



# How to Avoid a Cash Flow Crisis: Know Your Business

## Highlights



**Having a disciplined process for tracking, analyzing and forecasting cash flow can greatly improve a business's chances of survival and ultimately its success.**

Follow these 5 Steps to Better Understand Your Business' Cash Needs:

1. Identify cycles specific to your business
2. Determine your capacity to borrow
3. Get a handle on your inventory needs
4. Understand your financials
5. Master payables and receivables
6. Monitor your vendor and customer relationships

Most small businesses have a hill to climb when trying to overcome a cash flow crisis and it's steeper for those that underestimate the importance of a detailed cash management process.

All businesses, regardless of their size, are susceptible to cash flow problems but none more so than small businesses. Whether it is underestimating a sales cycle, falling behind on collections, an unexpected downturn in the economy, or a disruption like bad weather, small businesses are much more prone to a cash flow crisis. Fast-growing businesses are especially vulnerable to cash crunches when increasing expenses begin to outrun their cash flow or they let their receivables get out of control.



## Understanding When, Where and How Cash Needs Will Occur

**Understand your cycles.** Does your business have specific seasonal or sales cycles? Does your cash flow forecast account for fluctuating staffing and inventory needs? Do you have a capital source in place—i.e., cash reserve or line of credit—to cover temporary shortfalls or ramp up for the season?

**Understand your capacity to borrow.** There are a number of reasons why a business might experience an unexpected cash crunch—a sudden business opportunity, the need to replace a key employee, the sudden loss of a contract or a disruption in the

market. Is your business prepared to borrow? Do you have a solid business plan that makes the case for your business as a good risk for lenders?

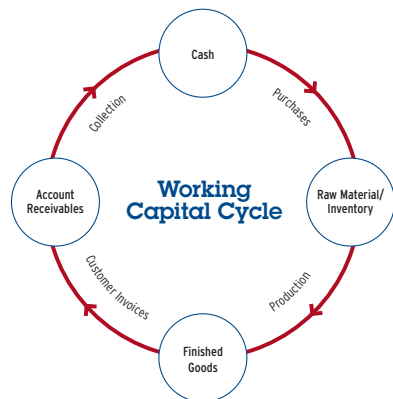
**Understand your inventory needs.** Money spent on inventory is cash out until those goods are sold. Is your inventory aging aligned with your accounts receivable? Is slow moving inventory putting a crimp in your cash flow?

**Understand your financials.** Your business's financial performance is a direct reflection of how well your business manages its cash. It's especially important to understand the key trends. For example, is your net

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## Highlights (cont'd)

**Anticipating Cash Needs is easier when you understand your business' working capital cycle:**



profit margin increasing? Is your ratio of assets to liabilities increasing? Any negative trends should be a red flag.

### Understand your cash management.

You can increase cash flow by using streamlined receivables and payables management processes. Are you taking advantage of electronic funds transfer and your bank's automatic clearing house? Are you using remote deposit and automated billing? Have you met with your business bank to discuss how you can leverage its technology?

### Understand your vendor and customer relationships.

Very often, the first indication of a coming cash crunch is a vendor who accelerates its payment terms or a big customer that delays payment. Are you prepared to negotiate new terms with vendors when cash becomes tight?

## Business Owners Need a 360 Degree View of their Business

Since small businesses tend to rely on their speed and agility to react to changing circumstances, keeping paper-based ledgers and records, or even a basic electronic spreadsheet would not provide the sort of information needed to make timely, effective decisions.

Small business owners need the ability to keep their finger on the pulse of their cash needs, and they need to be able to foresee when and from where their cash is going to come. In addition to affordable, cloud-based accounting programs, small business owners can have affordable access to state-of-the-art cash management solutions through their business bank.

Don't hesitate and wait until it is too late—contact your bank today to see what options are available to you.

## Know-how makes your business a success story.

For over 175 years, People's United Bank has begun every business banking relationship by taking the time to listen and learn about each individual business. That's how we're able to craft superior solutions that specifically address our customers' needs.

We recognize that successful businesses require a variety of financial services, and we deliver these services locally. Our business banking experts serve as your key point of contact. All of which sets the stage for a relationship based on trust and expertise.

### Business Deposit Products

- Business Advantage Checking
- Premier Business Checking
- Business Money Market, Savings and Certificates of Deposit (CDs)
- Treasury Management
- E-Treasury+ Online Banking
- Remote Deposit Capture
- Business Mobile Banking

### Business Credit Products\*

- Business Credit Lines and Term Loans
- Commercial Mortgages
- Equipment Financing
- Asset-Based Lending
- Business Credit Cards with Rewards

### Business Financial Services

- Merchant Card Processing<sup>1</sup>
- Business Insurance<sup>2</sup>
- Retirement/401(k) Plan Services
- Business Succession Planning
- Workplace Banking

\*Application and credit approval required.

<sup>1</sup>People's United Merchant Services, LLC (PUMS) is a joint venture of People's United Bank, N.A. and Vantiv, LLC. PUMS is an indirect subsidiary of People's United Bank, N.A. Vantiv and People's United Bank, N.A. are not affiliated companies. Credit approval required.

<sup>2</sup>Insurance available through People's United Insurance Agency, a subsidiary of People's United Bank. All accounts are subject to underwriting approval.

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