



CASH FLOW CFO

— FINANCIAL CLARITY THAT CREATES CONFIDENCE —

presents

THE SAVVY CEO'S
GUIDE TO BUILDING
A RECESSION-PROOF
COMPANY



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Would your business survive a recession? It's a bone-chilling question but one you must be able to answer...and if the answer is 'No' or 'I'm not sure,' it's time to get serious about whether you want to maintain control over your company or relinquish it to the winds of economic change. There have been 17 recessions in our nation's history and many economists believe the next one will hit in 2021. Are you ready?

Taking steps to prepare for a recession is a natural (and necessary) part of running a business. Innovative, technology-driven strategies can help fortify your company, not only preparing you in case you need to hibernate during an economic winter, but also potentially elevating your business against the competition. Even if the recession never comes (fingers crossed), these action-items will help evolve your business. Keep reading for 7 tips to recession-proofing your company.



1. Perform a Good Forecast

Step number one is to get a good grip on where your cash flow currently stands and where it is likely to go in the future. Quite often small and mid-sized businesses aren't prepared for all the costs associated with growing quickly. More sales could mean more employees and a bigger inventory. That's money you have to spend upfront. But when will it come back? Too many companies get blindsided by unfavorable movements in cash flow that are predictable if they took the time to sit down and think through it and plan accordingly. The forecast could be as simple as paper and pencil for the smallest company, but others will want to put together a more formal cash flow projection. A rolling 12-month forecast is the best practice for most companies. If you start mapping things out week by week, you'll see where to expect surges in expenses ahead of your big sales season and where several payments might come due all at once. This leads to better decision-making, which could impact your cash flow in a positive way.



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2. Don't Mistake Profit for Cash Flow

From month to month you may experience higher profits. Often business owners assume that means they have the cash in hand to pay for expenses when they're due. This is where the mistake of profit over cash flow can happen. Make sure you establish clear, efficient, and speedy processes to collect customer payments, and take advantage of any flexibility your suppliers or creditors offer you. By doing this you will maximize the use of your profits to have the cash when you need it.



3. Define All Cash Outflows

You can do this by understanding where every single piece of income is coming from each month, how much it is, and when you can expect it. The next step is to write down an exact definition of what each cash outflow is (for example, what exact expenses are classified as "training"). When you see how you can make the money work, you become more likely to start taking action and eliminating non-essentials.



4. Know Your Burn Rate

Burn rate is your negative cash flow. Cash flow tells you how long a company could stay in business without revenue or additional funding.

The calculation is simple you need to include all of your monthly operating costs. By doing this you'll know exactly how much the business is spending on a monthly basis, and anything that's not vital can be cut. If you are not already use accounting software you can manage all of these numbers through an accounting system, like QuickBooks Online.





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5. Have a Weekly Cash Flow Report

One of the best cash flow management tools you can utilize is a simple yet effective Microsoft Excel formatted Weekly Cash Flow Report. The Weekly Cash Flow Report should focus on three main Key Performance Indicators (KPI's). The first is your actual beginning of period cash balance, the second is your projected Accounts Receivable (AR), and third is Accounts Payable (AP) to help forecast expenses.



6. Have a Business Line of Credit on Hand

Every business should have a business line of credit. This will give you a cushion of available capital to use when it's necessary. One of the best things is that you don't have to pay for any portion you're not currently borrowing. You should apply for a LOC before you think you may need it, because it can work as an emergency credit line to use as you need.

7. Improve Your Marketing

Marketing is a key factor that can improve your business and lead to a better cash flow. When you improve your marketing, you are reducing your cost-per-lead, boosting the lifetime value of your clients and also opening up new markets. Try to implement a content marketing initiative that educates your leads, improves your conversions and boosts your company image, especially online.



Are you ready to scale your business?

Are you ready to recession-proof your business? We'd love to help you make sure your company remains stable, even if the economy doesn't. You know what they say: the best offense is a good defense. Safeguarding your company with these solutions also prepares you to dominate your industry!

To learn more about how to prepare your business for a recession, as well as other Virtual CFO Solutions, visit our website at www.thecashflowcfo.com & book a free consultation today!