

QUICK START TO BETTER CASH FLOW MANAGEMENT

A GUIDE FOR ENTREPRENEURS

BROUGHT TO YOU BY

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RELIEVING THE BURDEN OF BUSINESS

WHAT IS CASH FLOW?

Cash flow is a measure of the amount of cash coming in and going out of a business.

POSITIVE CASH FLOW:

Positive Cash Flow results from more cash coming into the business than going out." A positive cash flow keeps investors and bankers happy.

NEGATIVE CASH FLOW:

Negative Cash Flow means cash is going out at a faster pace than it is coming in. Some businesses expect to run at a negative cash flow, possibly at a certain stage in the business (start-up) or at a particular point during the year (seasonal business).

“ CASH IS
THE LIFEBLOOD
OF A BUSINESS.
THE FUEL THAT
KEEPS THE
ENGINE
RUNNING.”

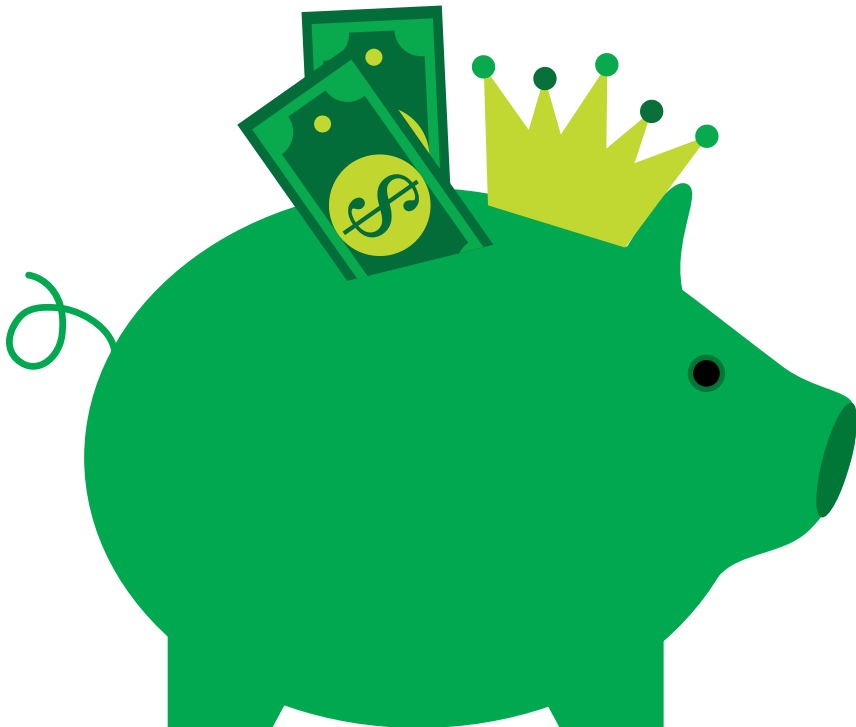
*Phillip Cambell - Author,
Never Run Out of Cash*

CASH IS KING!

Managing cash flow can be the difference between your success or failure. You can't open a book on entrepreneurship without the mention of cash or cash flow. Whether you have a lot of cash or very little, cash flow must be managed.

NEED SOME HELP?

Try these 4 Quick Steps to Better Cash Flow Management.



STEP 1:
REVIEW CASH OUTFLOWS FROM
THE LAST THREE MONTHS

STEP 2:
REVIEW CLIENT PAYMENT TERMS

STEP 3:
SCHEDULE INFLOWS AND
OUTFLOWS

STEP 4:
UPDATE CASH FLOW SCHEDULE
AND REVIEW FOR TREND

STEP 1: REVIEW CASH OUTFLOWS FROM THE LAST THREE MONTHS.

Run your profit and loss statement for the past three months. Determine the average spend for various categories (such as rent, utilities, payroll, credit card payments). Take note of when significant expenses come out.



TO TRACK CASH OUTFLOW FOR MISCELLANEOUS OPERATING EXPENSES:

Use a credit card or separate banking account. At the beginning of each month pay your credit card off, or transfer a predetermined amount of money to the separate account. This will give you one lump sum to manage versus many small expenses.

STEP 2: REVIEW CLIENT PAYMENT TERMS.

Take note of when revenue will typically come in after each billing cycle.

AS YOU REVIEW, ASK YOURSELF:

What are the payment terms for each client?

Do all clients pay within their terms, or are they typically behind?

When do you automatically charge client credit cards each month?



IF POSSIBLE, TRY TO ALIGN YOUR CREDIT CARD BILLING PROCESS WITH YOUR EXPENSES.

If you automatically charge client accounts at the beginning of the month, you will be able to budget your full month of cash outflow off of that cash coming in. If you bill weekly and give client terms, note when each week's billing will come in and align with your expenses.

STEP 3: SCHEDULE INFLOWS AND OUTFLOWS.

Create a spreadsheet with a column for each week. You should have rows for various revenue streams and expenses. Start with your beginning cash available. Review your expenses and revenue streams from steps 1 and 2. Schedule the inflows and outflows each week for a 2 to 3 month period.



BE REALISTIC

Anticipate when your client's typically pay. If a client is supposed to pay in 30 days, but they are always late, DON'T include them in your cash at day 30.

STEP 4: UPDATE CASH FLOW SCHEDULE AND REVIEW FOR TRENDS.

Each week, review invoicing that went out and any new expenses that have been incurred. Update your cash flow forecast schedule. Look ahead 4-8 weeks to determine if there are any tight spots

WEEKLY COLUMNS

ROWS FOR CASH CATEGORIES

	WEEK XX/XX	WEEK XX/XX	WEEK XX/XX
BEG CASH AVAIL			
CASH IN			
CLIENT 1			
TOTAL CASH IN			
CASH OUT			
PAYROLL			
RENT			
TOTAL CASH OUT			
NET CASH AVAIL			



STAY AHEAD OF ISSUES

Delayed invoicing is one of the primary causes of cash flow issues! Make sure invoicing is always going out ON TIME! If things are going to be tight at the end of the month, push larger expenses back.



TIGHT ON CASH?

CONSIDER THESE HELPFUL TIPS:

- If there are vendors you can stretch, schedule their payments out an extra week.
- To get cash coming in the door more quickly, update client billing schedules to a semi-monthly billing schedule instead of monthly.
- Consider auto-charging clients at the beginning of each month (via ACH or credit card). This gets money in the door at the first of every month that you can use and plan for in your operations.
- Give clients discounts if they pay up front to get cash in the door.
- Take vendor discounts when offered and delay other payments that don't have them.
- Set up a process for regular invoicing. Pick the same time each week to make sure your invoices go out on time.

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Fortiviti {Four – ti – vi – tee}

Originates from the combination of fortitude and productivity.

Fortitude is essential to enduring the roller coaster ride of entrepreneurship. Our company was built to help entrepreneurs increase productivity to result in greater success.

Fortiviti provides integrated accounting and back office solutions for entrepreneurs and progressive companies in a variety of industries. Our team understands the finances of small and mid-sized businesses. We become our client's back office, and work together in support of their growing business.



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WWW.FORTIVITI.COM HELLO@FORTIVITI.COM