

# How to Boost and Maintain Your Cash Flow





“ When my business grows, it needs funding. I knew a bank would never be able to get me the money I needed fast enough. Advance's funding is flexible, so I never need to worry about cash flow. ”

-Joe C. President of a Security Guard Company in Ohio

**Most entrepreneurs are driven by a compelling vision of their new venture. However, once that vision becomes a reality, cash flow problems can take it all away.**

Therefore, it's critical that you monitor cash flow on a regular basis.

**In this document, you'll learn:**

-  What cash flow means
-  Why it's so important
-  Five steps to help you monitor and improve cash flow

# What is cash flow?

Cash flow is essentially all sources of money flowing into your business including:

- Sales and your actual account receivables.
- Business loans or lines of credit
- Interest earned on bank accounts or investment

## Why is cash flow so important?

Cash flow is the lifeblood of any successful business. It's what keeps your business open, your operations running, and it's what gives you the means to handle important situations like:

- Paying your employees and talent
- Managing unpredictable expenses
- Bringing new lines of service to life
- Applying for a loan
- Funding expansion and growth

In the staffing industry, cash flow is not always steady month to month. You also have to consider that while you pay your temps weekly, you might not have your invoice paid for 30 to 90 days. Working capital is important for covering payroll and taking on new projects, and that's why many staffing firms choose payroll funding.

If businesses start losing control of their cash flow, they put themselves at risk. Some of these risk factors include:

- The inability to pay for expenses or raw materials
- Difficulty securing loans or credit
- Insufficient funds to make payrolls
- And even losing your business.



# Five steps you can take to help monitor and improve cash flow



## 1. BETTER FINANCIAL REPORTING AND FORECASTING

**These key reports can give you a more strategic handle on your financials.**

- **Income report:** all the streams of money coming into your business, on an annual basis.
- **Expense report:** all the money flowing out of your company in the same time period (including expenses, checks, credit card transactions and cost of goods purchased).
- **Cash flow report:** actual cash on hand at the beginning of each month, and the expenses deducted on a monthly basis.
- **Cash flow forecast:** using the same format as the cash flow report, you use historical data to project estimated revenues and expenses.



## 2. IMPROVE COLLECTION ON RECEIVABLES

Many small businesses fall behind in their accounts receivables because it's both time consuming, and awkward, to ask people to pay their bills.

To improve your collection efforts, you can offer incentives for early payments and enforce late payment terms. Frequent and consistent communication with customers who are behind in their payments is also critical within federal and state guidelines.



### 3. REEVALUATE PRICING

Sometimes, startups set pricing low to gain a foothold in the market, and forget to raise pricing to a profitable margin over time.

This can lead to not only to low profit margins, but negative profit margins and put the owner out of business.

Make sure to monitor your pricing with competitors, and institute annual increases.

Finally, seek the advice of a legal professional when writing contracts and service level agreements to ensure you are not using language that will lock you in to unsustainable levels of pricing.



### 4. CONSIDER ACCOUNTS RECEIVABLE FINANCING

Cash flow can be improved by working with a funding company on accounts receivable financing, also known as payroll funding. This is a service where the funding company purchases your outstanding accounts receivable and advances you the working capital, less a fee.

This is a way to increase your cash flow and unlock the working capital that you would otherwise wait 30 to 90 days to realize.



### 5. INCREASING SALES

Monitoring, forecasting, and shaving costs are all critical, but many businesses simply have to increase sales in order to bolster cash flows.

Begin with “low hanging fruit” such as up-selling customers on higher-priced products or services, or instituting a referral program.

Business owners, and key employees, also need to evaluate how much of their time is spent on revenue-producing activities versus administrative tasks.

Delegate and outsource tasks that aren't contributing to the financial gain of the business, and spend more time with customer acquisition and retention.

## Next Steps

We hope this document helps you identify ways to monitor and improve cash flow for your business.

Here are some additional resources that can help you manage your business:

### Invoice Factoring Made Simple

Visit our site for more information on how accounts receivables financing can positively impact your cash flow.

<https://www.advancepartners.com/what-we-offer/payroll-funding/invoice-factoring>

### Increasing Pay Cycle Terms and the Effects on Staffing

This blog post outlines the effects that longer pay-cycle terms have on staffing firm cash flow.

<https://www.advancepartners.com/blog/post/increasing-pay-cycle-terms-and-the-effects-on-staffing>

### Four Benefits of Payroll Funding

This blog post discusses the benefits of payroll financing, a specialty finance option tailored specifically for staffing firms looking for working capital

<https://www.advancepartners.com/blog/post/four-benefits-of-payroll-funding>

# THE ADVANCE/PAYCHEX CONNECTION

Small company mentality, now backed with big company resources.

In 2015, we were acquired by Paychex, a Fortune 1000 leading provider of payroll, human resource, insurance, and benefits outsourcing solutions. As a premier service provider for small businesses, Paychex saw Advance Partners as an opportunity to provide a more complete and robust offering to staffing companies. Our company values meshed perfectly, and the rest is history.

Advance Partners is a wholly owned subsidiary under Paychex, and we are pleased to provide the same level of service that we have for nearly 20 years. The only difference is that now we have the financial backing and technology of a large successful company with a healthy balance sheet. Paychex resources allow us to be completely flexible and offer custom deals to accommodate even the most complex staffing business. Unlike a bank, we can do so without the tight restrictions.

Our number one priority is and always has been to help staffing firms grow and succeed, and under Paychex we will continue to do so. View our payroll funding, back office and client support services to learn more about how we do business.

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