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Cash Flow Management

by Dr. Rachna D. Jain

Cash. Most people want more. When running a small business it's particularly important to monitor how cash is coming in and how much cash is going out. This month, I'd like to take a few minutes to share some ideas on cash flow management as in how you can keep more cash in your business for a longer time.

1) **Periodically re-evaluate your expenses.** If you are anything like me your business changes and shifts every 4-6 months and this prompts a necessary re-evaluation of the products and services you are using to run your business. Where can you save money? Where can you invest more money so you can save time? For some people, this may mean canceling out on certain business expenses that they never fully utilize, or, it may mean hiring out and getting help with some tasks on which you normally spend your own time. Both examples are aspects of improved cash flow management even though one (hiring out) involves spending more money. If you can hire out work at less than your hourly or salary rate you're improving your cash flow because you're creating more space to make more money.

2) Hold off on electronics and other purchases for as long as reasonably possible. I'm not suggesting you suffer or get by with significantly less than you need but the prices on electronics and other goods decline over the months. If you need to invest in a new computer or printer or copier you can save money without sacrificing quality if you can wait a few months to purchase.

3) Use credit responsibly. If you have access to lines of credit you can use these to finance business purchases rather than paying cash outright. This, in many cases, can give you 20-30 extra days on your money enabling you to save or invest it for maximum return.

4) Watch out for hidden fees. Yes, there are some "costs" of doing business. However, at least once every 6 months, review what you're paying for services like office cleaning, credit card transactions, long distance calls, liability insurance, etc. Make sure these costs are not rising faster than they should. It's a good idea to keep track of any long-term contracts or commitments to make sure that you're not being charged too much for standing services. Also, watch out for those policies which automatically renew.

5) Get paid more. Another way to manage your cash flow is to charge more for what you do. Institute planned increases in your payment rates over a year or two. Raising your fees as a cash flow strategy only works, though, if your spending remains less than your earnings.

6) Buy in bulk. This applies to physical products/supplies as well as non-physical ones (such as services). You can often realize a significant cost savings on items bought in bulk especially if you were going to buy them anyway.

7) Keep track of your discounts and other rewards. We are inundated with special offers, promotions and discounts. Use these wherever you can. Just recently, I was able to save a few hundred dollars on items I purchased due to in-store specials and mail in rebates. In a sense, my savings was found money!

8) Give special consideration to your customers who pay early and in full. Customers who routinely pay their bills ahead of time, and who are rewarded for doing so, are more likely to continue this behavior which results in more cash inflow for you. You might, also, offer your customers a discount if they buy in bulk from you. This is a marvelous way to save on the costs of accounts receivable as you generate some fast cash.

9) Invoice before, or soon after, performing a service. Don't wait to send out bills just once every 30 days. This can delay cash inflow for months. If you provide a regular, predictable service, plan to get paid ahead of time. If you must get paid after providing the service plan to send out invoices at least twice per month so you can better manage the inflows and outflows.

10) Invest in the growth of yourself and your business. Spend money to market your business, invest in your own learning and get help as soon as possible. The more you put into your business, in a thoughtful and measured way, the more you will get out of it.

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