

## SMALL BUSINESS: Solid cash flow key to sustaining business



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In today's tight economy, nothing will kill a business quicker than insufficient cash flow.

As financing becomes harder to come by, it's more imperative than ever that small businesses maintain enough liquidity to weather hard times, say experts.

This requires instituting tighter cash flow management and inventory controls to get a better handle on moneycoming in and out of the business and increase its chance of survival.

"Cash is the life blood of any business," says Barbara Weltman, a Millwood, N.Y.-based attorney, small business tax specialist and author of "J.K. Lasser's Guide for Tough Times" (John Wiley & Sons; \$18.95). "You can have fantastic sales, but if you can't manage your cash flow properly you could be out of business before you know it."

To get a better handle on cash flow, first and foremost you must be aware of your profitability, notes Neil Geschwind, a partner at Holtz Rubenstein Reminick Llp, a Melville-based accounting firm.

"Always make sure your books and records are up to date and accurate," he says, adding that you should have some sort of accounting system like QuickBooks that you review regularly.

Next, you need to get a handle on collections.

"Receivables aren't like fine wine," says Weltman. "They don't get better with age."

In this economy, 30 days doesn't mean 60 days.

"Bill immediately and follow up as soon as an invoice is overdue," advises Caroline Jordan of CashFlowRoller Coaster.com and The Jordan Result, a cash flow consultancy in Waterford, Maine. "You've got to keep a tight rein on receivables."

That's what Jason Bishara of SLM Holdings in Woodbury has done. He's tightened up his collection policies over the past eight months, including not allowing customers to extend their 30-day billing period to 60 days, as well as hiring a full-time collections person. SLM Holdings provides Web-based and desktop data management

software to financial professionals, an industry hit hard by the downturn.

"If you let a customer's receivable get too big, they're not going to pay you," says Bishara, who will stop services to a customer if not paid by day 31 of a 30-day invoice. "You can't run a business and always have everybody like you."

Bottom line is tough times sometimes call for tough measures.

To make it easier to collect, consider accepting credit cards or other electronic payment methods like PayPal, suggests Denise O'Berry of CashFlow Truth.com in Tampa, Fla., and author of "Small Business Cash Flow: Strategies for Making Your Business a Financial Success" (John Wiley & Sons; \$19.95). The processing fee can be a small price to pay, compared to not getting paid, she says.

On the flip side, when paying your own bills, you want to hold on to your cash as long as possible.

"You want to stretch out as much as you can on payables," explains Neil Seiden of Asset Enhancement Solutions Llc, a Port Washington-based turnaround and financing consultant. How far you can stretch it out, comes down to whoever has the upper hand in the relationship, he says.

Of course, it's always prudent to pay bills on time, but if you're really cash strapped, you may have to prioritize on payables, says Jordan, who wrote "Stop the Cash Flow Roller Coaster, I Want to Get Off!" (iUniverse; \$16.95).

"Take care of the things you need to keep the business running," advises Jordan. If you can't pay your bill on time, contact the people you owe to explain your situation. You may be able to negotiate better terms and/or pricing.

"Don't just bury your head in the sand," adds O'Berry.

Finally, you must get a better handle on inventory to make sure you're not overstocked or under stocked.

"You have to adjust your inventories to the new realities and demand patterns," says Seiden.

Remember, it's no longer business as usual.

## LIVING ON THE EDGE

Small businesses are notoriously under-capitalized, so to avoid cutting it too close, Caroline Jordan of CashFlowRollerCoaster .com recommends having a cash reserve equal to six to eight months of business expenses. If you can snag a credit line to fall back on, that's always good, although that's trickier to do these days. "When you don't need it, is the best time to apply for it," says Jordan. Check out Jordan's cash flow check list at [cashflow rollercoaster.com/](http://cashflowrollercoaster.com/)

Cash\_Flow\_Master\_Checklist .pdf.

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