

Cash Flow

By James Patino

”Business Consultant for the Creative Soul”

What is the #2 reason that businesses fail?

Answer: **Cash Flow**

Capitalization and Cash Flow are listed all over the place as the top reasons businesses fail.

I think of an art business (most businesses, actually) like a pump. Think of a pump like the one that pumps waters around a swimming pool or a Jacuzzi. Energy flows into the pump and out of the pump. From a backyard perspective, that energy is water, flowing into and out of your pool. From a business perspective, more often than not, that energy is in the form of cash flow or money.

That money may be either in cash or in credit, but you’re going to need a decent flow of it to get your business going and to keep your business going. The “pump” (your business) will require you to “prime your pump” during the early stages of your business development. In other words, you’re going to need some money to get things rolling.

How much money? It really depends on what your plans are and how quickly you plan to grow your business. Most business don’t start over night and most likely, if you’re an artist, you’ve probably been working on your business for many years, so try not get hung up on “how much” money do I need. I believe it is more important to focus on what do I need it for? By knowing what you need the money for, you will create a void. A “need” for the money and more likely than not, it will arrive, one way or another (discussion for a another topic).

Now comes the tricky part. Many artists that adhere to the “starving artist” mentality will have a difficult time with both cash flow and capitalization because they don’t have any money to energize their businesses. To prime the pump.

Cash flow is needed for 3 main areas:

- 1) to **support yourself** (includes your basic necessities along with entertainment, clothing, shelter, etc.)
- 2) to continuously re-invest into your business (see **Capitalization**)
- 3) to pay for **recurring expenses**. For example:
 - Art Supplies
 - Monthly **website hosting services**

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- ☐☐ **Telephone line** – I recommend getting a toll-free number. Try to eliminate any reason for someone not to contact you, like a long distance charge. You may think, well if someone won't pay for a long distance call, then they probably won't want to pay for my art, but it's not quite that simple. All of these business strategies work hand in hand. Some people have a natural aversion to running up long distance bills. Maybe is residual programming from our parents who complained about the phone bill when we were teenagers, but who know how that might play out in people's psyche today. Some people will easily pay for a Mercedes Benz, but then skip out on putting some change in the parking meter, so save a few pennies. A toll-free number is cheap.
- ☐☐ A **post office box** is a nice addition. Looks professional, especially if you're working from home and haven't rented that perfect studio yet.
- ☐☐ **Postcards & Business Cards.** Think of these as an expense and let them go out into the universe. Give them out freely and buy more. They're worth every penny.
- ☐☐ A **cell phone** will come in handy as your business grows. You want to be accessible when you want to be accessible.
- ☐☐ Art association **fees.** There's a good chance you will belong to one or more artist guild or society and there's usually a cost associated.
- ☐☐ **Exhibit fees** are a frequent expense and can be quite pricey for some of the bigger art shows. **Don't let the entrance cost of being in an art show or an art festival, outweigh the benefit and exposure you can gain from being in the show.**
- ☐☐ **Juried show fees.** Entering your art is juried shows will require a fee.

Cash flow is going to come from numerous different sources. In many cases it will come from you "day job", until you can transition to becoming a full time artist. Many artists will work a full time "day job" and work on their art business during their "off time", until they can transition away from the "day job." In many respects, this is an excellent for several reasons:

- ☐☐ **Medical and Dental insurance** – having insurance coverage is critical in today's day and age, and utilizing a company plan, until you can afford your own, is a good idea.
- ☐☐ **Allows for capitalization** – having an alternate source of income takes pressure off of your "art" money. Example, if you can support yourself with your day job, then when you sell a work of art, you don't need to run out and pay the rent. You can utilize your art sales to re-invest and capitalize your business.
- ☐☐ **Time Management** – having a job that takes up to 8 hours of your day will do several things.
 - It will truly show you **how determined you are** to start your art business. If you can't get yourself motivated to work on your art, after working all day, then maybe you haven't made the commitment to become a full time artist.

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- It will force you **manage your time wisely**. You don't have many hours to waste if you're working full time and getting your art business going at the same time. These time management skills will become critical when you become a full time artist and have the entire day to work on your career. *I believe you train yourself to work at a higher level of energy and productivity when you're working two jobs (or more). The level of energy becomes part of your life and will come if very handy when you're a full time artist.*
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- Much of your initial **fan base** will come from co-workers who know you and are familiar with your art.

Attitude is everything! Try to keep a positive attitude at work, even though you know, deep in your heart, that your passion lies somewhere else, in your artistic career. Along with cash flow, look at your work experience as a great place to learn. A great place to make contacts and a place where you can work on your excellence. If you can be excellent, doing a job that is not in your long term future, then you can carry that attitude and those habits into your art business. It may be easier said than done, but I don't believe you can just turn excellence on and off with a switch. You can do sloppy work and bitter all day, and then come home and create wonderful art and run a excellent art business. It's much easier to be consistent with your attitude and approach to things and keeping them at your very best, is the way to go. My essay called "The Universe Makes Room For Excellence" (located in the Business Strategies for the New Millennium) talks specifically about excellence.

Managing Cash Flow

Keeping track of your money is key to managing cash flow. I recommend maintaining separate bank accounts for your personal money and your art business money. This will allow you to visualize the growth of your art money,

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separate from your “day job” money, and help you determine when you can transition out of the “day job”.

Make a budget and stick to it! The key to cash flow is monetary discipline. Keeping track of what’s coming in and what’s going. Creating a budget and sticking to it is easier said than done. If you’re like I was for many years, I would usually just pay my bills and spend the rest, and then wait for the next paycheck. A budget will allow you to be more disciplined with your money and keep you from overspending in certain areas, which may cause you to come up short in others. There are many good books on budgeting and how to manage money and I recommend you become familiar with one or two of them.

I also highly recommend books like *The Trick to Money is Having Some* by Stuart Wilde. These books are not about budgeting, but more about our perceptions about money and about viewing money in terms of energy. I have been dealing with my own “poverty consciousness” for many years and these books helped to break out of certain “poverty conscious” views that were hindering the flow of money in my life.

I don’t believe “money is the root of all evil”. It’s all about what you do with money and I believe when used properly, it can be utilized to launch your full time artist career and for much bigger and better things. Read my essay “Win Win Win” in the personal essays section for more details.