



# THE WANDERING CFO

CASH FLOW KICKER FOR TRADES



8 STEPS TO IMPROVING YOUR CASH FLOW

# CASH IS REALITY. MAKE IT YOUR PRIORITY.

Getting on top of cash flow is crucial to small business survival. This is especially true for trades.

## "HOW'S BUSINESS?"

A simple question that often pops up at family catch ups, on fishing trips or over a quiet beer with mates. Despite doubling your profits this year and enjoying a high turnover, you are still feeling the pinch in your pocket. Your cashflow is causing you to lose sleep.

Even an awesome business treading too close to the edge can go into free fall- often unexpectedly and quickly.

Oddly, you can be profitable and still go out of business. Or you can make significant 'bottom line' losses but still have a healthy bank balance. Why?

## BECAUSE CASH IS KING

Without cash, eventually your business will fail to meet its commitments and wither away like a bit of orange peel in a hot ute.

That's why I have created this Cash Flow Kicker For Trades. A no bullshit guide to improving your cash flow so you can sweat the big stuff, not the nitty gritty.

- Luke, Chief Wanderer



# REVENUE IS VANITY

A nice fancy number to tell your mates, however it's only one of several indicators of the true health of your business.

# PROFIT IS SANITY

Deducting expenses from revenue equals profit. Consistent profit equals a solid business model. Does your profit ensure day to day survival?

# CASH IS REALITY

Cash is the lifeblood of any small business. Especially for trades. The cash in your bank account indicates your ability to survive and thrive.



# STEP ONE

## ORGANISE YOUR MONEY

The first step in taking control of your cash flow is to separate business from personal expenses.

Mixing personal and business accounts muddies your finances making it difficult to clearly identify your business's performance and true cash position

Create three separate accounts to manage your business:

### TRANSACTION ACCOUNT

This is an everyday account used for making and receiving payments

### CASH RESERVE ACCOUNT

Smart operators have reserves of two months expenses. This is to cover any unexpected drops in income.

P.S. this money also earns you interest!

### TAX PAYMENTS ACCOUNT

It's a great idea to keep taxes separate so you have enough to pay your legal obligations and avoid late payment, interest and penalty charges.

# STEP TWO

## GET YOUR INVOICES OUT

The best way to boost your cashflow is to get paid faster.

Send out your invoice the day the job is done. Remember, your payment terms only kick in from the date of your invoice. The faster you send those invoices, the faster the payment due date comes around.

### CUT OUT THE MIDDLE MAN

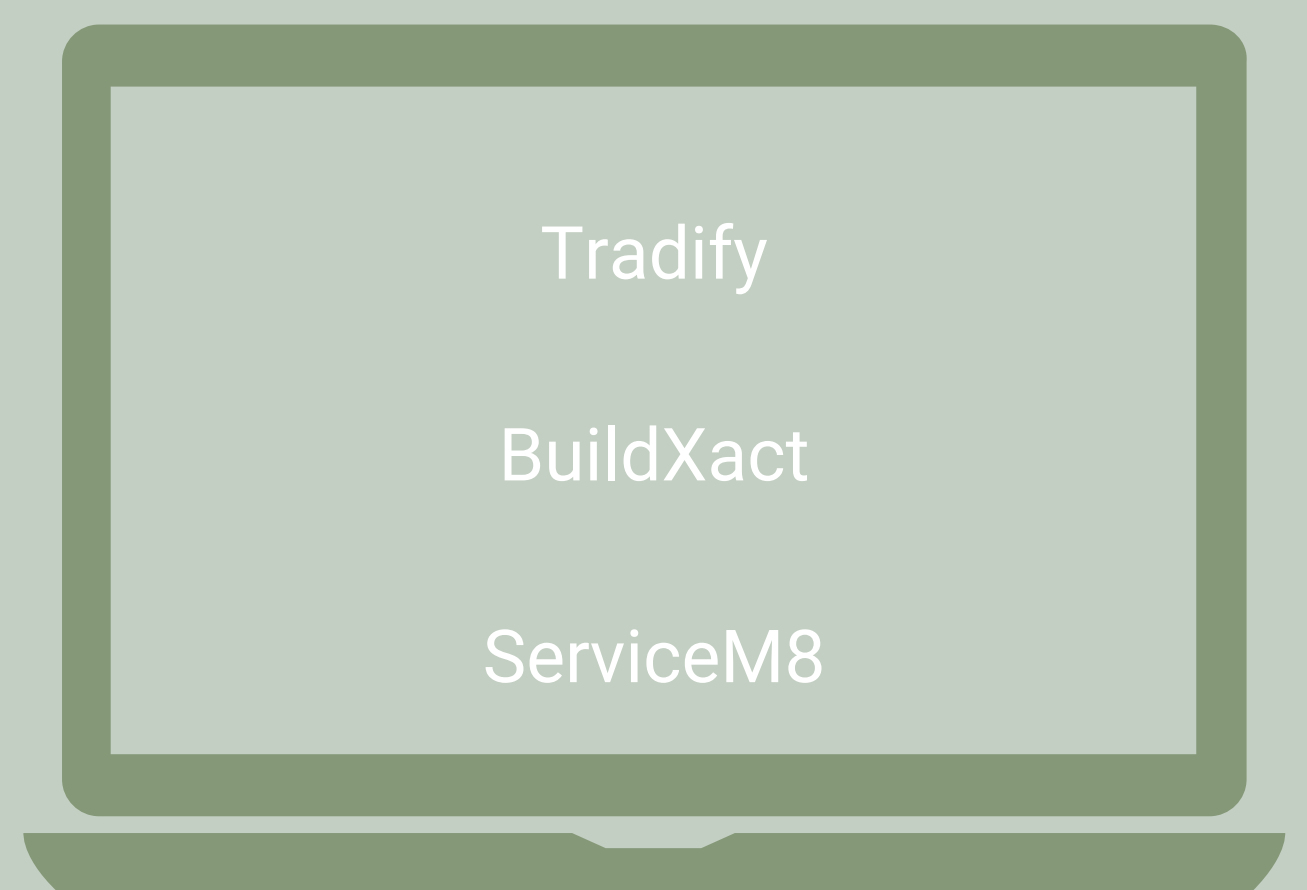
Send your invoice directly to the person that pays you. You might be dealing with a big company but there is still a human responsible for processing your invoice. Get it to them.

### IS INVOICING A PAIN POINT FOR YOU?

Use technology to your advantage. Cloud accounting systems and job management software make it a breeze with mobile invoicing on the run



CLOUD ACCOUNTING SYSTEMS



JOB MANAGEMENT SOFTWARE

# STEP THREE

## REVIEW YOUR PAYMENT TERMS

### CHECK YOUR PAYMENT TERMS

Unfavourable payment terms are the cause of many cash flow problems. Consider the commercial impact of reducing the time your clients have to pay you to 7 or 14 days and extending the time you have to pay your suppliers to 30 or 60 days.

### GET CLIENTS TO PAY STRAIGHT AWAY

The best way to get paid fast is to give your clients the ability to pay instantly. Having a mobile credit and debit card reader on hand or in your toolbox or work ute helps you get paid straight away.

### SETUP A PROCESS FOR COLLECTING PAYMENTS (AND LATE PAYMENTS!)

Your invoice document should clearly include your payment terms and due date. You don't need to wait until payment is overdue to follow up with your client. Send a friendly automated reminder prior to the due date to help speed up the payment process



# STEP FOUR

## PRIORITISE PAYMENTS

### CASH RESERVE

Setting aside money sounds boring and restrictive but it makes for smart business. Have an amount (% of income or set amount) automatically allocate to a separate account. This is for future opportunities to improve your business

### TAX SCHMAX

Benjamin Franklin famously said "There are two certainties in life; death and taxes" Have a Tax Payments account to cover your quarterly tax bills. Chuck in an amount based on a % of wages and % of income. You won't be caught out.

### PERSONAL DEVELOPMENT

A key habit of successful business owners is to invest in training courses, seminars, coaching, books, etc. Take charge of your future by growing your skills and broadening your business knowledge!

### STAFF (& YOU!)

Reward your team and yourself fairly and on time. Your wage should be based on the value you bring to the business -consider what it would cost to replace yourself.

### ESSENTIAL SUPPLIERS

First pay (only when due) the expenses required to keep the business open and generating income. It may include materials, subbies, rent, power, vehicles, etc.

### NON-ESSENTIAL SUPPLIERS

Next come the group of expenses that do not directly impact on you earning income. It may include cleaning, some stationary, some printing, etc.

### CASH SURPLUS

Calculate a minimum running balance you need in your Transaction account. Move any excess into your Cash Reserve account each month. Keeping a low balance in your Transaction account will force efficiency, avoid complacency and maximise interest earnings.



# STEP FIVE

## LESS FLASH = MORE CASH

A brand new ute, towing a brand new trailer kitted out with the latest tools might sound fantastic, but is it what you need?

In good times it's tempting to upgrade your equipment and other areas of your business without realising these costs may stay with your business long after the value they have added has dried up. Easy to increase, harder to decrease.

When it comes to equipment, less flash is more cash. You may want the brand new vehicle, trailer and latest tools but what you need is the most reliable, efficient, effective equipment that fits with your brand. The rest is for your ego.

At the same time, dedicate one or two days each year to review your current bills, subscriptions and policies to see if they are still necessary in your current situation and future plans.

Avoid expanding your expenses more than you can handle in your leanest months of the year - don't splurge without crunching the numbers first. It pays to think about where the money is going and what you'll need in the future.



# STEP SIX

## PAY YOURSELF

Give yourself a reasonable wage based on three considerations:

THE VALUE YOU BRING TO THE BUSINESS

THE CURRENT & FUTURE PROFITS OF YOUR BUSINESS

THE NEEDS OF A WELL PLANNED, REALISTIC FAMILY BUDGET

Make regular payments to yourself rather than injecting chunks of cash into your bank account when times are good and nothing in leaner months. It will give you a better idea of where you are sitting financially and a less stressful family life.

# STEP SEVEN

## KNOW YOUR PRICES & MARGINS

Simply, better margins come from having a higher price and lower costs.

If you haven't increased prices in a while, now could be the time. It doesn't need to be a huge bump, but go ahead (keep an eye on what your competitors are charging). Put your rates up a little bit—5% or 10% — and monitor your results.

Likewise, if you haven't spoken to your suppliers and subbies about prices for a while you need to approach them and find out if there is any room to move. Start with those you work with the most and look for around 5%.

Seek genuine win-wins. Consider what you can offer such as increasing business for them in return. Planning for decent margins is good practice. However the best tradies do this AND understand the actual margins they make for each job to adjust accordingly.

**IS IT THAT  
EASY?  
NO.  
YOU NEED TO  
BACK THAT UP  
WITH THE BEST  
QUALITY  
PRODUCTS &  
SERVICES.**

# STEP EIGHT

## FORECAST YOUR CASHFLOW

Having a handle on cash – and being able to see your cash highs and lows in quick, easy to read charts – is so important.

The most effective way to improve cash flow and secure the future of your business is by creating a detailed 12 month cash flow forecast.

This will give you:

VISIBILITY INTO POTENTIAL FUTURE PROBLEMS

UNDERSTANDING OF SEASONALITY

A PLAN FOR MAJOR EXPENSES OR INVESTMENTS

AWARENESS OF MONEY REQUIRED FOR TAX

PROFESSIONAL PLANNING DOCUMENTATION FOR LENDING INSTITUTIONS

THE POWER TO DRIVE YOUR PERSONAL GOALS

Whilst cash flow forecasting can be complex, an accurate forecast will help you plan for your future and drive both your business and personal goals.

AT THE WANDERING CFO WE ARE PASSIONATE  
ABOUT SUPPORTING LOCAL BUSINESS  
OWNERS TO BUILD STRONGER LOCAL  
COMMUNITIES.

WE WOULD LOVE TO HEAR FROM YOU! –  
JUMP ONLINE AND BOOK A FREE CALL TODAY

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IMPROVE YOUR PROFIT  
GROW YOUR BUSINESS



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