

The fourth cause of poor cashflow – Your debt or capital structure



Often a reduction in interest charges as well as significant cashflow improvements can be achieved with a regular review of existing debt.

A good place to start is to list all bank loans, mortgages, finance company loans, hire purchases, credit card debts, and any other debts (don't include amounts owed to suppliers in this list).

Add columns to cover:

- The amount of the debt owed
- The interest rate being charged
- Whether the interest is charged on a fixed or floating rate basis
- Repayment terms (the number of years the debt is to be repaid over)

Perhaps your debt can be consolidated, financed by one lender and paid off over a longer term. This will help you retain more cash in the business which is vital for growth (or even just to cover expenses and your drawings).

Are the drawings you take from the business for personal expenses placing pressure on cashflow? If so, that might mean that we need to look at strategies to lift the profitability

of the business. It might mean that your drawings are just too high for the business to support right now. The business may need an injection of capital to fund its growth.

Here's an interesting exercise for you to do. List out your annual personal expenditure in detailed categories; everything from rent, childcare, groceries and eating out. You may need to prepare yourself for a shock. If you're serious about this, we have a Personal Budget Template that you can use to make life easier.

Getting your debt and capital structure right makes a big difference to the cashflow in your business. This is a subject that we have a lot of experience in. The first step is to prepare an updated personal budget and a Cashflow Forecast, then measure the extra cash the business will have as a result of making some simple changes. We can help you calculate this extra cash at our Cashflow & Profit Improvement Meeting.

Doing a forecast for the first time seems scary, but once you've done it, you'll realise that it's one of the most essential business tools you'll ever put in place. We can do the forecast with you. You'll sleep better for it!