Cash Flow Management

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

- 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 electronically drawing payment from customers' bank accounts on specific dates you both agree on.
- Take electronic checks. This point-of-purchase process typically gives you access to cash within 48 hours.
- Accept as many credit cards as you can. More choices will make your business more attractive and may reduce your risk of non-payment.


- Set up vendor payment schedules. Planning your payables can reduce untimely surprises and help you take advantage of an interest-bearing account.
- Recycle checks. 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 just 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 credit cards. No-interest cards – combined with timing your purchases correctly – can help you enhance cash flow.

For more ways to optimize your outgoing cash, check out the Small Business Guide to Cash Flow Management: Managing Payables.

Forecast
A little planning and prep work can help you sidestep dry spells.

3 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 for possible external factors.
- Review past trends and patterns.

Save for at least six months of expenses. 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 in your cash flow – 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.
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- Take electronic checks. This point-of-purchase process typically gives you access to cash within 48 hours.

Cash Out
Take control of your payments.

- Set up vendor payment schedules. Planning your payables can reduce untimely surprises and help you take advantage of an interest-bearing account.
- Recycle checks. 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 just 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 credit cards. No-interest cards – combined with timing your purchases correctly – can help you enhance cash flow.

The key is bringing both sides closer together.

Find your alternate solutions
Already in a cash flow crunch? Consider these alternatives.

Credit Cards
Not only does this ensure that vendors and suppliers get paid on time or less, but it lets you decide the payment date so that 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
Here’s an easy solution for the temporary hiccups along the way. It automatically covers any overdraft fees and can even offer a line of credit.

Short-term Loan
If there is a shortfall, taking out a loan may be the best solution for you, especially if you can pay back quickly.

Equity
Exploring equity or selling shares in your company, can generate the cash you need – but be sure to plan carefully.

Line of Credit
This is a great solution for getting paid, future cash flow crunches. Think of it as your backup option. You may not necessarily need it now, but when you do, you’ll be glad you have a plan.

Find your business banker
To discuss your needs and find the solutions that work best for your business, please contact a small business banker.