QUICK CASH FLOW FIXES – 3 Pitfalls to Avoid

Description

Cash is critical, but at what cost?

Quick Cash Flow Fixes can bring problems too!

CashFlow Fixes are best used for a short amount of time, relatively infrequently.

Ideally this funding is used to take advantage of unexpected opportunities; when cashflow would otherwise prevent you from doing so.
FAST CASH is what we call any facility that you draw down when a business is in a “tight spot”. FAST CASH can take the form of:

- overdrafts
- pre-approved loans (unsecured)
- credit cards
- store accounts

Any facility that either enables a cash injection, or defers a cash payment, is providing Fast Cash. But none of the above should be used as long-term debt facilities, nor should any of them form part of your debt management, **these are NOT a funding alternative and should be paid back asap.**

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Is your Business at Risk?

Things slip over time so check your business to make sure that your Quick Cash Flow Fixes have not become Cash Gobblers:

- has the balance grown on your credit cards and other short-term finance facilities?
- have the interest rates increased significantly since you applied for the extra finance?
- has the overdraft been extended and extended suddenly it is 12 months since you were not running on the overdraft?

If Quick Cash Flow fixes are being used frequently it is a sign of under-capitalisation, or loss making, and either debt or business management factors need to be re-considered.
There are many small inexpensive ways that can quickly help; some of these are in this previous post – **25 Ways to Improve cash flow NOW!**

Quick Cash Flow Fixes have Pitfalls to Avoid !

Make sure that you use these any FAST CASH wisely and avoid these traps:

1. Minimise Interest

These forms of Cash Flow Injection are generally unsecured and, as a trade-off for the lack of security, the cash usually comes at a higher interest rate. Make sure you negotiate carefully, and check the Ts & Cs before signing, to identify when, and how, interest rates can fluctuate. Don’t let your cash flow boost become an “interest monster”!

2. Minimise Application Fees and Penalties

Most of these facilities have application fees, an administrative overhead for processing your paperwork, but in many cases the admin fees and penalties are “loaded” to also cover some of the risk. Before signing check the details of your agreement to ensure that you don’t have to pay a new application fee each month you have the facility, or for small changes to the repayment terms – I have seen facilities that penalize for early payments as well as late ones!

3. Protect your Credit Rating

A healthy Credit Rating makes for easy business growth – so don’t use these facilities willy-nilly. Understand that each facility and term will impact how you can borrow elsewhere. Making sure you have the best mix of the right kinds of debt will keep your business healthy.

When was the last time you checked your FAST CASH for pitfalls?

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