

Overcoming a cash flow shortfall

Seven sound suggestions to help you get back on a positive cash flow track...



Welcome to the wonderful world of expanding your knowledge on cash flow planning!

We are happy to see you here—digging into another educational resource that is designed to provide you with valuable tips on overcoming cash flow shortfalls.

If your business is experiencing a period where cash flow is light (or in the negative), it's time to take action and turn things around. To get you moving, we've compiled a helpful list of tips designed to get you back on a healthy financial track.

We are here to help. So, if you have questions or would like to consult with a member of our team, please reach out today.



Seven sound suggestions...

Cash flow is the lifeblood of any business, and the goal is to always have cash on hand. This means ensuring you have both a healthy inflow of cash (sales) while working to mitigate cash outflows where possible (expenses).

If your business is dealing with cash-flow challenges, now is a good time to take action and improve your financial situation. Start with our list of tips:

1 Adopt software to properly monitor cash flow

Tracking your available cash and anticipated inflow and outflow of money throughout the month is a vital step in managing cash flow, which is why you need to have the right software in place. It's highly recommended that you use a proven cloud-based solution that enables real-time access to data and makes easy work of running cash flow reports. If your current bookkeeping process is supported by basic, manually driven spreadsheets, consider adopting proper software to support automated, on-demand cash flow analysis.

2 Be proactive with accounts receivable

Don't wait for customers to pay you based on their timeline. While sending a few automated and personal email reminders can prove successful in collecting outstanding invoices, calling a customer directly with a personal request can be exceptionally more effective. When customers fall behind on invoices, take a proactive stance and make those calls.

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3 Offer customers an incentive for quick payments

You can offer customers a discount for paying invoices earlier than the due date. Make sure to state a specific pay-by-date (or multiple pay-by-dates) in order to receive the discount. For example, you can offer a 20 percent discount if paid within the first seven days of invoice receipt. The discount would then fall to 10 percent if paid after the first seven days but before the 14-day mark. This tactic can help increase your cash flow in the short term.

4 Extend cash by using a high-rewards credit card

During slow cash flow periods, consider paying expenses with a rewards-based credit card. This enables you to hang on to your cash a bit longer, while also receiving highly desirable rewards, like cash back. As long as you use your credit card wisely and can afford to make regular (if not full) payments each month, a cash-back credit card is easy money. The key here is selecting the card that best suits your business needs.

5 Pay vendors at the right time

Put a strategy in place for paying vendors in order to take advantage of early-pay discounts. If a vendor offers a discount for early payment, first consider if the discount is worth letting go of your cash earlier in the month—if so, do it.

The other option is to pay when it's most favorable for your business.

For example:

You have a large bill that comes in on April 1 and shows a payment term of net 30 (i.e., you have 30 days to pay). Your cash flow records indicate that March is typically a slow business month, but April commonly shows record-high sales. You can wait and pay the invoice on the last day that it's due to help ensure positive cash flow for April.



6 Expand payment options for customers

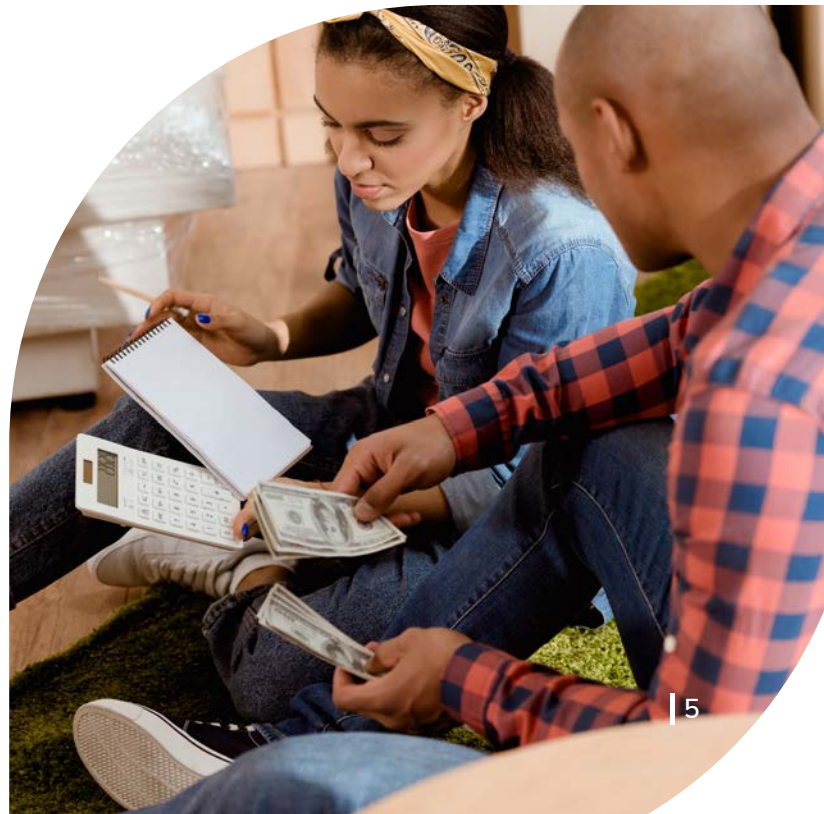
Getting paid quickly is one of the best ways to improve the inflow of money to your business. For a fast infusion of cash, it can be as simple as offering customers more payment options. For example, offer payment by credit card, debit card or automated clearing house (ACH). Also consider digital wallet or mobile payment solutions such as PayPal, Square, Apple Pay or Venmo. The more convenient you make it for customers to pay, the faster the cash gets into your account.

7 Look into a low-interest loan

While the thought of going into debt by taking on a loan may make you squeamish, there are several sound reasons why you might want to do so. For example, if you wish to expand your business; purchase inventory; take on a new, profitable project; or cover an off-season slump. A short-term, low-interest loan will inject immediate cash into your business, allowing you to pay it back in regular installments and at a reasonable interest rate. Alternatively, you can apply for a line of credit. This enables you to draw cash only when you need it.

Mobile Pay Solutions

- PayPal
- Square
- Apple Pay
- Venmo



Take action...

Monitoring and properly maintaining cash flow is critical to all businesses—big or small. While any owner can run into cash flow issues from time to time, getting back on track quickly is key. Be sure to take each of the tips above into consideration if you're facing a cash flow shortfall and want to get back to a healthy financial position.

Need a little help with cash flow planning?

Contact us today! Simply click the **GET IN TOUCH** button on our website and complete the brief form. Remember, we are here to help!

