



THE WHITE PAPER

Strategies for Managing Your Assets

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Spring Cleaning for Your Small Business

Like most other aspects of your life, your business needs a good spring cleanout and reorganization. Here are a few financial housekeeping tips you may find useful.

Keep Cash Flowing

Regular cash flow forecasting is a critical part of small business management. It allows you to foresee fluctuations in the business and make adjustments to cover expenses. It is foolhardy to keep your fingers crossed and just hope that things will turn out okay in terms of cash flow. You need to be in control and project as best you can what is going to come in and go out for any given period. Small businesses are particularly vulnerable to being blindsided with regard to cash flow. That is why businesses should have an emergency fund.

Maintain Effective Collections/Billing Policies

Late-paying customers are the cause of most small business's cash flow woes. Typically 20% of customers account for 80% of the business -- so it is in your best interest to persuade that 20% to pay on time. Using payment incentives can be an effective way to reduce collection time. Offering a small (up to 5%) discount for payment within 10 days may motivate many customers to pay quickly. Another consideration is billing more frequently. Over time, this practice may boost flow by reducing your "float" period.

Use Credit Wisely

Younger business owners tend to use credit cards to fund business expenses more than older owners. This can be a dangerous practice, especially if they are paying between 15% and 20% interest. Typically a bank loan is a better choice, and among the various options, a line of credit is preferable to a small business loan. With a small business loan, the interest on the entire loan starts accruing when the money transfers from the bank to your account. Why pay interest on \$20,000 when you have only used \$5,000? When using credit, the important thing is timing. Be very specific about when you need the money and how much you need.

As your business grows and cash management becomes an even bigger issue, look to your business banker for assistance in improving your company's bottom line.

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