

## 6 tips for successful cash-flow management going into 2021

It is critical that business owners pay close attention to their cash-flow situation to ensure continued success in the new year.



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Gary Epstein, managing director at EasyBiz Technologies says several businesses are still feeling the after-shocks of the Covid-19 lockdown and restrictions.

“The pandemic, combined with the December/January slow down, means business owners need to be more vigilant than ever when it comes to ensuring adequate cash-flow, especially if there are bonuses to pay on top of the usual month-to-month expenses,” he adds.

Epstein offers six tips to ensure adequate cash-flow during the holiday season:

## **1. Build cash reserves**

Epstein says it is not prudent to try and build cash reserves in the last quarter of the year. "Businesses need to avoid unnecessary spending as early on in the year as possible. Saving money every month will ensure end-of-year expenses do not completely deplete any savings the business may have."

## **2. Reduce expenses**

December is a tricky month for businesses, often because business owners feel compelled to pay employees a 13th cheque or a percentage of their salary as a bonus in recognition of their hard work throughout the year. To make matters worse, Covid-19 has strained the finances of numerous businesses. If business owners are not in the position to pay bonuses, they need to have honest conversations with their employees.

"As it is, expenses such as bonuses should be reviewed annually and weighed up against employee performance and other extenuating circumstances such as Covid-19. If possible businesses should attempt to move out budgeted items for December and January to a later stage," notes Epstein.

## **3. Invoice customers as early as possible**

With many operations closing in mid-December, the quicker businesses get their invoices to customers, the greater their chance of getting paid before the end of the month.

## **4. Plan employee leave**

While some industries can shut down during December and January, others such as retail and hospitality cannot. As the end of the year is their busiest time, they need to ensure they have a full complement of staff to ensure productivity and meet customer expectations. This means putting a staggered leave schedule in place so that employees are able to get a well deserved break at some stage during the year.

## **5. Tackle late payments**

Plan accordingly for customers that continuously pay their accounts late by contacting them well in advance, invoicing them early and reminding them to pay on time.

## **6. Reduce slow-moving stock**

Use the Christmas season to reduce slow moving stock by offering specials. Doing so will help businesses make additional capital on inventory otherwise wasted in storage.

"While all industries may experience quiet periods throughout the year, instilling cash-flow management measures such as these into their operations will allow for greater financial freedom, less stressful operations, and easier planning for the year ahead," concludes Epstein.