7 Cash Flow Secrets Your Accountant Never Told You

By Caroline Jordan, MBA

Looking for ways to boost your cash flow? As a small business consultant, I make these recommendations to my cash strapped small business clients:

1. Shoeboxes are for shoes, not business records.

Pardon my candor but, you will never have a successful business if you don't systematically track your income and expenses, who owes you money, and who you owe money to. This is absolutely crucial. You don't have to have a big expensive computerized system, although a computer program like QuickBooks certainly does a beautiful job. You can keep track of everything with a pencil and paper if you like. But, you've got to track basic information in a systematic manner. Without this vital information your business cannot flourish and your cash flow will always keep you up at night.

2. Getting your customers to "show you the money".

The best way to get your customers to pay what is owed is to remove every possible excuse for nonpayment. Don't extend credit unless it's absolutely necessary. Establish credit policies to help determine who will get credit. Get an invoice into the bill payer's hand as quickly as possible after the work is done or the product is delivered. Don't be afraid to send a letter or statement or make a phone call reminding your customer his bill is due. Never be rude. Always be firm. Focus on preserving the relationship. If a customer has a legitimate gripe about your business do whatever you can to fix the problem.

3. Budget is not a four letter word.

Repeat after me, "Budgets are our friends." Seriously! A budget is a plan. It helps you stay focused on what you need to achieve. For example, you can use your budget to help you achieve sales goals, determine how much you need to spend on advertising, how much you'll need for materials, and if you can afford to pay overtime. Having a budget for your business is the difference between piloting a plane with instruments or flying blind in a fog.

4. A customer in the hand is worth two in the bush.

My very first customer is still with me. Over the life time of our relationship, she will be worth at least tens of thousands of dollars. Actually, she's worth far more than that because she refers business to me regularly. It's easy to get caught up in the search for new customers. But, never forget the ones you already have. What other services or products can you offer to them? How can you get them to refer their friends and colleagues to you? You can build a successful business around a small number of customers by providing them with excellent customer care and a range of solutions. Loyal customers are money in the bank, they're easier to work with, and it's less expensive to keep them happy than it is to find new customers.

5. The most powerful number in your business.

If you know only one number in your business it ought to be your Breakeven Point. Your breakeven point is the moment in time when your income equals your expenses. If your income is higher than your expenses, you have a profit. If your expenses are higher than your income you have a loss.

Why is this such a critical number? First of all, to find your breakeven point you need to know what all of your expenses are. How much does it cost you to produce your product or deliver your service? That includes how much you need to pay yourself. If your business isn't able to support you, you're not breaking even. Once you have your total expenses, you have a place to start. What do you need to do to achieve a level of sales high enough to cover your expenses? How many customers do you need to serve? How many products do you need to sell? If you can't reach that income level, what can you do to cut your expenses?

Your whole business plan can flow from that one number. You can use your break even point as a powerful business tool to make decisions about marketing, strategy, plans for expansion, hiring a new employee, etc.

6. How to make friends and influence check cutters.

Once upon a time, I worked for a corporation—yes, me, the quintessential entrepreneur. One of my jobs was working in Accounts Payable. All day long I got calls from vendors. Not friendly social calls, mind you. Angry calls. Irritable calls. Annoying calls. Vicious calls.

And then there were the friendly vendors. The ones who took a moment to treat me like a human being. Guess who I knocked myself out for? Guess whose checks made it through the labyrinth of bureaucracy and out the door? Uh huh. The vendors who treated me with respect. Is that fair? Not at all. But, it is human nature.

Take the time to get to know the folks that cut the checks. Don't be afraid to build bridges and establish relationships. You meet lots of interesting people and your cash flow will improve. One of my friendly vendors hired me away from the Cubicle City. I spent the next three years improving his cash flow from the other side. You just never know.

7. Why paying taxes is a cause for rejoicing.

The strategic approach of many small business owners is to have as little profit as possible at the end of the year. Otherwise, you'll have to pay taxes. So year after year, small business owners make decisions in their businesses based on intentional lack of profitability.

Now, for the majority of small business owners, what the IRS considers to be profit is in actuality your paycheck. Are you working to lower your paycheck? Would you put up with that from an employer? By putting up with it from your own business, you condemn yourself to a life of poverty just to avoid having to pay taxes.

I won't tell you that writing checks to the IRS is my favorite thing to do and I make sure I take every legal deduction I can, but if I'm paying taxes, it means I'm making money. I like making money. The bottom line is this: If you're paying taxes, it

means your business is making money. Go out and make more! Don't let the thought of taxes hold you back. Think about it this way, even if you're paying fifty cents of every dollar to the government, that's fifty cents more in your own pocket. That's a good thing!

A word of caution: don't boost your earnings and spend it all. Make sure you plan ahead for the tax bill!

Caroline Jordan, MBA, is a veteran small business owner, accountant, consultant, trainer, and author. She is the owner of The Jordan Result, a company specializing in developing real world, practical resources to help small business owners improve cash flow and business operations. Jordan is also an accounting and business professor and the author of "Stop the Cash Flow Roller Coaster, I Want to Get Off!" For more tips and strategies to build your business visit www.TheJordanResult.com.