



# Expect More....

## Tips for Managing Cash Flow

With the world economy in a state of flux and prices constantly on the rise, managing cash flow within your business is becoming increasingly important. Without properly handling your finances, the best reputation and the highest level of customer service will not be able to keep you afloat. Consider these tips for cash flow management to help you keep your business thriving.

## Always Look to the Future

When planning for your business, you should keep a cash flow projection that has plans at least one to two years out. This will allow you to determine what your essential needs are and how the shifts in your business will affect things in the long term. In these turbulent economic times, this is a particularly important part of managing cash flow because it allows you to see how cuts in the present will affect things in the future. Make sure to update your projections constantly so if one revenue stream dries up you know exactly how much money you need to make up and how long you can keep your current business model before the loss of funds makes it unsustainable.

## Manage Inventory Carefully

Cash flow management is not all about money. Inventory can also play a role in managing cash flow. You should strive to make sure that you know what your inventory situation is like at all times. This allows you to focus your spending on stock that is selling well while discounting stock that is moving slowly if necessary. Try to avoid keeping old products around if you can help it. You want stock to move quickly so it doesn't collect dust and become less interesting to potential buyers.

## Know Your Suppliers' Deadlines

Whether it is just keeping track of utility bills or dealing with a major supplier, a

huge part of cash flow management is knowing when you need to have your bills paid. If your projections estimate a sharp decrease in your finances, you can help yourself in managing cash flow by contacting various suppliers and seeing if their deadlines have any flexibility. Most suppliers require payment within 30 days, but some will extend the deadline to 60 or 90 days if you have been a reliable customer. This allows you to keep money in your business longer and generate the additional funds needed to pay your suppliers.

## Don't be Afraid to Renegotiate

Whether you are running a business out of a brick and mortar location or entirely online, you need to keep an eye on your contracts and be ready to renegotiate them if a deal becomes unprofitable. In brick and mortar businesses, you should know the terms of your lease and keep an eye out for better deals in other areas. The same holds true for online businesses and server deals. While you should not move or switch servers frequently, you should be aware of possible deals that will give you a better cash flow. This will give you room to renegotiate contracts if needed, which will make managing cash flow for your business that much easier.

## Incentivize Receivables

A major way to make managing cash flow easier is to make sure you are paid for your services as quickly as possible. Strive to give your clients and customers some sort of reward for paying quickly. This could take the form of offering a small discount for fast payment or offering lower prices on outdated inventory. For some services, asking for a deposit check to ensure prompt payment may be a good idea. You should also make sure that invoices are issued promptly and that electronic payment options are available whenever possible.

## Don't Get Complacent

When your company does well, it can be very tempting to take it easy when it comes to managing cash flow. That is a recipe for disaster, because every company has its ups and downs. If you don't take care of your finances now, you can find yourself in dire straits later on. Continue to seek out vendor discounts when possible and make sure you take full advantage of creditor payment periods so you aren't taking money out of your business too early. Even during times of success, remember to keep a close eye on your money.

## Summary

By keeping an eye on your suppliers and operational contracts, you will be able to keep your spending under control. By making projections a year or two in advance, you can also get an understanding of how your deals with customers and clients are affecting you long-term and what you need to do in order to continue to thrive. If you follow the above advice in managing cash flow, you will find yourself in good financial shape for a long period of time.

So, when it comes to managing cash flow, you should strive to do the following:

Make yearly projections that give you a feel for where you will be a year or two from now.

Keep an eye on your inventory and move stock that has been there for a long time.

Know your suppliers' deadlines and use them to your advantage.

Be ready to renegotiate contracts if necessary.

Give customers a reason to pay quickly.

Don't stop being frugal just because the money is flowing now.

» Tips on Plugging Cash Flow Leaks