



3 *Secrets* to Cash Flow

Introduction

Here's a special message for every Small Business Owner whose business seems to make money but there just never seems to be enough cash on hand at the right time.

One of the keys to running a successful business is to both understand and manage cash flow. In fact, the key to success is to have more cash today than you did yesterday.

Effective management of your cash flow means that you are able to plan for future highs and lows in your business and also model the cash impact of a decision (such as hiring a new staff member or purchasing a piece of plant or equipment).

There is a lot of information around about cash flow ... but the challenge is to find the time to navigate through all of this content, work out how it applies to you and then take action.

Small businesses that manage their cash flow are more likely to succeed. So no matter whether you are a Cash Flow Beginner or you have years of experience, there is always something to learn.

So how do you become a master at managing your cash flow? By understanding the things that drive the cash in your business and then creating a system to manage them.

Welcome to this step on your cash flow journey

We're on a mission!

At **sixty:forty** we want to create a world where you can successfully start, build, manage or grow a small business in such a way that it leads to a meaningful and prosperous life for you and your family, your team members and your community.

1. Understand the Cash Cycle

Know the sources of the money coming into your business

Type of Money In	Classification
Cash Sales	Operating
Accounts Receivable	Operating
Recurring Revenue (Subscriptions)	Operating
Dividends Received	Operating or Investing
Interest Received	Operating or Investing
Sale of Investments or Plant & Equipment Assets	Investing
Proceeds from Loan Funding	Financing
Proceeds from a Share Sale	Financing
Sale of Receivables (Factoring)	Financing

Know the sources of money going out of your business

Type of Money Out	Classification
Purchase of Materials / Goods	Operating
Direct Expenses	Operating
Fixed Expenses	Operating
Interest Expenses	Operating
Payroll Expenses	Operating
Accounts Payable	Operating
Payment of Income Tax or GST	Operating
Capitalised Development or R&D Costs	Investing
Purchase of Investments or Plant & Equipment Assets	Investing
Dividends Paid	Financing
Loan payments (Principal Component)	Financing
Lease Payments (This is Finance Lease not Operating Lease)	Financing

Three ways to classify cash



Operating



Investing



Financing

Cash Operation Cycle

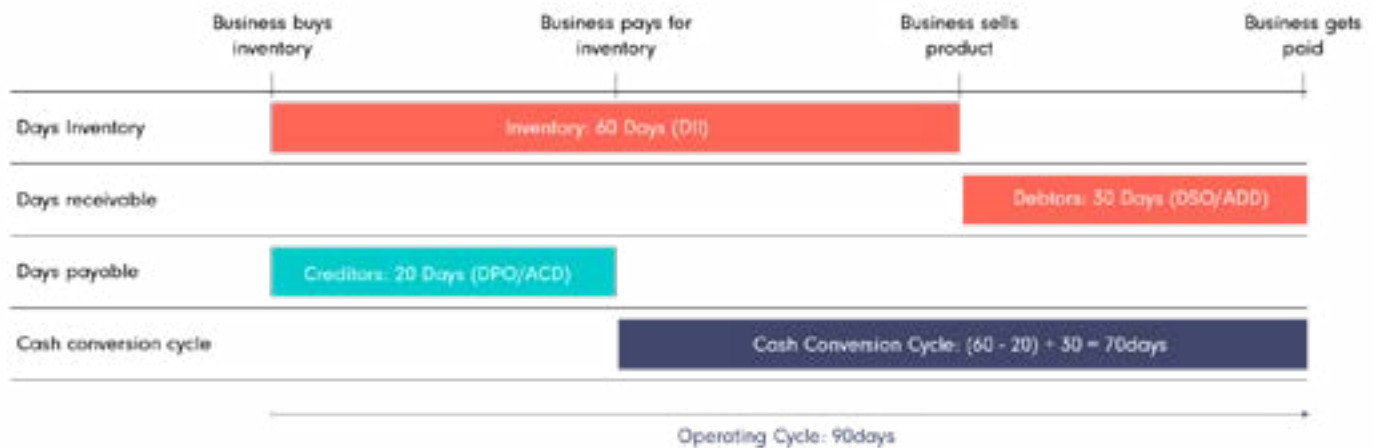


Secret #1

Understand the Cash Cycle

Let's apply this to your business

		Example	
Days Inventory	Day You Purchase Something	Day 0	
	Day you Sell Something	Day 60	
	Average Number of Days you Hold Stock	60	
Days Receivable	Day you Sell Something	Day 0	
	Day you Receive Payment	Day 30	
	Average Number of Days it takes you to get paid	30	
Days Payable	Day that you purchase Something	Day 0	
	Day that you pay for that Something	Day 20	
	Average Number of Days Payable	20	



Now, take your Days Inventory Number..... 60
 Add yours Days Receivable Number..... + 30 (90)
 Minus off your Days Payable Number..... - 20 (70)
 What is the result? 70

This is the Average Number
 of Days of your Cash
 Conversion Cycle

Did you know that you can make massive change in the cash flow of your business by watching this number and taking action on projects that drive this number down.



Not sure how to create these, or want to learn the story behind the numbers in your business. So if you want to learn about the 4 types of metrics to monitor and how to tame your business – not by working more but by using systems, then this is the place for you. The best part – we give you the systems and processes you need to start making this happen without having to create it all from scratch.



What would you do with surplus cash in your business?

- Invest it back into the business
- Take it and invest outside of the business
- Buy new plant and equipment
- Upgrade the premises
- Pay off debt
- Pay more out to the Owners or Shareholders
- Increase Working Capital Buffer
- I'd do something else

? How can we help you improve your cash flow?

2. Monitor your numbers

Any system that you introduce has to be simple enough so that you can manage and understand the reports and you don't have to rely on an accountant or another third party to produce them for you.

This isn't to say that you shouldn't invest money in great advice to get the process established, just that running the process needs to be simple and straight forward - otherwise it won't happen.

Here are a few that you can start keeping track of:

- Track your Actual Cash Balance
- Average Debtor Days
- Number of Invoices Past Due
- Current Ratio (Cash + Cash equivalent / Current Liabilities)
- Average Days Inventory is Held
- Average Days Payable

What Key Performance Indicators (KPI's) do you think you might need to run your business?

3. Proactive Control

Beginning to take control of your Cash can be overwhelming, particularly if you have other things on your mind. You can start out very simply and just check on a few things regularly:

The first place to start is to

Check your Bank Account balance every single day

And answer these three questions

- Who has paid you?
- Who have you paid?
- Who is due to pay you in the next 7 days?

Did you know that 87.5% of business owners spend less than 5 hours a week chasing down payments they're owed!

Another way to take control is to manage your **Accounts Receivable** (or Trade Debtors).

Many business owners don't chase down the payments they're owed! This is because of both time AND the fear that it may impact the business and jeopardise working relationships and impact the ability to get future work.

So what does this mean – to check your debtors?

Let's just go through a few of the things that you would be looking for when a start monitoring program? The first thing to do is to run a detailed Accounts Receivable or Trade Debtors Report from your accounting software.

Secret #3

Now take a look at the list and ask yourself ..

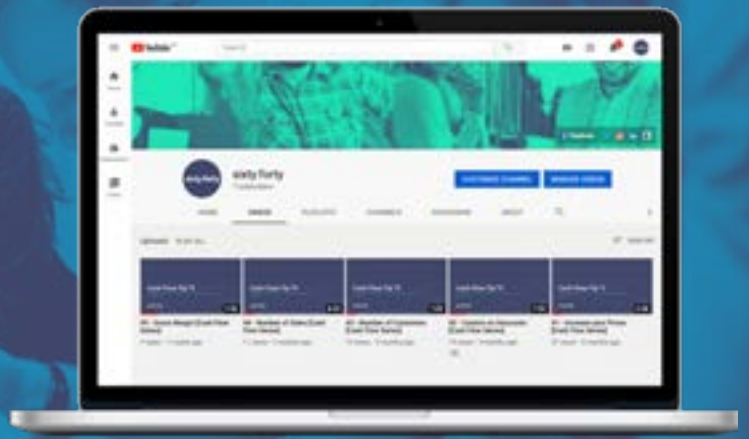
1. How many invoices are past due?
2. Who is outside of your trading terms?
3. Is there anything that can be done to encourage payment? This isn't just for those outstanding but is there any action you can take to bring-forward payment?
4. What are you going to do about those customers outside of your trading terms? Will you put them on a Debtor Review program, re-view their credit terms (i.e offer no further credit until they are back within terms) and put them on cash payment terms or will you refer them to outside debt recovery?

What is your Accounts Receivable Policy?

Is everyone on that list in line with the policy? Yes No

CASH FLOW VIDEO SERIES

We have put together a cash flow series of 14 videos on our YouTube Channel. These videos cover everything from increasing your price, watching your discounts to accessing alternative funding and everything in between.



7 Reasons you need to take control of your cash flow

1. Lower financing Costs and Bank Charges
2. Access to Opportunities
3. Improved Relationship with Customers
4. Improved Relationship with Suppliers
5. Staff Morale
6. Solvency
7. Ability to Grow

Bonus Secret 4

Build a great team around you!

The worst number in business is ONE!

You might not realise this but one of the easiest people you will ever hire is a great Bookkeeper. It is my belief that unless this is your skill set and area of expertise, one of the best things you can do for your business is hire someone to help you. Business and investing a team sports – so the question then becomes – Who's on your team?

We have a checklist called the **Ultimate Bookkeepers Task List** that we give away. It's free and if you don't have it already you should definitely go and get it. This task list should be used to help build out a Position or Scope Agreement for someone you are looking to either hire as an employee or as an outside Bookkeeper.

If you aren't sure whether you need to hire a Bookkeeper yet – check out our video on the YouTube Channel '**5 Signs it might be time to hire a bookkeeper**'.

What's next?

Now that you've discovered the four key areas to building a great cash flow strategy, you're ready to take your business to the next level!

If you're ready to double your net profit and cut your time working in the business ... in 12 months or less - then sixty:forty is here to help with our In the Zone Program.

We have an incredible founding members deal going right now. You can sign up to our In the Zone membership AND get access to one of our flagship courses plus there's a bunch of other great incentives.

You might be thinking, 'It's just not the right time' or "when things slow down a little" ... or even "when there's more spare cash". As Napoleon Hill puts it

Do not wait. The time will never be just right

Every small business owner who wants to successful business needs to understand that...

- Time waits for no one - there is no 'right time' to build the business you've always wanted.
- You can truly create a business that runs easily and profitably with less "hands on" from you.
- A positive cash flow business sets you free so that you can live your best life

There's a few extra resource links in this document if you want to get to know us better then go and check these out.