THE BREAKTHROUGH NUMBER

Your Business Survival Calculator

Calculate the exact monthly minimum your business needs to thrive

DAWN K. KENNEDY

https://dawnkkennedy.com

Most business owners are flying blind when it comes to their most critical number. They track revenue and celebrate good months, but have no idea what they actually need to make each month to keep their doors open.

You're about to calculate your Breakthrough Number - the exact monthly minimum your business needs to not just survive, but thrive. Everything above this number is real profit you get to allocate intentionally.

Why do I need my "B" Number?

Because you need to know what you HAVE to make each month to be truly sustainable. Once you consistently hit this number, you know your business has moved from survival mode to strategic mode. That's when real growth becomes possible.

Your Breakthrough Number comes from protecting the "four walls" of your business - the categories of expenses that must be paid before anything else. Just like a house needs four walls for shelter, your business needs these four financial walls to stay operational.

The Four Walls

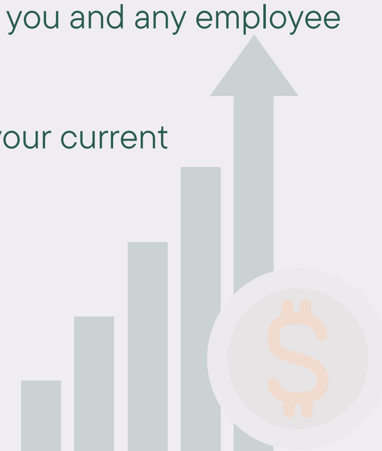
1.Access to Buyers - Expenses that let customers find and reach you

2. Critical Operating Expenses - What you need to fulfill customer orders

3. Products and Materials - What you need on hand to deliver what you're selling

4. Payroll and Payroll Expenses - Reasonable compensation for you and any employee

Use the following worksheets to calculate each wall, and then your current Breakthrough "B" Number.



Wall 1: Access to Buyers

"The expenses that keep your door open to customers"

These are the expenses that allow customers to find and reach you. Without these, you literally cannot conduct business.

Whether you run a physical storefront, online business, or service company, you must first pay the expenses that allow customers to find and reach you.

Examples:
- Physical businesses: Rent, co-working space membership, phone/cell/internet
- Digital businesses: Website hosting, domain renewal, internet service,
- Platform-based businesses: Shopify fees, platform subscriptions (Teachable, Kajabi)

The Test: "If this expense isn't paid, can customers find me and buy from me?"

Monthly Expense: ______________ Monthly Expense:________________
Monthly Expense: ______________ Monthly Expense:________________
Monthly Expense: ______________ Monthly Expense:________________

Add These Expenses together

Wall 1 Total: ____________________

Wall 2: Critical Operating Expenses

"What you absolutely need to fulfill customer orders"

These expenses are required to deliver your products or services. You could theoretically reach customers without these, but you couldn't complete transactions or fulfill what they ordered.

Examples:
• Transaction processing: Stripe, PayPal, Square fees, merchant services
• Production essentials: Specialized equipment fuel (like propane for roasters), software for service delivery, manufacturing supplies
• Fulfillment requirements: Shipping materials, packaging, CRM systems, project management tools
• Legal compliance: Required business licenses, professional liability insurance
• Essential SaaS: Inventory management software, booking systems, client portals

The Test: "If this expense isn't paid, can I deliver what customers already ordered?"

Monthly Expense: ______________ Monthly Expense:________________
Monthly Expense: ______________ Monthly Expense:________________
Monthly Expense: ______________ Monthly Expense:________________
Monthly Expense: ______________ Monthly Expense:________________
Monthly Expense: ______________ Monthly Expense:________________

Add These Expenses together

Wall 2 Total: ______________________

Important note: Many expenses feel "critical" when you're starting out, but ask yourself: "Can I operate without this?" If you don't use something every month to serve clients, it may be "nice to have" rather than truly critical.

Wall 3: Products/ Inventory Spend

"You can't sell what you don't have"

Even if you're purely service-based today, this wall helps you think through what you'd need if you expanded your offerings.

Examples:
• Service businesses: Lash tech needs lashes and adhesive, accountant needs software licenses, coach needs platform access
• Product businesses: Raw materials, finished goods inventory, packaging supplies
• Digital businesses: Content creation tools, stock photos, software licenses, equipment that needs replacing
• Future expansion: Consider this wall when adding merchandise, digital products, or packaged offerings

The Modern Reality: Unless you're doing Amazon FBA or dropshipping, you're still dealing with lead times, minimum orders, and cash flow timing. The key is buying smart, not overbuying.

The Test: "What do I need on hand to deliver what I'm selling this month?"

What products or materials do you need to deliver your services this month?

Item: ____________________ Monthly cost: ______

Item: ____________________ Monthly cost: ______

Item: ____________________ Monthly cost: ______

Item: ____________________ Monthly cost: ______

Item: ____________________ Monthly cost: ______

Notes about seasonal needs or future product additions:

Wall 3 Total: ________________________

Note: Many businesses will put "$0" here initially, and that's fine. But when you're ready to add products, you'll already know how to budget for them.

Wall 4: Payroll and Payroll Expenses

"People get paid before debt"

Important 2025 Note: Worker classification has become increasingly scrutinized. If you're unsure whether someone should be W-2 or 1099, consult with a business attorney or CPA. Misclassification can result in significant penalties and back taxes.

If you don't have employees yet but pay yourself, complete this section! You get paid before debt. You are a business expense.

If you have employees, they get paid before you do. We've all heard stories of paychecks bouncing - never let that be you.

Key 2025 Updates:

- Remote work considerations: Factor in any home office stipends or technology allowances
- Payroll processing: Most businesses now use services like Gusto, ADP, or QuickBooks Payroll - include these fees
- Updated tax rates: Employer portion of Social Security and Medicare is currently 7.65% (verify current rates)
- Self-employment: If you're the only "employee," set aside approximately 15.3% for self-employment taxes plus income tax withholding

You must write yourself a business check for your reasonable salary - don't just take from the till. You won't want to take all your net profit for personal bills. Hold some back to cover your Breakthrough Number in slow sales months.

Use the following Worksheets to calculate Wall 4

Worksheet 1: Your Team Structure

How often will you pay employees (including yourself)?

□ Weekly □ Bi-weekly □ Monthly

Current team members and planned additions:

Role/Position	Pay Rate	Hours/Week	Status
Yourself	$____/hr or $____salary	___	Owner
Employee: ________	$____/hr	___	W-2 / 1099
Employee: ________	$____/hr	___	W-2 / 1099
Contractor: _______	$____/project	___	1099

2025 Notes:

- When unsure about W-2 vs 1099 classification, lean toward W-2
- Include any remote work stipends or technology allowances
- Factor in payroll processing service fees (Gusto, ADP, etc.)

Worksheet 2: Calculate Gross Wages Per Pay Period

For each team member, calculate gross pay per pay period:

Yourself:

- Pay rate: $_____ × Hours: _____ = $_____ per pay period

Employee 1: __________

- Pay rate: $_____ × Hours: _____ = $_____ per pay period

Employee 2: __________

- Pay rate: $_____ × Hours: _____ = $_____ per pay period

Contractor payments (if regular/monthly):

- Contractor 1: $_____ per pay period
- Contractor 2: $_____ per pay period

Total Gross Wages Per Pay Period: $______

Worksheet 3: Calculate Employer Costs

Employer taxes and additional costs per pay period:

Social Security & Medicare (currently 7.65% - verify current rates):
- Total gross wages: $_____ × 7.65% = $_____

State/Federal unemployment taxes (varies by state):
- Estimated: $_____

Workers' compensation insurance (if required):
- Monthly cost ÷ pay periods per month: $_____

Payroll processing service fees:
- Monthly service fee ÷ pay periods per month: $_____

Other employer costs (benefits, stipends, etc.):
- Technology allowance: $_____
- Other: $_____

Total Employer Costs Per Pay Period: $______

Worksheet 4: Your Self-Employment Tax Planning

If you're the primary/only business owner:

Your monthly business income target: $______

Self-employment tax planning (approximately 15.3%):
- Monthly income × 15.3% = $_____ (SE tax estimate)

Income tax withholding estimate:
- Monthly income × __% (your tax bracket) = $_____

Total monthly tax set-aside: $______

Quarterly tax payment planning:
- Monthly set-aside × 3 = $_____ per quarter

Worksheet 5: Monthly Wall 4 Calculation

Convert your per-pay-period costs to monthly:

If you pay weekly: multiply by 4.33
If you pay bi-weekly: multiply by 2.17
If you pay monthly: use as-is

Monthly calculations:

- Gross wages per pay period: $_____ × ___ = $_____
- Employer costs per pay period: $_____ × ___ = $_____
- Your self-employment tax set-aside: $_____
- Contractor payments (monthly): $_____

Total Wall 4 Monthly Amount: $_______

Planning Notes

Upcoming changes in next 3-6 months:
- [ ] Planning to hire: __________
- [ ] Giving raises to: __________
- [ ] Changing pay frequency
- [ ] Adding benefits/stipends

Seasonal adjustments:
- Busy season hour increases: __________
- Slow season hour decreases: __________

Emergency planning:
- Can reduce hours if needed: Yes / No
- Minimum payroll to maintain operations: $_____

Your Breakthrough Number

Now, Add Your Four Walls Together

Wall 1: ______________ Wall 2:________________

Wall 3: ______________ Wall 4:________________

My B Number:

Congratulations! You now have your Breakthrough Number!

This is the minimum amount your business must make each month to be truly sustainable. Everything above this number is profit that you get to allocate intentionally.

Your Breakthrough Number becomes your new North Star for business decisions:

• Should you take on this client project? Does it help you hit your Breakthrough Number?
• Is this marketing expense worth it? Does it reliably generate your Breakthrough Number?
• Can you afford to hire help? Only after you're consistently hitting your Breakthrough Number.

Next Steps:

1. Track this number monthly
2. Build an emergency fund equal to 3 months of your Breakthrough Number
3. When you hit it consistently, you'll know your business has moved from survival mode to strategic mode

That's when real growth becomes possible.

About Dawn Kennedy

Dawn Kennedy is a business attorney and serial entrepreneur who helps small business owners protect what they've built while positioning for sustainable growth.

After her consulting business collapsed in 2013, leaving her family with $76,000 in debt, Dawn developed the Breakthrough Number system to help entrepreneurs avoid the financial blind spots that nearly destroyed her business. She and her husband paid off their debt in 39 months and rebuilt stronger.

Today, Dawn runs Dawn Kennedy Law, helping product-led businesses navigate legal challenges, and Convoy Road Coffee Roasters, where she applies the operational systems she teaches. She's the creator of the Product-Led Success methodology and the Breakthrough Number approach to business financial management.

Dawn shares business strategy, legal insights, and hard-won operational wisdom at getinweredoingbusiness.substack.com, where she helps entrepreneurs build businesses that can weather any storm.

Connect with Dawn

- Consulting: https://dawnkkennedy.com
- Business Law: https://dawnkennedylaw.com
- Newsletter: https://getinweredoingbusiness.substack.com
- Coffee Business: https://convoyroadcoffee.com