

Cash Flow Secrets



Looking for ways to boost your cash revenues? Is your cash flow always a problem to you? If you are always “cash strapped” consider the following recommendations:

Follow the money trail. – Getting Organized!

You won't be successful in business if you omit to systematically track your income and expenses as well as record those who owe you money and others who you owe money to. It certainly is not everyone's favorite chore, but an important one to stay in business successfully. Shoe boxes are for shoes, not for business records. Ensure proper systems are put in place to enable you to assess at any time where your business is at.

Simple tracking system of your income and expenses is all you need. You don't need to have big, expensive computerized systems. There are many low cost options available today that can do the job very well.

The type of tracking system you will need depends on the type of information you need to track. **'Bookkeeping 101'** will give you the keys needed to achieve organizing your records systematically as well as give you simple alternatives to track your income and expenses.

Make sure all records are up to date, especially your cash recording system because monitoring your cash situation will be critical.

Be happy when you pay tax. -

Most business owners are absolutely ecstatic when they find they don't have to pay any tax at the end of the year. The trouble with this scenario is that if you don't have to pay tax, it stands to reason you can't be making any profit. And if you aren't making any profit, then why are you in business?

Too many business owners make decisions in their business venture based on the one goal of reducing their business profitability so their taxes are minimized. One has to ask whether it would be far better to make a high profit and pay the tax on it, because at the end of the day you will be left with a greater net income and more money in your pocket after the Tax Man has taken his cut.

What most proprietors mis-understand is that what the tax man considers to be profit in the little business is actually the owner's pay cheque. That profit is the net income after all expenses, and this is used to pay the owner's salary. How many business owners work their heart out just so they can reduce their take home pay cheque? It doesn't make sense. You wouldn't put up with this “reduction” from an employer, so why put up with it now from your own business?

Never condemn yourself to a life of poverty just to avoid paying taxes.

It's far better to make as high a profit as possible and then use all the legal strategies and means available to you under the law to minimize the tax you have to pay on that profit. No one likes paying tax, but everyone likes making money.

The bottom line is this; *if you are paying taxes, it means your business is making money.* So go out and make more money. Don't let the thought of paying tax hold you back. Remember, the maximum tax rate will only be a proportion of the full dollar so you can't lose.

A word of caution: *Don't increase your profits only to end up spending it all.* Make sure you plan ahead for the tax on that profit. Remember, the profit belongs in part to the tax man, so make sure you only spend the portion which belongs to you.

Make sure you get paid on time.

Always get your customers to pay on time. It's no use doing work if you are not going to get paid for it. Don't extend credit unless it's absolutely necessary. As soon as the work is finished, send in your account and if the account is not paid within the normal payment terms, don't be afraid to send a letter or statement reminding your customer that the account is due.

Your time, your products, and or your services are very valuable to you. They come at a cost, so do not undervalue yourself and avoid too much pro-bono work.... GET PAID.

Remember; the longer the time it takes to bill your customers, the more your customer does not think that it is not important to pay you and they take two to three times longer to get around to paying you. The more prompt the bill, the more likely you will get a prompt payment without having to send reminders.

You don't have to be rude or aggressive. Just be firm. Concentrate your focus on preserving the relationship built up. If your customer or client has legitimate complaints then don't hesitate -fix the problems.

Keep your customers close – and supplier's closer.

Look after the customers who have been with you from the beginning. They are the ones who have stuck with you through thick and thin and they will be worth a lot of money to while you are looking after their business affairs. If they were not satisfied with your service they would have told you so long ago. And as they are obviously satisfied with you, they will refer other businesses to you regularly.

There is nothing wrong with looking for new customers, but don't forget the old ones.

Keep in touch with those old ones because they are often a great source of referrals of extra business. It's a fact that you can build a successful business around a smaller number of satisfied customers by simply providing them with excellent service and excellent products.

Loyal customers will always be "good money in the bank". They are easier to work with because they know how you operate and how you like things done. It's far less expensive to keep those old customers happy than it is to find new customers.

Watch and use your break even point. – Make it or break it!

The break even point is that moment in time when your income equals your expenses. Once you exceed that point you are said to be making a profit. If your income is higher than your expenses - that's a profit. If your expenses are higher than your income – that's a loss.

Knowing your break even point is vital, because you must always be aware how much it is costing you to produce the products or deliver the services in your business. If your business is unable to meet its day to day costs plus financially "support you", you are not breaking even. Your system should be able to highlight at any time the total number of sales you are making, their value and the cost of generating those sales. It is only then that you will be able to find out what level of sales you need to achieve to cover expenses and how many customers you need to sell to, to meet your sales targets.

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If you can't reach the required income level, you may have to look at how to reduce your expenditure. Make sure you fully understand what break even is all about. It is in fact, a powerful business tool that helps you make decisions about your marketing, go forward strategy, expansion, staff and prices to name a few.

Maintain friendships and don't burn bridges. – Good Rule of Thumb

Everyone has “good” clients as well as “tough” clients. Good clients pay on time and feel they are getting what they need. Tough clients are a continually requiring more. They constantly have a concern or an issue and will hold back paying their fees until their needs are met. Tough clients are often a blessing as they are showing you what your company needs to work on. So, take note of what they are needing from you as they are providing you with information. It may be that you are unable to meet their needs, then be honest as honesty goes a long way and perhaps the tough client will become easier once they understand your limitations, or perhaps they will find someone else to provide their needs – they will respect you for your honesty and recommend others that your company will be suitable for.

Let's say both the good client and the tough client asks you for help. Who are you going to “knock yourself out” for? - Is that fair? Who do you think will come back or recommend your services more? The easy client or the tough one?

Remember to take the time to look after the people who provide you with your income. Build bridges and establish relationships that last. The more satisfied and loyal your clients are, the greater will be your cash flow.

Work with budgets.

Most people are afraid or too do not feel they need to make the time to maintain budgets. “Budgets are our friend” is a saying often heard in the marketplace. Non-profit boards work with Budgets all the time and it is a good tool to see if planned expenses are on track or getting out of hand.

A budget is simply a pre-determined plan on how to spend your money. It helps you to stay on your pre-determined track and focuses you on what you have to do to achieve your goal. If the budget is a financial one, then the goal is a financial profit. If a budget is a sales one, then it sets out how to achieve your sales goals.

Having a budget for your business could be the difference between piloting an airplane with instruments or flying blind in a fog.