

Small Business Development Center at Volunteer State Community College



A public service program of the Division of Continuing Education & Economic Development

May's Newsletter Topic: **Cash Flow (or the lack thereof) for Small Businesses**

from **Entrepreneur.com**

They say cash is king. Find out how to give yours the royal treatment.

There's a golden rule in business you'd be smart to learn now: No matter how much you sell, if you don't collect the money, you're going to go out of business. As business owners, we often get so wrapped up in selling our products and services that we forget to take the time to ensure we're managing our cash flow and receiving the money for those sales. But when it comes to your bottom line, you'd be wrong to simply focus on total sales dollars: You also need to focus on the cash collection of those sales.

To help get that money in the door, here are seven tips for improving your cash flow.

1. Require a down payment on projects so that your customers fund the project, not you.
2. Set your terms to be payment in full upon completion. Don't extend out 30 or 60 days after you've completed your work. You don't get to use your hard-earned cash until payment is received from your clients, so get it as soon as you can.
3. Negotiate terms with your vendors for 30 days or more so you have an opportunity to complete the work, bill your customers and receive payments prior to paying your vendor.
4. Have a collection process in place, and follow through. When your customers delay payments, they're using your cash. You need to ensure that you're being diligent in collecting from your customers.
5. Set up a line of credit at your bank that you can use in case of emergency. Often, lenders rates will be less than the late fees your vendors will charge. This line of credit will help you cover a lapse in cash flow for short periods of time.
6. Factoring of your receivables allows you to sell your receivables and get cash now instead of waiting 30 or 60 days. There's a fee for using a factoring service, so you need to ensure that the benefits of getting cash today exceeds the cost you'll pay for that expedience.
7. Minimize the amount of draws you take personally from your business. Each dollar you take from your company reduces the amount of cash flow you'll have available for the business to grow.

Not all these options will work for every business--you have to consider which of these will work for your specific needs.

Here's one last tip: Don't ever think you're too busy making sales and working in your business to worry

about your cash flow. This mindset is the very thing that can put a business out of business when there's no cash to pay the bills. So take the time to analyze your business's cash flow to locate--and make--some small changes that will have a big impact on your cash flow.

Remember, your cash flow is not the same as your profits. You can have a profitable business, but a negative cash flow. Prepare a monthly cash flow statement to ensure that you don't get caught unexpectedly without enough cash to handle your day-to-day operations.

May Small Business Workshops

Date	Event Title	Time	Event City	Location	Fee	Contact Person	Contact Phone
5/1/2008	E-Commerce for Small Businesses	4:00 - 6:00 p.m.	Gallatin	VSCC, Betty Gibson Building, Room 107C	FREE	Charles Alexander	615-230-4780 or calexander@tsbdc.org
5/13/2008	How to Start a Small Business	4:00 - 6:00 p.m.	Gallatin	VSCC, Betty Gibson Building, Room 107C	FREE	Charles Alexander	615-230-4780 or calexander@tsbdc.org
5/29/2008	Developing a Business Plan	2:00 - 5:00 p.m.	Gallatin	VSCC, Betty Gibson Building, Room 107C	\$20	Charles Alexander	615-230-4780 or calexander@tsbdc.org

Small Business Tip of the Month: ***Do your own cash flow projection***

One of the recurring issues that I see from clients is the “I seem to be making money, but don’t have any money” scenario. This is not uncommon. One of the biggest issues small businesses face is managing their cash flow. To many entrepreneurs, it is also one of the more intimidating aspects of a business. Cash flow is different than just looking at a profit and loss statement. Cash flow statements show money coming in the business and money going out of the business, in real time. The best way to find out where your money is going is to put together a cash flow projection.

Below is a link to our Business Tools. One of the tools is a financial worksheet that you can use to create a cash flow projection. Simply fill out the yellow fields in the “income statement” tab and it will auto calculate the cash flow projection. If you need any help in doing this, give me a call or email.

<http://www.volstate.edu/tsbdc/tools.html>

Remember the TSBDC offers the following:

- **Free** and confidential one-on-one counseling for existing and start up small businesses. Whether the counseling is in the area of marketing, operations, management, or any other business service, the TSBDC consultant provides guidance every step of the way. *By appointment, please.*

- Training seminars on a wide array of topics for small business owners.
- Assistance with various funding proposals including SBA loans.
- Referral to professional services and agencies.

Tennessee Small Business Development Center

**1480 Nashville Pike
Betty Gibson Hall #114
Gallatin, TN 37066**

Phone (615) 230-4780

Fax (615) 230-3362

www.volstate.edu/tsbdc

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