

CHEAT SHEET

Tips for Maximizing Your Cash Flow

It is crucial for entrepreneurs to plan and monitor cash flow. Even a profitable business can quickly find itself in trouble if it lacks sufficient cash to finance its operations. Here are some tips to maximize your cash flow:



Strategic Management of Accounts Payable

- Avoid payment on delivery / Obtain longer payment terms.
- Offer your suppliers a bit more (say 2%) if they give you more time to pay.

Strategic Management of Accounts Receivable

- Implement a fast invoicing process and systematic follow-up.
- Minimize the payment delay of your accounts receivable, even if it means offering discounts for quick payment.
- Eliminate bad payers. Drop clients who pay late, constantly complain, or frequently return products, and focus your resources on your best clients.

Strategic Inventory Management

- Don't overstock: Faster inventory turnover could mean lower interest on your credit line and more money in your pocket.
- Liquidate inventory: Many businesses hold onto old inventory that wastes space. Get rid of unsold items, even at a loss.
- Clean up your products: Consider getting rid of "slow-selling" products.
- Sell assets: Are there unused equipment, machinery, or other assets that you could sell to generate cash? You can even free up space and rent it out to another business.
- Request a Business Loan: If you're financing your growth projects (equipment purchases, etc.) with your cash flow, your business could eventually run out of money. Instead, get a business loan with fixed installments, which will make budgeting easier.
- Talk to Your Bankers: If your finances are tight, see if you can get a temporary deferment of principal payments from your banker.
- Renegotiate Your Lease: Ask the landlord to renegotiate your lease or propose making reduced payments now and catching up later.

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