qualified professional" and continue with the rest. You may record and use figures I give from my own records, such as my sales tax rate and when I remit it, without checking, interpreting or advising on them.
6. Do not quote statistics, studies or sources that are not in the kit. For the market and marketing sections, use only what I tell you, and list the local facts I should gather.
7. Work every total step by step and recheck it a second way. In the cash forecast, show the arithmetic for month 1, one later month and the year total; give plain numbers for the other months.
8. If a formula would divide by zero or a contribution margin is zero or below, write N/A, say why, and do not continue that calculation. If my lender defines coverage differently, show both results and label each. If cash never falls below my floor in the forecast, write the runway as more than 24 months; otherwise give the runway in months and, separately, the first month below it, counting year 2. With no loan, Test 3 passes.
9. Use business figures only, with anonymous client IDs. Do not ask for names, addresses, matter details, bank account or tax ID numbers.
10. Mark every output: Draft for my own planning. Not for a lender or investor until a qualified accountant has reviewed it.
11. If your full answer would be very long, deliver outputs 1 to 4 first, then stop and ask me to type "continue" for the rest.
12. Build the cash forecast month by month from the sales build, the cost lines, my payment terms and my opening cash; it does not need the inputs for pages 7, 9 and 10. Each month: cash in = sales receipts plus money arriving; cash out = each variable cost, calculated from the sales that created it and placed in the month it is paid under my terms, plus fixed costs (lines 1 to 12, with line 4 only if I draw it in cash), plus loan principal, startup bills and other cash out. Loan interest is already in line 5; never add it again. Supplier payments follow the cost of what I sold plus any stock build-up I give; if I buy ahead or carry supplier balances, ask me for purchases and payments by month instead. If you can run code, do every calculation in code.

Step 1. Before you write anything else, ask me for the inputs below in three rounds, one message per round. Ask round A as one numbered list, then wait for my answers. When I answer, ask round B and wait; then round C and wait. Start Step 2 only after I answer round C.
Round A, sales, capacity and evidence:
a. Practice areas, client segments and referral sources, positioning, the timekeepers I can staff (the associate, the paralegal and me) and the paid hours each works a day, days worked per week, and days open per week.
b. Sales build: for hourly and flat-fee matters (matters), the full-run matters a month by type, each type's billable hours, standard rate, realization and pass-through costs; for business client retainers (retainers), the retainers a month at full run, each retainer's monthly fee, hours included and hours used; a ramp percentage of full-run volume for every month from 1 to 12 (ask me to confirm any month I leave out); a seasonal percentage for each month from my consultation record or my market; and the slow-start percentage I want to test (this kit sets a 70 percent stress test, a kit rule rather than my estimate; use it unless I give evidence for a higher share). Give counts at full run, with month 1 as my opening month. Give the evidence behind each count (site counts, comparables, signed orders or my history).
c. For each matter type (the counts, hours, rate, realization and costs advanced from b above): consultations held and matters signed last quarter; my terms for each line (the advance deposit and what it covers, monthly bills and the days until they are paid, and the final bill); and the matters I need each month.
Then wait for my answers.
Round B, costs, the startup budget and my lender:
d. Startup budget: an amount and its source (vendor quote, insurer quote, landlord quote or calculation) for each line on page 5, from computers and furniture to the working capital reserve and contingency.
e. Monthly fixed costs for lines 1 to 12 on page 8, including the associate, the paralegal and reception, loan interest and my market wage; whether I draw that wage in cash; and my monthly loan principal. Give interest and principal as year 1 monthly averages for break-even and coverage, and, for the cash forecast, any payment, fixed line or other cash line that changes in months 1 to 24 (a payment holiday, a balloon payment, a rent step) with its month. My market wage covers management time (line 4); my own billable hours sit inside line 4 (client work, intake and management); staff hours go in line 3 or 14.
f. Variable cost shares of net sales for lines 13 to 16: line 13, pass-through filing, recording and service costs, billed to the client at cost; line 14, contract counsel and paralegals above the salaried staff, with their fees; line 15, payment and processing fees; line 16, courier, travel and matter consumables; and any sales line whose own shares differ, given for that line.
g. For each business retainer: accounts at full run, the monthly retainer, hours promised and hours actually worked; the client's own processing fees in dollars where I have them, otherwise apply the firm's shares and mark each result MY ESTIMATE.
h. For a typical week: hours paid, hours billed, consultation and intake hours, hours written down or redone, and admin hours per timekeeper; the salary as an hourly wage and the payroll taxes and benefits share.
i. The debt service coverage ratio my lender requires and how the lender calculates it, if I know them.
Then wait for my answers.
(Continued on page 18.)

PAGE 18

The prompt, last part

Paste this part directly after the text on page 17, still as one message.

Round C, cash timing, sales tax, deposits and Gate 0:
j. Payment terms: when each client pays me (the advance deposit and the share of the first invoices it covers, when monthly invoices go out and how many days later they are paid, when retainers are invoiced and paid), deposits I hold and when they are earned, and when payroll, contract help and filing fees are paid.
k. For every other cash line (payroll, card settlements, insurance, loan payments, rent and fixed bills), when it is paid, or confirm it is paid in the month it is incurred.
l. Monthly cash out beyond operating costs: income tax set-aside, equipment replacement and library or software investment.
m. Cash on hand on the first working day after all startup spending, startup bills still to pay by month, owner money or loans still to arrive by month, and my minimum cash floor (at least one full-run month of fixed costs plus principal).
n. If I am already open: what customers owe me and what I owe suppliers and staff, each by the month it will be paid, deposits I already hold, and sales tax already owed with its payment month.
o. Sales tax: the rate I collect on taxable sales, from my own registration, which sales lines (or what share of each) are taxable, and when I remit what I collect (each month, each quarter or another schedule), so the forecast holds collected tax apart until it is paid.
p. Gate 0: which agreements, quotes and approval requirements I already have in writing.
Then wait for my answers.

Step 2. When I answer, produce these as plain tables I can copy back into the kit:
1. Business plan sections 1 to 8 for my law firm, drafted from my answers, with gaps marked [NEED: ...].
2. The sales build by matter line, retainer line and month, with annual sales and the capacity check from page 6.
3. The completed startup budget, line by line as on page 5, with the total. Size the reserve by the page 5 rule; if I gave another, show both and the result for each.
4. Operating and cash break-even per month, per week and per day open; break-even matters (use cash break-even); office share and planning debt service coverage at full-run sales, labeled before income tax and equipment replacement, and on my lender's definition too if I gave it.
5. The 12-month cash forecast for the expected and slow-start cases, in thousands of dollars to two decimals (51.25 means $51,250) to match the kit, with, for each case, the first month below my cash floor and the first month below zero, and the runway; the second year's lowest closing cash (month 12's ramp and bookings held, each month with its own season, not a flat average); any extra reserve the slow start needs; and the Test 6 cushion, with whether the page 5 buffer covers it (add any excess to the reserve). Add memo rows for each month, kept out of closing cash: sales tax collected, remitted and owed at month end (last month's owed + collected minus remitted), and receivables (last month's + billed minus collected).
6. Matter economics by matter type at the cost of a billable hour, ranked per hour, flagging any matter type whose fee falls short of its labor, costs advanced and processing fees; consultations needed each month; and the collection pattern the cash forecast runs on.
7. Retainer economics for each business retainer at the cost of a billable hour, ranked per hour, flagging any retainer priced under its labor and fees and any account working more hours than it promises.
8. Utilization and the cost of a billable hour for each timekeeper, naming the biggest leak.
9. The kit's page 4 check: Gate 0 and pass or fail for each of the six tests with the reason (if Gate 0 fails, the result is not ready), and the overall result: not ready if Gate 0 fails, with no color; otherwise green, amber or red under the page 4 rules.
10. A final checklist: every MY ESTIMATE figure, every [NEED: ...] gap, every matter count or payment term I should verify, and every question that needs a qualified professional.

WHEN THE ANSWER COMES BACK

Copy each table into the matching kit page in pencil. Check every [NEED: ...] gap and MY ESTIMATE figure, starting with matter counts by month, payment terms and billable hours, before anyone sees the plan, and recheck the page 4 result with a calculator.

The worked example's twelve-month forecast, filled in

The page 12 example entered on the page 11 form, month by month, in dollars. Parentheses mean minus. Each column adds up as printed, so a row can move by a dollar between months with the same sales; each closing balance becomes the next month's opening cash. Cash floor $39,212.

LINE ($)	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
EXPECTED CASE												
Opening cash	**102,800**	**78,438**	**79,203**	**92,106**	**110,232**	**131,893**	**156,645**	**188,758**	**228,041**	**271,227**	**314,881**	**351,309**
In: sales receipts	17,522	44,000	56,457	62,108	65,739	69,230	77,431	84,855	89,077	89,227	81,046	82,926
In: owner money and loans received	0	0	0	0	0	0	0	0	0	0	0	0
Out: pass-through costs, fees and consumables (lines 13, 15, 16)	2,671	4,023	4,341	4,770	4,866	5,266	6,106	6,360	6,679	6,360	5,406	6,679
Out: payroll, line 4 if drawn in cash (lines 3, 4, 14)	25,501	25,500	25,501	25,500	25,500	25,500	25,500	25,500	25,500	25,501	25,500	25,500
Out: office rent (line 1)	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600
Out: other costs, with loan interest (lines 2, 5 to 12)	10,109	10,109	10,109	10,109	10,109	10,109	10,109	10,109	10,109	10,109	10,109	10,109
Out: income tax set-aside, equipment replacement, stock build-up (none in the example; see below)	0	0	0	0	0	0	0	0	0	0	0	0
Out: loan principal	1,003	1,003	1,003	1,003	1,003	1,003	1,003	1,003	1,003	1,003	1,003	1,003
Out: startup bills still to pay	0	0	0	0	0	0	0	0	0	0	0	0
Net cash flow (in minus out)	**(24,362)**	**765**	**12,903**	**18,126**	**21,661**	**24,752**	**32,113**	**39,283**	**43,186**	**43,654**	**36,428**	**37,035**
Closing cash, expected	**78,438**	**79,203**	**92,106**	**110,232**	**131,893**	**156,645**	**188,758**	**228,041**	**271,227**	**314,881**	**351,309**	**388,344**
SLOW-START CASE (70 PERCENT OF EXPECTED SALES IN EVERY MONTH)												
Opening cash, slow start	**102,800**	**73,983**	**62,755**	**60,024**	**60,948**	**64,347**	**69,910**	**80,626**	**96,360**	**114,826**	**133,621**	**147,356**
Sales receipts, slow start	12,265	30,800	39,520	43,476	46,017	48,461	54,202	59,398	62,354	62,459	56,732	58,048
Out: variable costs, slow start (lines 13 to 16)	1,870	2,816	3,039	3,340	3,406	3,686	4,274	4,452	4,676	4,452	3,785	4,675
Out: fixed costs (lines 1 to 12), principal, bills, less funding	39,212	39,212	39,212	39,212	39,212	39,212	39,212	39,212	39,212	39,212	39,212	39,212
Net cash flow, slow start	**(28,817)**	**(11,228)**	**(2,731)**	**924**	**3,399**	**5,563**	**10,716**	**15,734**	**18,466**	**18,795**	**13,735**	**14,161**
Closing cash, slow start	**73,983**	**62,755**	**60,024**	**60,948**	**64,347**	**69,910**	**80,626**	**96,360**	**114,826**	**133,621**	**147,356**	**161,517**
STEADY-STATE YEAR FOR TEST 6 (RAMP DONE, SEASONS IN; NOT THE FORECAST YEAR)												
Net cash flow, steady-state year	**45,596**	**53,673**	**45,596**	**41,557**	**33,481**	**33,481**	**41,557**	**41,557**	**45,596**	**41,557**	**29,442**	**45,596**

Reading this forecast. It is in whole dollars, rounded so each column adds up, so a row can differ by $1 between like months; the page 11 form uses thousands. The floor is cash you never plan to spend. The page 5 buffer holds one more month of fixed costs and principal above it, so a small miss spends the buffer, not the floor. The opening cash was sized by the two passes on page 5, buffer included. The example sets aside no income tax (it depends on the owner's whole return, so take the figure from your accountant), replaces no equipment in its first two years and builds no stock beyond the opening stock in the startup budget; enter your own amounts. Second year at the month-12 run rate (about $87,130 a month, against month 12's own $91,486): closing cash runs $433,244 in month 1 and $887,033 in month 12, lowest $433,244 in month 1, above the floor. Sales are net of sales tax, and the example pays each month's tax in the month it is collected, so it owes none at any month end; enter your own rate and payment timing in the page 11 memo rows. If you borrow the reserve, add its interest and principal to the forecast and run both passes again. The slow start lets variable costs fall with sales, which is fair only because hours you cannot cut sit in line 3; waste or purchases you cannot cut make a real slow start worse.