

How to fix cash flow issues

The single most important concern for small businesses is often cash flow. Here's how to manage it.

Managing cash flow can be a stressful task for small business owners. Below are five ways to keep on top of it.

1: Send invoices on the same day to the same client every month

It's important that your clients know when to expect invoices from you. When you sign a contract with a new client make sure they know that you will be sending them an invoice on (for example) the last day of the month, every month. That way there will be no surprises.

2: Implement a late fee

Don't be frightened to do this. The best way to ensure prompt payment is institute a late fee 'penalty'. Have the details on your invoice and on the client's contract when you sign it. Fair is fair. Late payments can cripple your small business. Don't apologise for being 'tough' with late payers. Be open, be fair and be honest with your clients and expect the same from your suppliers.

3: Don't spend it just because you can 'write it off'

Do you really need that new piece of equipment or that new van? Would your company be better off if it had the cash in reserve? Before you buy something, just because you can expense it, think about the impact it will have on your cash flow. Be honest. If you can live without it, perhaps you shouldn't buy it.

4: Build a cash safety net

Having a cash safety net is vital for your business. In stable business sectors, a cash reserve of a couple of months' worth of your monthly outgoings (payment obligations) may be enough. However, if you operate in a volatile sector, access to cash representing six months or more of your outgoings is recommended.

USEFUL TIPS: [How to put a cash safety net together.](#)