

10 Essentials for Every Business

Every day you're laser focused on the demands of your business. It's all too easy to lose sight of fundamentals that are not clamoring for your attention at the moment. You may know what they are, but understanding is only half the battle—executing on what you know is what gets the job done.

Here are 10 reminders of essentials that are easy to overlook amid the everyday challenges of running a business.

1 Choosing the Right Accounting Method

Most businesses use either cash basis or accrual basis accounting.

- **CASH ACCOUNTING** records income and expenses as funds change hands. Cash accounting appeals to many sole proprietors and service businesses with no inventory.
- **ACCRUAL ACCOUNTING** recognizes income and expenses as they occur, regardless of whether cash has been transferred. Accrual accounting is required if annual sales exceed \$5 million, or if the business has inventory and annual sales are over \$1 million.

When your business files its first tax return, you must report your choice of accounting method to the IRS and stick with it. To make the right choice, be sure to get the help of an accounting professional from day one, and invest in good accounting software.

2 Optimizing Your Cash Flow

The movement of money into and out of your business is absolutely key to its survival. Mismatched timing can make a healthy ratio of accounts payable to accounts receivable tragically irrelevant.

- **ABOVE ALL, BE SURE YOU ARE MEASURING YOUR CASH FLOW.** That means tracking payables and receivables and projecting future levels.
- **MANAGING YOUR ACCOUNTS RECEIVABLE PAYMENTS IS CRITICAL.** Be sure your internal billing processes are efficient, and speed up your invoicing as much as possible. Consider offering discounts for quick payments and requiring pre-payment for slow-paying customers.
- **CLOSELY EXAMINE YOUR PURCHASING AGREEMENTS.** Be sure you are taking full advantage of creditor terms—paying as late as you can without penalty—and see if you can improve the terms you are getting from your vendors, including flexibility when you need it.
- **CONSIDER USING CREDIT OVER CASH.** Using a small business credit card for some payments may help to free up pressure on cash reserves and make your money work harder for you.

3 Using Invoicing and Collection Best Practices

Take advantage of every possible tool for invoicing and collection. Here are some of the most helpful:

- **REMOTE DEPOSIT CAPTURE**—Scanning checks and depositing them from your office saves time and gets funds into your accounts faster. Bank applications can allow you to direct funds to multiple accounts or allow multiple users.
- **MERCHANT SERVICES**—Much more than facilitating credit card processing, merchant services can help your business with advanced payment solutions that can replace checks and invoices, including secure transactions that offer fraud protection and data breach support.
- **LOCKBOX SERVICES**—These centralized processing services can streamline payment collection and record keeping.
- **AUTOMATED CLEARING HOUSE (ACH) SERVICES**—These low-cost alternatives to wire transfers and paper checks allow you to fine-tune your cashflow projections by choosing the date funds will enter or leave your account.

4 Financing Your Growth

Even if your business was funded by friends and family or maxed out credit cards, sooner or later it will need conventional funding. Maybe you've already gotten a small business loan and now need a larger loans or investment. When the time comes for financing growth, be sure the business itself is ready.

○ EXAMINE YOUR CURRENT SHORT-TERM FUNDING NEEDS.

Be sure you will have the operating funds you need without using credit cards, and pay off any credit card debt.

○ **PREPARE FOR GROWTH** by understanding precisely what parts of the business need to grow, how much money will be needed, and how staffing and infrastructure need to change.

○ **KNOW THAT FINANCING EQUIPMENT CAN BE VERY DIFFERENT** compared to financing inventory or increasing operating capital. Be sure you understand how equipment loans work, including the loan term and what percentage of the purchase can be financed.

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5 Preparing for the "What Ifs"

Contingency planning may not be a priority when things are running smoothly, but it doesn't take much to derail normal operations. Evaluate your business for potential vulnerabilities that might arise from the business itself, such as a short-term cash shortage; from the economy, such as a recession or an increase in material or labor prices; and from external factors, such as increased competition, a data security breach, or a natural disaster. Ask yourself every possible "what if" question that might impact your company and build a plan for how you would respond.

6 Succession Planning

To ensure the loss of a key executive to retirement or an unexpected departure does not cripple operations or business continuity, be sure to put careful thought into succession planning. That includes identifying in-house candidates for top positions, not just the CEO or CFO roles. A proactive succession plan is vital, because preparing a promising candidate for a leadership role can take time. Be sure a transition strategy is in place, with key positions identified and processes outlined for finding and training potential successors. Depending on the size of your company, this might mean preparing specific individuals, perhaps by making them second-in-command of a division, or it might mean casting a wider net to find promising employees in a variety of positions.



7 Managing Your Risk with Insurance

While succession planning prepares for the departure of key executives, key person insurance goes a step further to protect against the death or disability of someone whose sudden loss could severely damage the business. That might be an employee who would be difficult to replace or who generates a substantial portion of the business's income. Or, the insured might be an owner whose death might trigger a financial crisis when heirs inherit his or her ownership interest. Your company owns the policy and is the beneficiary. Key person insurance can be especially important if the business is seeking a loan or investment or if it is planning a merger or public offering.

8 Time Management

Effective time management may seem like an exclusively personal issue, but it can be much more than self-management. Embracing time-saving practices and tools can directly benefit your business in ways that go beyond personal productivity. For example:

- **HAVING PERSONAL AND BUSINESS ACCOUNTS AT THE SAME BANK** not only saves time, but makes transactions easier and reduces the potential for errors.
- **USING MOBILE BANKING** to manage day-to-day transactions for the business frees up time during the day for other priorities.

9 Retirement Planning

If your company offers a 401(k) plan, you have certain fiduciary responsibilities and transparency guidelines that must be followed. The ultimate responsibility is yours as the plan sponsor, but you can and should seek help to be sure you understand your obligations. You can't just rely on your 401(k) provider to keep you on the right side of the rules. In fact, one of your fiduciary responsibilities is to review your options periodically and be sure the plan you are providing is appropriate. Since employees can and do join lawsuits against employers for excessive 401(k) fees and poor fund management, you should use an independent advisor to help you with your review.

10 Powering Your Business with Marketing

Marketing is obviously essential, but it's common for businesses to under-market—especially if they are established in their niche—or to be unsure which marketing techniques to prioritize. The right marketing mix will be unique to your business, but these are some techniques you should consider carefully:

- **DIFFERENTIATE YOURSELF WITH A VALUE PROPOSITION**—Understand precisely what your business is best at and include it in your messaging.
- **USE SOCIAL MEDIA**—Don't make the mistake of dismissing social media platforms as casual time wasters. Evaluate how your competitors are using social, understand your own business case for it, and find your place on the right platforms.
- **DEVELOP A CLIENT REFERRAL PROGRAM**—Recommendations from your current customers are some of the best sources of new business and are well worth being viewed as a careful investment of your resources—not just an afterthought.
- **PRACTICE DIRECT MARKETING**—Now that it can be driven by finely tuned analytics, this old standby should not be dismissed. Done thoughtfully, it can be highly effective.

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