Tips for avoiding a cash flow crunch
Every business goes through lulls, but you can successfully bridge those gaps with careful preparation.

Forecast carefully > A little planning and preparation can help you avoid problems.

Three important questions to ask:
1. Do you have enough cash on hand to cover expenses for 90 days?
2. Are your customers paying you on time?
3. Can you survive a major disruption, such as the unexpected cancellation of a big order?

Develop your forecast methodically
- Itemize fixed expenses.
- Allow for pending or potential expenses.
- Log your expected income.
- Do market research to understand external factors.
- Review past trends and patterns.

Save for at least six months of expenses
- To help you weather unexpected downturns, it's important to maintain a reserve of cash.
- Most experts recommend forecasting up to a year out and reviewing and updating monthly.

Know the ins and outs of your cash flow > Making the most of your receivables and payables can create more flexibility — leaving you well prepared for crunch time.

Cash in
Speed up your receivables.
Invoice immediately
Send your bill as soon as you complete the job or make the delivery.

Billing hourly?
Invoice twice a month.

Stay on top of invoices
The longer an invoice is out, the less likely it will be paid, so send reminders.

Enable electronic payments
Get paid faster by making arrangements to draw payments electronically from customers’ bank accounts on specific dates you both agree on.

Accept electronic checks
Accepting electronic payments at the point of purchase typically gives you access to cash within 48 hours.

Accept as many credit cards as you can
Offering a range of payment choices will make your business more attractive and may reduce your risk of non-payment.

Cash out
Take control of your payments.
Set up vendor payment schedules
Scheduling your payables can reduce surprises and help you take full advantage of your interest-bearing account.

Reconcile often
The earlier you spot errors and duplicate entries in purchase orders and invoices, the smoother your cash flow can be.

Stretch your payments
Pushing back outgoing payments until the last possible day will both maximize the cash you have on hand and give you greater flexibility. But all the same, never pay late.

Make payments electronically
Solutions such as Automated Clearing House (ACH) and Electronic Funds Transfer (EFT) can help you streamline your process.

Pay with no-interest credit cards
Using no-interest cards, combined with timing your purchases correctly, can help you control cash flow.
The key to better cash flow lies in managing your receivables and payables effectively.

Here are some tools that can help you stay in control.

Credit cards

Not only can they help ensure that vendors and suppliers get paid on time, but credit cards let you choose the payment date so you can maximize your cash on hand. Also, many cards offer special incentives like interest-free payments, air miles, cash rewards and more.

Overdraft protection

Overdraft protection is an essential tool for any small business. It won’t cover the larger cash flow issues, but it may help keep the smaller ones from becoming a distraction, so you can focus on the big picture.

Short-term loan

If there’s a shortfall, taking out a loan may be the best solution for you, especially if you can pay it back quickly.

Equity

Exploring equity, or selling shares in your company, can generate the cash you need through investments from friends and family, crowdfunding and more.

Line of credit

This is a great way to be prepared for future cash flow crunches. Think of it like buying an umbrella on a sunny day. You may not necessarily need it now, but when you do, you’re ready.

We’re committed to finding the smartest path to long-term growth for your business

Our small business specialists will work to help you strengthen your business and plan for the future.

Talk to a small business specialist today.