



5 ways to improve your cash flow.

Consistent, healthy cash flow is key to the success of any business. This allows a business owner to invest in growth when times are good and keep operations running smoothly when sales are slow. Nearly all businesses can find ways to improve their cash flow, many of which only require small changes to your processes.

1. Explore electronic tools

Depending upon the size of a business, using an online service to bill customers and collect payments can reduce the time it takes to receive funds, helping to speed up your cash flow. Many of these services allow customers to pay by credit card or electronic funds transfer, which can make paying easier and more convenient. Search online or perhaps talk with your accountant or banker to find invoicing services geared toward the size of your business. Most also include helpful features, such as automated late payment reminders for customers and support for recurring billing. Some also allow you to set discounts for early payment, which can further shorten turnaround times...all of which improve your cash flow!

2. Price Comparisons

Reviewing your expenses will most likely uncover easy ways to free up some cash. Start with basic services, such as internet and phone. Quoting your insurance needs annually, will typically save you dollars. Ask your providers about potential discounts — some may be willing to work with you to keep your business.

Before making purchases for your business, explore various online marketplaces. These sites let you compare quotes from multiple suppliers on everything from phone systems and office furniture to vehicles and equipment. If you belong to a professional association such as a Chamber of Commerce, review the discounts they offer for both goods and services; many groups offer their members lower pricing on insurance, shipping and other services, as well as office technology and supplies. If you don't ask, you may be leaving money on the table.

3. Contribute to an emergency fund

Setting funds aside for unforeseen expenses is critical to improving cash flow management. Without an emergency fund accumulated to cover shortages, you may end up forced to choose costly options. Business owners might resort to spending their personal funds or even take out a high-interest loan to get through a cash deficit, simply because they need a quick source of funds. Protect yourself and your business by planning and building an emergency fund to help you avoid this.



While there's no set rule as to how large a company's cash fund should be, the equivalent of three to six months of operating expenses (for a start-up we recommend 12 months) is often sufficient to get through an unforeseen expense or slowdown in sales. Your accountant can help you develop a plan that makes sense for your business. Keep these funds in a separate account to avoid the urge to use them for other reasons.

4. Create a relationship with your business banker

A banker who understands your business and operations may suggest banking services or tactics to help you better control your cash flow. Create a relationship where they feel free to inform you to tools that will simplify your cash management or improve access to funds, or provide ideas for getting the most out of the products you already use. A good relationship with a banker will encourage them to use their knowledge of your business, objectives and challenges to educate you on the available options. Your banker can also be a beneficial networking resource and may connect you with other business owners who can share best practices or create new business opportunities.

5. Strategically plan your use of credit

Credit can be a very useful tool for cash flow management, if used strategically, it allows you take advantage of good pricing and growth opportunities while conserving cash on hand. Using a business credit card, for example, can help you take advantage of vendor discounts or even allows you to order in bulk and defer payment. Sometimes even if you have an interest expense, the savings could significantly offset that cost.

Seasonal businesses can also benefit from using credit to get through their slow times and prepare for busy periods. Buying inventory or bringing new employees on board can require a major disbursement of capital. Having access to credit can help you improve the variance between your cash on hand and what you need to manage seasonal instability. Strategically plan your use and availability of credit before you need it.