



Everyone wants to

**TALK ABOUT
CASH FLOW**







HOW TO GET MORE MONEY

into your business, and not spill too much out of it

As accountants, you'll find us talking about cashflow a lot.

It's not just a 'hot topic'. There's a reason we're always banging on about it.

We've seen businesses with the best ideas and the best intentions fail because of cash flow problems. And when a business isn't doing well, it can have a personal and emotional ripple effect.

-  ***Sleepless nights thinking about how you're going to pay staff and suppliers***
-  ***Worry that lack of cash is going to spill into your own income, that you might not have the money to pay personal expenses, like your mortgage or your bills***
-  ***The difference between paying yourself a wage or not at all***
-  ***The difference between having a business or not***

This is real stuff - and one of the biggest problems clients are facing when they come to us for help.

We don't want you to lose the excitement you have for your business

So we've put together an extensive guide to help you get a grip on your cash flow, including everything from managing late payments better, to cutting internal costs, to funding.

We've split the guide into two key areas:



The money going out

Cutting costs and being more efficient.



The money going in

Getting paid faster, pricing better, getting funding



Step 1:

THE MONEY GOING OUT

Many of us are fighting to protect our businesses.

According to the latest figures from the Office for National Statistics released in November 2019, **only 42.4%** of the businesses that were started in 2013 were still trading in 2018.

// Almost half of businesses make it to their fourth year (49.3%) while the percentage of enterprises that survive for two years has dropped to 68.3%”*



The bad news

No matter what the external circumstances, cash flow problems can cause even the seemingly successful businesses to fail.



The good news

Though we don't have control over the external circumstances, we do have control over how we run our business.

Before we talk about how to get more cash into the business, let's make sure we're not spilling more cash than is necessary out of it. Especially during times of economic hardship, when every penny counts.

Where can you cut costs in your business?

Start by reviewing your budget

Do you know how much money is coming in and going out of your business in any given month?

If the answer is no, you need a business budget. If you're running your business on guesswork, there's a good chance you're spending money in places you didn't know you were, and you may be spending more than you're making.

If you're on Xero, a budget can be generated using two key financial statements: The Profit & Loss and the Balance Sheet.

The Profit and Loss = a summary of your revenues, costs, and expenses incurred during a specific period of time

The Balance Sheet = what your business owns (assets) versus what it owes (liabilities).

If you don't have a good accountant and good accounting software, you can start by creating your own budget in a document.



List out all your sources of monthly income

List out all your fixed expenses - your rent or mortgage, your bills, insurance etc.

List out all your variable expenses - costs that changed in relation to variations in sales and production - materials, billable wages, commission etc.



It's important to create two columns, one for your **budgeted** income, and one for your **actual** income each month, so you can see how the budget worked out and prepare better for future months.

Whether you DIY or get some expert help, a budget will help you:

- ⚡ Know how much you need to make to cover all your expenses
- ⚡ Get funding, as a budget is required for banks and investors
- ⚡ Plan your spending ahead of time so you don't find yourself in a cash flow crisis

10 ways to cut costs without losing productivity

Once you know what you're earning and what you're spending each month, you may find it'll help your money situation to make cuts in spending. Here are some ways you can do that, without putting the integrity of your business at jeopardy.

1. Consider your workplace

Many businesses have had to adapt very quickly to running their operations virtually, and for some it has been easier than others. If you're an office worker, you may find that your business can run perfectly well virtually, and might find you want to adapt your business model and go remote full time. If you're in manufacturing, for example, you're not going to be able to just ditch your workshops and warehouses.

If you do require a physical workspace, use this time to think about whether there are any areas of your business you can operate remotely. Perhaps you don't need all the space you have. Could you downsize or move to a cheaper location to cut rent costs and energy bills?

2. Review your banking setup

Is your current bank serving you well? You might be able to shop around for a better deal that includes:

- A better bank account for a limited company business owner
- A business card with cashback or rewards
- Lower interest rates

If not a new bank, at least have a look online or give your current bank a call to see what they can offer you.

3. Review all your contracts

Are there better deals you could be getting with suppliers? You may want to shop around for different tariffs on energy suppliers and phone contracts, and see how you can bring down your overhead costs. Assess whether all of your spending is necessary in the first place. You might be able to save costs by limiting attendance at conferences and industry shows, or cutting back on 'splash-out' events.

4. Replace costly outdated systems

We are living in a digital world, where cloud based systems can provide you with greater efficiency at a competitive cost. If you're still using an outdated system anywhere in your business that requires manual input and costs a lot - now is the time to update. Look at your project management software, your accounting systems, your CRM.

This goes for your marketing too. Take advantage of free digital marketing tactics instead of shelling out on advertising.

5. Buy used equipment

Whatever equipment you need for your business, whether it be office ware or machinery or other - find out if it's possible to buy it secondhand. You may find good-as-new equipment at a far cheaper price. You may also find it's possible to lease your equipment, or buy it on finance. Both options can spread the cost out and relieve the burden of a high upfront fee.

6. Restructure your loans

If you're finding lump sum payments difficult and it's putting you in debt, speak to your loan provider and see what your options are. You may find that you can make monthly installments rather than quarterly or yearly, or even extend the payment period so you can reduce the cost month on month. You won't know unless you ask!

7. Save for your taxes, prepare early

Hands up if you've experienced the pain of getting slammed with a tax bill you don't have the cash for? We'll reinforce this one till the cows come home, because it's a reason many of our clients ask for help. It's hard to plan for a profitable future when you're constantly worried about keeping tax down. Create a separate account so you can save for your taxes early.



8. Cap employee expenses

We are living in a digital world, where cloud based systems can provide You'll be surprised how many unnecessary expenditures might be lingering in your company credit cards or expense allowances. Cutting staff spends doesn't mean cutting staff! It just means making a plan for spending, so that those long lunches and client meetings are manageable and affordable in the long run.

9. Make sure you claim for all expenses

As a Limited Company owner, there are a range of expenses you can claim for, provided they are incurred exclusively for running the business. ***Here's a long list*** of everyday business expenses and employee expenses from HMRC. Make sure you're not missing out!

10. Don't forget to view time as a cost too

Time is money, right? You can cut expenses all over the shop, but if you've got expensive staff wasting time on tasks that can be outsourced, or replaced with automation - you're losing money and productivity! Don't forget that you're an expensive member of staff too. Cut time doing things you don't need to be doing, so you can spend more time getting money in the door.



Step 2:




THE MONEY COMING IN

Getting paid faster

You could be doing the very best work, on deadline, everytime - but if you're not getting paid on time, you're going to face some problems.

Late payments is the great business crippler - and whilst you can't control all of your clients actions, you can create systems in your business to encourage a faster payment culture.

If you haven't already done the basics:

-  **Set clear payment terms that work for your business** - It doesn't have to be the traditional 30 days if it's hurting your business. Set it for a week or two weeks if needs be.
-  **Shout about them, and stick to them!** State your terms clearly in all new client information, on your website onboarding process. And don't 'let people off'. Stay strong.
-  **Allow different payment methods** - Payments will take longer if you're using slower payment methods. Allow for direct bank transfers from a variety of banks, PayPal, etc.

Xero makes the whole payment process a lot easier and faster.

If you've got this far in and you're not on Xero, you'll probably have figured out that it's the answer to many of these problems. It's impossible to really know where you stand or make changes if you're not able to see your key numbers. Talk to us today if you want to take this step up.



If you're already on Xero, let's get these basics nailed.

1

Set up your invoices in Xero (and set them to repeat) - Create a new personalised invoice in Xero and add all the billable items. Set up repeat invoices for the clients you can - it'll be a huge time saver.

2

Add payment details for your clients - You can set Xero up so that clients can pay you instantly online from their invoice. Fast payments!

3

Set up your own automatic prompts - Xero has a simple payment chasing email - set it up to automatically email customers to prompt payment.

4

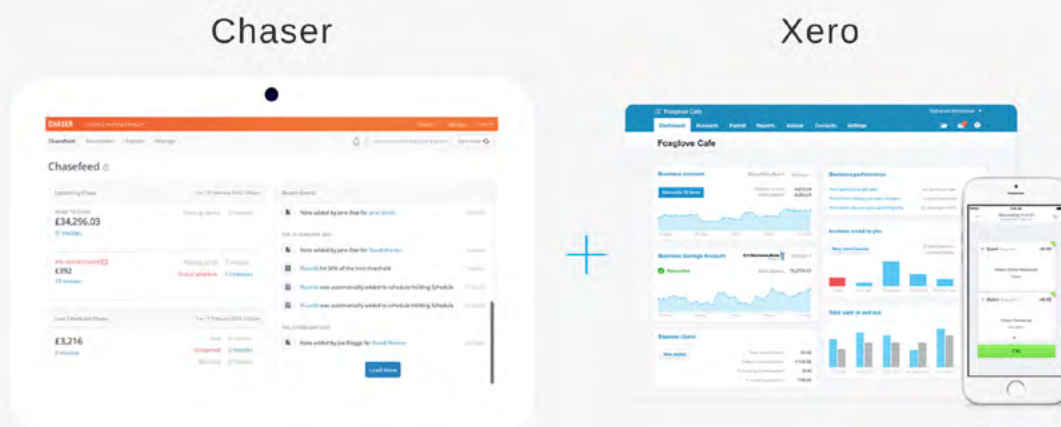
Send an invoice on your mobile on the go - Just another way to get a small win. Set up Xero on your mobile, so you can send an invoice as soon as a job is done, wherever you are.

Use an app like Chaser to chase late payments automatically.

Xero does have changing capabilities in the software itself - but if you really want your credit control managed efficiently, we recommend an integrated app called Chaser.

Chaser connects to your accounting system, and lets you generate a string of templates to nudge your customers at various points when a payment is due and overdue.

Chaser can be running in the background, and cash can come in, without you needing to remind clients yourself. Beautiful.



* Image from [Chaser](#) site

Are you pricing too low?

Here's the hard truth: a lot of businesses are nervous to charge what they're really worth.

It's important to think about how your pricing is perceived, because your prices give the impression of your value. If your prices are too low, there's a chance you may be putting off the right kind of clients and customers, because you're perceived to be 'low value'.

But more importantly than perceived value, you may be pricing yourself out of making a profit - or unable to service your debts.

Have you got enough money to service your debt?

This is the question we'd be asking our clients when they're considering their prices.

Are you able to cover overheads, chargeouts, loans, Hire purchase (HP) repayments? Are you covering cash-only items?

Take a look at your numbers in Xero and ask yourself the hard questions - or ask us!

How are you presenting your pricing?

This is the question we'd be asking our clients when they're One of our personal bugbears is not knowing what a price is + Vat.

Tell your customers what the total figure is (including VAT) so they don't have to do the brain work.

If they have to work hard for it, or feel like they're going to get a big money surprise at the end of working with you - they might just look elsewhere.



Options for funding

When you need to get a big chunk of money into your business, there are options. Here are our top recommendations.

- ⚡ See what's available from your own bank – Get an overdraft or an extension on your overdraft as a safety net if possible.
- ⚡ Look at [Iwoca](#) – It only takes minutes to apply for small business funding from Iwoca, and funds could be in your account in hours.
- ⚡ See what's available from [The British Business Bank](#) – On that note, The British Business Bank are updating their web pages every day in response to new updates from the government. Have a look at what's available to you in loans and other financial support.
- ⚡ Look at business loans from [The Funding Circle](#) – You can check if you're eligible and apply in 10 minutes and borrow for 6 months up to 5 years.
- ⚡ We're able to put you in touch with brokers, if you require it – Give us a call to chat through this option personally.





What about invoice factoring?

We've had clients ask us whether invoice factoring is worth it.

How it works:

An invoice financing provider will lend you money against your customer invoices, in order for you to get the cash value immediately rather than waiting weeks for it.

-  ***If you have cash flow issues in general, look at invoice factoring - it can be expensive, but if you know you've got wages to pay every month and you know you won't get paid for 90 days, it gives you upfront money.***
-  ***If you only need a quick and small amount of finance - go for an overdraft or maybe company credit card.***

If you're factoring invoices is in effect an overdraft secured on your debt. It's fully legit and there's no shame in it. Under the right circumstances, we have recommended our clients take advantage of invoice factoring.

Remember, as your turnover grows, so does the amount you can borrow. If you double in size, your expenses will double in size. Costs will go up, wages will go up and you'll need more cash - and your facility will go up too.



WE'VE GOT YOUR BACK

Hopefully this has helped you to see that your cashflow really can be in your control.

There's tonnes to implement here to improve your situation now, and we haven't even talked about forecasting (so you know how much cash will be coming in in the future).

Since there's so much to learn and structure, we wouldn't be doing our duty if we didn't offer you our support in making these changes in your business.

If you'd like help with anything in this guide, from setting up Xero and apps, to getting funding, to simply having a chat about your processes - we're here for you.

Simply fill in our form

***TELL US WHAT YOU'RE
FINDING MOST DIFFICULT.***

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