



Financial Foundations

Managing Business Cash Flow

Tending to the details of your business and staying organized



Getting started

As a business owner, your unique vision and passion drives you to set goals and do the things required to succeed. To fuel your business goals, it's important to manage cash flow.

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Eight ways business owners can manage cash flow

Knowing how much cash is coming in and going out, and accurately forecasting sales and expenses, is key to maintaining your company's health, especially for new businesses.

No matter where you are in your business plan, keep these eight ways to manage your cash flow top of mind:

1. Know when you will break even. The question "When do I start to turn a profit?" is at the front of every business owner's mind. Set a realistic goal.
 - This will help focus your efforts and provide a numerical benchmark for projecting future cash flow.
2. Secure credit ahead of time. Too often, business owners wait until they need to secure credit. This can cause a lot of unnecessary stress. It's best to prepare for the unexpected.
 - Talk to experienced business owners in your area and industry ahead of time to know how much revenue you'll need up front.
3. Use a dedicated software like Intuit to manage your finances. Most accounting software available today focuses on the details and big-picture view of your finances.
 - Using a dedicated system to manage cash flow will keep you organized and on top of your business finances.
4. Use a service like ADP to manage payroll. Many business owners find that having professionals take care of collecting payroll taxes saves an enormous amount of time, streamlines cash flow and is worth the expense.



Eight ways business owners can manage cash flow

5. Investigate accounts payable improvements. Business owners are always looking for ways to create efficiencies and reduce costs. Consider paying bills with a credit card that has a cash-back bonus program. Even 1% cash back could equate to as much as several thousand dollars a month, depending on the amount you spend.
 - Because sometimes credit cards have higher interest rates, it's wise to pay off the monthly balance in full.
6. Schedule payments. You don't have to pay everything at once; in fact, you shouldn't. Don't be delinquent on any payments, but to keep enough cash on hand, consider dividing bills into three categories:
 1. **Must pay** — This includes payroll, taxes, rent or any other bills that must be paid to keep operating.
 2. **Important to pay** — Sometimes utility bills and insurance payments have penalty-free grace periods, in which case, you might want to take advantage of this.
 3. **Payment is flexible** — Many vendors and suppliers are happy to work out a flexible payment plan. Be honest with them, keep communication open and pay at the agreed-upon time.



Smart tip: Most new businesses are required by their vendors to pay cash for supplies, inventory, and the like. After you develop a good reputation for paying on time (maybe a year), ask vendors to invoice you instead of paying with cash. This allows a business to pay in 30 days, which preserves cash flow.

Eight ways business owners can manage cash flow

7. Keep up on cash coming in. Making sure you get paid is, of course, one of the most important parts of business operations. The sooner you get paid, the sooner you can put money back into the business. Send out invoices in a timely manner and establish clear terms of payment ahead of time.

- Remember that people and other companies are often late with payments. If you want to receive payment within a month, make the payment terms 14 days.



Smart tip: If a customer pays with a credit or debit card, the profitability is lower because the business incurs credit card processing fees charged by the credit card issuer. Ask customers to pay in cash to avoid fees.

8. Put cash flow management before profits. This might seem a little counterintuitive; after all, profits are how the business survives. However, if you aren't managing your cash flow, you'll experience problems that may not be solved by a profitable quarter.



Smart tip: One way to manage your cash flow is completing a cash flow statement every month.



Cash flow statement sample

A cash flow statement provides your business with a snapshot of the current “money on hand.” Use this sample cash flow statement to track the money flowing in and out of your business.

	Pre-Startup EST	Dec 30	Jan 6	Jan 13	Jan 20	Jan 27	Feb 3	Feb 10	Feb 17	Feb 24	Mar 3	Feb 10	Feb 17	Feb 24	Total Item EST
Cash on Hand (beginning of month)															
CASH RECEIPTS															
Cash Sales															
Collections fm CR accounts															
Loan/ other cash in															
TOTAL CASH RECEIPTS															
Total Cash Available (before cash out)															
CASH PAID OUT															
Purchases (merchandise)															
Purchases (specify)															
Purchases (specify)															
Gross wages (exact withdrawal)															
Payroll expenses (taxes, etc.)															
Outside services															
Supplies (office & oper.)															
Repairs & maintenance															
Advertising															
Car, delivery & travel															
Accounting & legal															
Rent															
Telephone															
Utilities															
Insurance															
Taxes (real estate, etc.)															
Interest															
Other expenses (specify)															
Other (specify)															
Other (specify)															
Miscellaneous															
SUBTOTAL															
Loan principal payment															
Capital purchase (specify)															
Other startup costs															
Reserve and/or Escrow															
Owners' Withdrawal															
TOTAL CASH PAID OUT															
Cash Position (end of month)															



Smart tip: A cash flow statement provides insight into how your company operates and uncovers any cash flow gaps for the near future.

Leverage credit wisely to plug business cash flow gaps.

Cash flow is key to your business' day-to-day operations. Problems with cash flow can intensify quickly. Fortunately, there are many ways you can use credit to help plug cash flow gaps.

First things first.

Review your balance sheet and identify cash flow issues. What's the cause of your cash flow issues? Determining the cause of the issues is an important part of deciding how to solve them. Having a balance sheet on hand can help you decide what type of credit options you might qualify for.

Next, it's important to understand some potential strategies for common cash flow issues and leverage credit wisely to plug business cash flow gaps.



Partner with your banker to help manage business cash flow and choose the right strategy to help get back on track.



Leverage credit wisely to plug business cash flow gaps.

Once the cash flow issue has been identified, consider potential strategies to help keep your business on track.

Cash flow issue: Lagging payments

Even the best clients sometimes fail to pay on time. If you're seeing a pattern, you have a few options.

Potential strategies:

- **Discounts:**
If your clients have a 60-day payment window, offer them a small discount if they pay within 30 days.
- **Credit cards:**
In addition to building your business credit score and often offering rewards, business credit cards can help you in a pinch. Because sometimes credit cards have higher interest rates, it's wise to pay off the monthly balance in full when possible. Sometimes it isn't possible to pay the balance in full. Just make sure you can pay at least the minimum payment each month to avoid fees and additional cash flow problems. Try to keep the balance below 50% of your credit limit.
- **Line of credit:**
Another option is to take out a line of credit before your business needs one. Once cash flow issues arise, it can be more difficult to obtain the financing you need. If cash flow problems aren't affecting the business' overall profitability right away, a line of credit may still be a smart addition to your financial portfolio.



Leverage credit wisely to plug business cash flow gaps.

Cash flow issue: Vendor payments piling up

If you're short on cash for vendor payments, consider ways to finance them.

Potential strategies:

- **Vendor financing:**
If you decide to go this route, make sure to ask the vendor for the cash price. This helps evaluate a vendor's financing offer against more traditional options, such as a bank loan.
- **Line of credit:**
Banks can offer advantages over vendors when it comes to financing. If a bank and vendor offer similar terms, but a bank line of credit allows you to take advantage of an early payment discount, it could be an advantage in the long run.



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Cash flow issue: Seasonal crunches

Seasonality can have a huge impact on cash flow. The effect can be magnified for businesses that have taken out, or plan to take out, loans to help finance their growth.

Potential strategy:

- **Talk to your banker:**
Most financial institutions understand the seasonality of business and are willing to discuss adjusting payment terms. Be clear about your needs, such as delaying payments or wanting to repay loans over a shorter period of time. It's possible the banker can help tailor terms to better fit your needs.



Leverage credit wisely to plug business cash flow gaps.

Cash flow issue: Too much debt

Whether you bought a lot of equipment prior to business slowing down or put too much on the company credit card, debt payments can be a big block to cash flow.

Potential strategy:

A strategy for tackling debt likely depends on how long you'll need to pay off the balance.

- **Less than a year:**
If you can pay down the debt in a few months, consolidating it onto a low-APR credit card may be a good option. Make sure you're able to make the payments, as rates may jump after an introductory period.

Other credit options

If your particular cash flow problem doesn't fit neatly into any of these categories, you still may be able to leverage credit.

Many banks offer working capital or cash-infusion loans. These are sometimes known as "quick loans" and are a common way for a business to get back on track if cash flow problems appear to be temporary and easily solvable.

If cash flow is tight and you are planning a major purchase, using a loan to smartly finance that purchase could help, freeing up more capital for day-to-day operations.



Additional resources

BusinessUSA: business.usa.gov

This official portal of the United States government provides resources and guides that help businesses comply with business laws and regulations. It provides self-paced courses on how to apply for financing such as microloans, how to write a business plan, how to register and run a business, and more.

U.S. Small Business Administration (SBA): sba.gov SBA

Answer Desk: 1-800-827-5722

The U.S. Small Business Administration (SBA) website provides resources, answers to frequently asked questions, and other information for small business owners. They provide free online tools and resources at sba.gov/tools. The site provides self-paced information on how to write business and strategic plans, how to buy or sell a business, how to compete for government contracts, how to conduct market research, basics of accounting, and more. Also check out the Learning Center: sba.gov/learning offers a long list of online courses on topics such as attracting investors, cybersecurity, fundamentals of crowdfunding, customer service, and more.

SCORE: score.org

SCORE is a nonprofit association dedicated to helping small businesses get off the ground, grow, and achieve their goals through education and mentorship. SCORE provides a variety of free online resources for start-up small businesses including a gallery of templates for business, finance, and marketing plans. They provide how-to guides and self-paced modules on financing, how to secure contracts, cash flow management, and more.

America's Small Business Development Center Network: americassbdc.org

America's Small Business Development Center (SBDC) network provides free consulting to small business owners at all stages of development. This excellent

resource provides a variety of feedback and planning assistance to small business owners. Their advisors can help connect you to regional and local business resources and lending institutions.

Women's Business Center (WBC):

sba.gov/tools/local-assistance/wbc

Women's Business Center (WBC) is a national network of education centers throughout the United States designed to assist women in starting and growing small businesses. WBCs seek to "level the playing field" for women entrepreneurs who still face unique obstacles in the business world. The network provides comprehensive training and counseling on a variety of topics in several languages.

U.S. Financial Literacy and Education Commission: mymoney.gov

1-888-My-Money (888.696.6639)

MyMoney.gov is the federal government's one-stop website that provides financial education resources from more than 20 federal agencies.

Federal Deposit Insurance Corporation (FDIC): fdic.gov

The FDIC preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least \$250,000; by identifying, monitoring, and addressing risks to the deposit insurance funds; and by limiting the effect on the economy and the financial system when a bank or thrift institution fails. The FDIC encourages bank lending to creditworthy small businesses. The FDIC encourages small business owners with inquiries or concerns about the availability of credit to contact the FDIC Small Business Hotline at 1-855-FDIC-BIZ or fdic.gov/smallbusiness. Another FDIC website, fdic.gov/buying/goods, provides resources to small business owners who want to conduct business with the FDIC.





Thank you

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