

Special Report
7 Keys to Improve Your Cash Flow

provided by Hanson & Caggiano, the CPAs You Can Talk To



Hanson & Caggiano, LLP
Certified Public Accountants

Special Report – 7 Tips to Improve Your Cash Flow

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Cash flow is on the top of everyone's mind these days! Here are some simple and effective tips to improve your cash flow in business. Some of the tips can be useful for personal cash flow, as well.

1 – Be sure all of your receipts are deposited on the day they are received. This may seem obvious, but many businesses don't do banking every day. Not only does this have an impact on day to day cash flow, a lost check can have a significant effect! Arrange a system to ensure that your deposits get to the bank on a daily basis. (Some banks even allow checks to be deposited over the internet as they are received). If you are an employee, have your paychecks directly deposited into your bank account – it's safe, easy and secure.



2 – Be sure you grant credit terms only to credit-worthy customers and invoice them as soon as they receive their product or service. Just because customers want to do business with you doesn't make them good credit risks. There is no bigger headache than tracking down a client who can't afford to pay you after products or services are delivered. Like a lost check, someone who isn't paying you (for whatever reason) has a significant impact on your cash flow and this is a completely preventable problem. And, as my wise grandpa used to say, "Never loan money to friends or family unless you can afford not getting paid back"!

3 – Watch for aging accounts receivable – even your credit-worthy customers can forget to pay you on time. It's true! Your clients most likely have very busy schedules, and it's very likely that your invoice is not their top priority. A gentle nudge is usually all it takes to get them to drop that check in the mail. Be sure to set up a system for reviewing accounts receivable so payments stay current.

4 – Don't lose track of your check stock, use only pre-numbered checks, and use the checks in numerical order. If you print the check numbers on blank check stock, be sure you are using the correct numbers! And, consider duplicate checks for manually written checks, and be sure to record them in your bank records. Obviously, an unrecorded check can have devastating effects on your cash flow (not to mention skyrocketing bank charges for overdrafts usually caused by unrecorded checks).

5 – Anticipate cash needs and plan accordingly. This is very important. It is easy as you work both on and in your business to get caught up in day-to-day operations. By taking just a little time to create a cash flow budget, you will be able to foresee payroll expenses and anticipate other large expenditures or payments coming due. Whether for business controls or personal spending, when you take the time to plan and budget, it is much easier to take control of your cash flow, your business, and your life.



6 – Have a savings plan or set up appropriate credit lines to carry you through slow periods and to meet unexpected expenses. Credit cards are good to have for backup funding, but use them with discretion and plan to pay them off as soon as possible. It is always easier to get credit (especially in this economy) when you don't need it! By planning for slow times and either putting cash aside or having a line of credit, you'll avoid having to go to extraordinary measures to raise capital when times are slow. A well-planned cash or credit cushion will improve your chances of keeping up with your bills and allow you more time to continue running and growing your business.

7 – Keep Good Records. Good records are essential for the success of your business and for peace of mind. If you know where your money came from and where it went, and if you have a plan for what your cash position will be over future periods, you probably have reasonably good records. If you can tell when it is time to raise prices or eliminate an unprofitable product line, you probably have good records. But if you are slipping behind in your payments, struggling to meet goals, or get surprised that the balance in your bank account is so low, then you probably need to rethink how well your records are being kept.



Cash flow is the lifeblood of any business and the means to success. Properly planned spending allows you to make better decisions, plan and meet bigger goals, and gain peace of mind. If the task of maintaining accurate records and meeting your goals feels overwhelming, be sure to contact us. We're here to help.

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