FOR THE RECORD
A MarshBerry Publication
Volume III, Issue 1 January, 2009

# Money in the Bank!

The Working Capital Defensive Interval measures the number of days expenses that an agency has in net working capital. Many agencies report having the bare minimum, which may not be sufficient to weather the loss of a major account or take advantage of unforeseen opportunities.

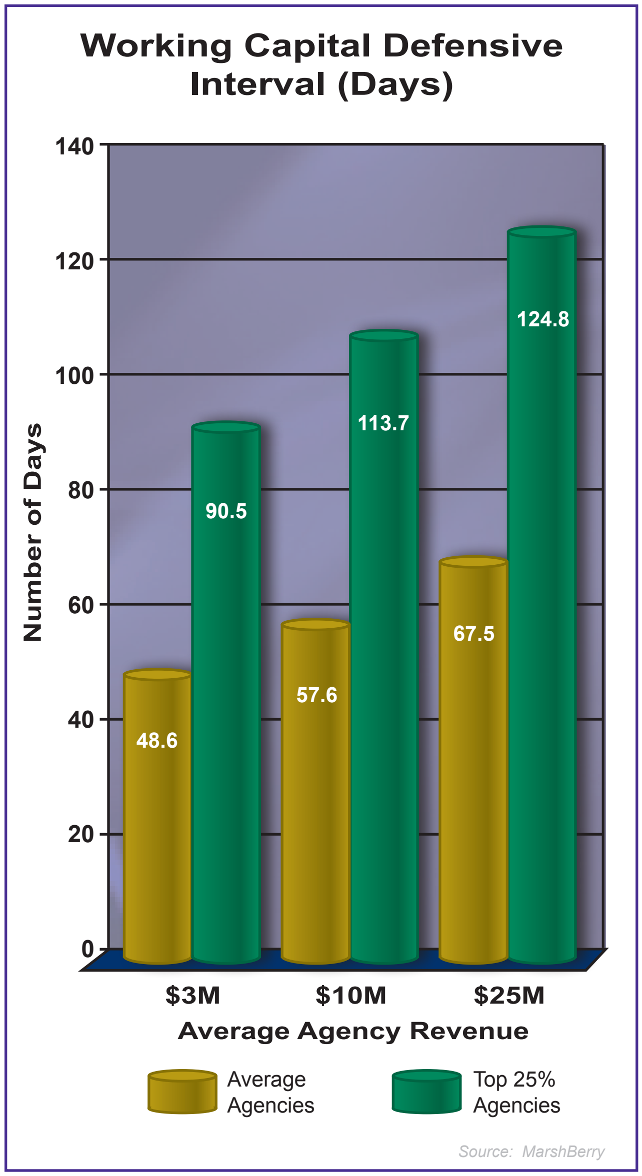
The Average Agency at each revenue level has approximately half the working capital that the Top 25% has. The Top 25% Agencies have three months (in the case of a $3 Million agency) to over 4 months (in the case of $25 Million agency) of working capital, which means they could continue operating for 3 to 4 months without collecting another dollar of cash. Granted, most agencies do not focus on a period of time when no cash comes in, but these Top 25% Agencies are prepared should they lose a major account or if an opportunity to invest in a producer drops on their doorstep.

The Average Agency may not be positioned to invest in new producers, acquisitions, automation, or buy out a shareholder without dipping into their line of credit. MarshBerry recommends agencies continue to reinvest in their own balance sheet so they are prepared for the unforeseen events that unfortunately do occur.

The Working Capital Defensive Interval is used to gauge the number of days of expenses that could be covered if cash stopped flowing into your business. It is calculated as follows:

$$\frac{\text{(Average Total Current Assets – Average Total Current Liabilities)}}{\text{(Total Expenses / 365)}}$$

*Authored by Wayne Walkotten,*
*Senior Vice President, 616-723-8372*




MarshBerry • 4420 Sherwin Road • Willoughby, Ohio 44094 • 800-426-2774 • www.MarshBerry.com • MarshBerry@MarshBerry.com