



Finding Cash When You Need It

2-PART SERIES starts on page 2



FINANCIAL
INFORMATION,
EDUCATION
& CONTROL

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QuickTakes

*Ideas You Can Put
to Work Immediately*

1 Work Culture

Some business owners lament a perceived loss of a solid work ethic in today's employees. These shop owners think workers are more interested in time off and leisure than doing a good job.

However, many aspects of the new culture should be embraced. One is that the workplace should be fun. Why not? After all, most of us spend more waking hours in the shop than just about anywhere else.

2 Workplace Fun

What special activities have you created for your employees lately? Be creative. Contests and games can be part of making work fun.

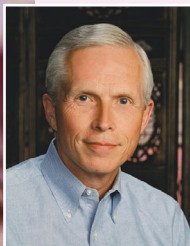
Having a good time as a staff is an important part of a successful flower shop. Your employees will carry the energy and creativity into their work. Happy workers are productive workers.

3 Employee Engagement

As you build a culture of fun in your shop, consider asking your employees to be part of the strategy. They may enjoy creating activities and, in turn, feeling like they are part of the bigger picture.

Another idea is to rotate who runs staff meetings. You can establish the agenda and a staffer can run the meeting. It's a great way to further boost employee engagement.

FORCED CHANGES



The other day, a friend of mine was laid off in a corporate cutback. I bumped into her shortly thereafter and asked how she was coping.

Prior to the layoff, she had leased a new house. That could have been tough news. The landlord had insisted on a month-to-month lease. That ended up being good news.

And so, the story went. Some things were difficult. Others, not so bad.

The uncertainty of it all was her biggest issue. Uncertainty has a way of making everything feel worse.

Life's circumstances sometimes force us to do things we hadn't planned or don't want to do.

However, more often than not, situations that appear disastrous turn out to be positive turning points in our lives.

How many people do you know who, after losing a job, ended up in a new position or career that brought greater success and fulfillment?

I can think of many, including myself.

When setbacks occur, don't immediately assume that your world has been forever altered for the worse. Instead, be open to what new opportunities may arise.

Even the biggest problems contain the seeds for future achievement. Handle the challenge in a professional and mature way, and then get on with your life.

The sun will still rise tomorrow. The future is bright. Change creates a new beginning for the rest of your life.

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On the cover: Teleflora's
Festive Pines Bouquet

part one

Finding Cash When You Need It



It's

Sam already owns a successful flower shop. He wants to expand his business by adding a second location.

Judy has been a designer for many years. She loves her job but wants to open her own shop.

Both Sam and Judy estimate they need about \$75,000 to get started.

Neither can just write a check for that amount. The two situations sound similar.

But yet they aren't.



WHERE SIMILARITY ENDS

Sam already is a successful owner of a successful business.

Judy is an experienced designer but an inexperienced businessperson.

Some sources of cash will be more suited to Sam's situation. Others, to Judy's. Only a couple of approaches will be appropriate for both.

QUICK OVERVIEW

Finding cash for your business isn't like going shopping. The search can be difficult.

This is especially true if you are just starting out.

Banks may not even listen to a proposal from a would-be entrepreneur without a track record, especially in today's economy. And individual investors typically want something bigger than a flower shop.

There are six basic types of financing sources:

- 1. Personal funds.** Drawing upon your own assets.
- 2. Personal contacts.** Getting family and friends to invest in your dream.
- 3. Financial institutions.** Banks, credit unions, finance companies and other institutions in the business of lending money.
- 4. Government agencies and programs.** Some government programs loan money directly. Other programs simply guarantee business loans made by private lenders.
- 5. Individual investors.** People (as opposed to institutions) who have money to invest in other businesses.
- 6. The lottery.** You can ignore this one.

EMPTY YOUR POCKETS

This is always the place to start.



a Challenge

Whether you are launching or expanding a business, expect to use some of your own money.

There are a couple of reasons for this. First, as a practical matter, these are the most readily available funds. You know how much you have. You should know what you can afford.

Second, if you aren't willing to put your own money into your dream, why should someone else?

Lenders and investors will question any owner seeking 100% financing. If the owner doesn't believe in the idea enough to take a little risk, why should they?

For outside investors, an owner's personal investment in the business is an insurance policy. The thinking is that an owner with a personal stake in the success or failure of the business will stay focused and not slack off.

HOW MUCH?

Don't get carried away. Don't bet the farm.

You don't have to exhaust every resource you own.

There is nothing wrong with using "a little bit of your own money and a whole lot of someone else's." Invest an amount you can afford to lose if things go bad.

FLORAL FINANCE®

This applies for both start-ups and expansions. Sam shouldn't stretch his business so thin that trouble with the second shop would mean danger to the first. Judy shouldn't go so far as to destroy her personal financial health.

Both should make a personal investment. Neither should set themselves up for disaster if things go awry.

WHOM DO YOU KNOW?

Don't laugh.

Almost all new ventures (and many expansions) rely in large part on the backing of personal contacts.

Friends and family know, like and trust you. Business contacts have seen you in action. They know your abilities and standards. That's half the battle. You don't have to convince close contacts of your skills. You only have to convince them the business is a good investment opportunity.

Getting friends, family and other contacts to invest can be helpful. It can also be a big pain.

If things go sour, important relationships could be damaged. Friends may no longer be so friendly. Family ties may be strained.

Even a successful venture has risks. Misunderstandings about who gets what can be a big source of friction. Everyone needs to be treated fairly.

Don't leave anything to chance. Investments by friends and family are business transactions. The same as any other form of financing.

Your financial partners are making an important investment. You are incurring a significant obligation. To minimize

the risks, discuss and document the deal. Fully. Carefully.

The first decision is whether you want debt or equity financing. Will the investors lend money you will repay with interest? Or will you offer an ownership stake in the company in return for their money?

Agree up front on what they will get ... and when they'll get it.

If you aren't willing to put your own money into your dream, why should someone else?

And be completely clear on what will happen if the bottom falls out. Are the investors completely at risk? Are you personally guaranteeing they will get their money back? Talk it all through.

Put your agreement in writing. Point by point. Then, have both parties sign.

If you ignore these steps, you're asking for trouble.

IT'S A START

Personal funds and personal contacts. Appropriate—and often essential—funding sources for business expansions as well as start-ups. Sam and Judy could start here.

Two down. Three to go. Turn to page 4. 🌸

see *part two* on page 4



Sources of Cash...



If you're trying to start or expand a business, your personal assets and contacts may not be enough. You may need to pursue three other potential sources of funding:

- **Banks and other financial institutions**
- **Government programs**
- **Private investors**

BANKS

Banks may seem like the most obvious option. After all, lending money is their business.

In reality, getting a bank loan is not always that easy. Start-up businesses are at a particular disadvantage.

Banks are conservative institutions. Before making a loan, they need assurances. Collateral. Financial statements. A business plan. Personal guarantees.

Federal lending regulations set many of these requirements. Banks are prohibited from taking big risks with their depositors' money. The bank's officers set additional lending policies.

What Does It Take?

It is better to be over-prepared than under-prepared. Give the bank as many facts and figures as possible. Put yourself in their shoes. Think about

the assurances you would want if you were lending the money.

What might the bank require? Some financial history on your company. A current balance sheet. Profit and loss statements for at least the last year or two. Cash-flow projections.

The bank also will want to know how you plan to use the money. Will the new money spur growth or keep you from losing ground?

How you will repay the money is also critical. Don't make overly optimistic projections. If your repayment plan is based on a "best-case" analysis, you'll have trouble. The bank needs to know the loan will be repaid even if things don't go exactly as planned.

You will have to put up some collateral—assets that are pledged to the

bank in case you default. This could be equipment, accounts receivable (money owed you), buildings or something else of value.

For most small business loans, the bank will require the owner's personal guarantee. If you agree to guarantee the loan, make sure you understand and accept all of the potential consequences.

New Kid in Town

Start-ups often don't meet the bank's lending criteria. There are too many unknowns. No track

... After Uncle Ernest & Aunt Hazel



record for the bank to evaluate. Not enough data to determine whether the loan is a safe bet.

For this reason, entrepreneurs may need to look at other financial institutions. Credit unions offer commercial lending. Major finance companies are another possibility. Banks are only one option.

SBA PROGRAMS

The federal government and many states also have responded with help for small businesses.

At the federal level, the Small Business Administration (SBA) is the main agent. SBA loan guarantees have helped many new businesses get off the ground.

Individual banks choose whether to participate in the program. To get an SBA-backed loan, you approach a participating bank, not the SBA. The bank decides whether to seek an SBA loan guarantee for the application.

The guarantees remove much of the participating bank's risk. If the borrower defaults, the government will pay off the loan.

Either the bank or the SBA may decline a particular application. Still, the SBA loan guarantee program has been a big, big boon for small businesses.

SBICs

Another option is a loan from a Small Business Investment Company (SBIC). These private firms get long-term government loans to help them invest in small businesses.

The SBIC program is smaller than the SBA loan guarantee program. In most cases, SBICs require an ownership share in the companies they fund.

That condition is unacceptable to many small business owners. If you aren't willing to share ownership in your company, you might want to look elsewhere.

However, if you are interested, call the SBA to get connected to a local SBIC.

STATES

An increasing number of states offer programs to fund small businesses. From a state's perspective, it makes a lot of sense. Business expansion always means more jobs. And more jobs mean more revenue for the state.

The scope and popularity of these programs vary. Some state programs are relatively unpublicized. So, you might have a good shot.

Call your state's economic development office to find out what's available.

PRIVATE INVESTORS

Venture capital firms exist for the sole purpose of investing in other businesses. Some high-wealth individuals (often called "angels") also invest their personal funds in businesses.

Unfortunately, florists shouldn't expect much from these sources. You just don't fit the profile.

Venture capital firms seek high-visibility, high-return opportunities. They are more likely to deal in millions of dollars than in thousands of dollars. And they typically demand a big piece of the action.

Angel investors are in much the same situation. Traditional retailers are probably not the type of businesses that interest them.

BE READY

No matter whom you approach, be prepared. Do your homework. Make it as easy as possible for the lender or investor to see why you are a good risk.

If you do the job right, it is possible to find the financing you need. 🌻



Raising Money for Continuing Operations

Finding money for your next payroll can be fairly easy—or the most difficult borrowing challenge of all.

If the bank is convinced you can repay the loan, the money will come fairly quickly. If not, the bank will not make the loan.

EASY ROAD

If you've been in business for several years, have a good relationship with your banker and are consistently profitable, your task will be easy.

The banker knows your reputation and trusts you. The big question will be why you are short of cash. Cash shortages can happen to anyone. Delayed payment from a big customer. A

sudden, large repair bill. There are lots of reasons.

As long as you have a good plan to manage through the situation, you should be able to find a short-term loan.

TOUGH ROAD

If you're new in the business or constantly struggling to make ends meet, the banker will see you as a high risk. And rightly so.

If you haven't been profitable so far, why will things be better in the future? Wishes and hopes will not carry the day.

COMMON THREAD

The secret to getting money boils down to your ability to

run a profitable operation.

Can you make the tough choices and successfully lead your employees?

If you can, bankers will help you through challenging times. If you can't, no lender will want to take the risk.

It's often said that bankers only loan money to those who don't need it. In some respects, the situation is similar for small business owners.

Profitable businesses are the least likely, over the long haul, to need a loan. So save yourself a lot of anxiety. Learn how to run a profitable operation. Cash won't be nearly as big a concern.



PAYROLL

Weekly, Biweekly or Semimonthly?

Everyone who works in a flower shop wants to get paid. The more, the better. The sooner, the better.

Some florists process payroll weekly. Others pay every other week (biweekly). Still others do it twice a month (semimonthly).

Which approach is best? What are the benefits and drawbacks of each option?

WEEKLY

				1	2	3	4
5	6	7	8	9	10	11	
12	13	14	15	16	17	18	
19	20	21	22	23	24	25	
26	27	28	29	30	31		

There's no question. Weekly paychecks work great for the employee. In

fact, employers who use this system often say, "Well, the employees need their pay as soon as possible."

The negatives fall on the business. Processing a payroll is time consuming and expensive. The time is a particularly big problem for florists who do their own payrolls. But gathering and sending the proper information to a payroll service also takes work.

With weekly payroll, you have to process, write and account for 52 sets of checks each year. Quite a chore.

BIWEEKLY

				1	2	3	4
5	6	7	8	9	10	11	
12	13	14	15	16	17	18	
19	20	21	22	23	24	25	
26	27	28	29	30	31		

The biweekly payroll system takes half as much time and

money. The benefit to the employee? The regularity and predictability. Every two weeks, on the same day, they know they will get paid.

The biggest negative for the employer is an accounting issue.



The end of a two-week pay period rarely coincides with the end of the month. Consequently, the shop almost always will have payroll expenses that have been incurred but are not accounted for on its monthly financial statement. The statements will not accurately reflect the shop's expenses.

You could accrue the expenses to better account for them; however, that's even more work.

SEMIMONTHLY

				1	2	3	4
5	6	7	8	9	10	11	
12	13	14	15	16	17	18	
19	20	21	22	23	24	25	
26	27	28	29	30	31		

The semimonthly approach to paychecks means 24

pay periods each year—rather than 26 or 52. A little less work for the employer than the biweekly method. A lot less work than the weekly method.

Paychecks arrive on the same days of each month rather than the same day of the week.

The most common practice is to cut

off the payroll periods on the 15th and last day of each month. Paychecks are issued on the 20th and the 5th—a generous five days to process each payroll.

Since most people pay their personal bills on a monthly basis, this system works pretty well for employees, too.

WHICH IS BEST?

The semimonthly approach gets our vote.

It is the easiest and least expensive method for the business owner. No question about it.

The payroll periods align with the monthly accounting period. Each month's financial statements will accurately capture that month's total payroll.

The lack of adequate and accurate financial information is the biggest reason florists aren't profitable. **Processing payroll on a semimonthly basis is an important step to ensure accurate financial information.** 🌱

Using a Payroll Service

Whether you pay your employees every week, every other week or twice a month, payroll can be a real hassle.

Cutting the checks is the easy part. The difficult part is handling all the taxes.

You must make the proper Social Security, Medicare and federal withholding deposits. And you have to do it on time.

Depending upon the size and frequency of your payroll, you will have different reporting deadlines. You also have to manage state withholdings, which will be on a different timetable.

If you don't do it right, you will face stiff penalties and interest.

Finally, at the end of the year, you must issue W-2 forms to all your employees.

PAYROLL COMPANY SERVICES

Given all that, it's no wonder payroll services exist.

A payroll service can do most of the work—and take away most of the worry. All you have to do is provide the firm with your salaries, hourly rates and withholding instructions. Then, each pay period you turn in your staff's hours.

The processor does the rest:

- Making direct deposits to your employees' bank accounts;
- Paying the various taxes as they come due;
- Filling out and filing all quarterly federal reports and monthly state reports;
- Generating W-2s for all your employees;
- Transmitting all the information to the Internal Revenue Service, Social Security Administration and state taxing authorities at the end of the year.

You can then focus on what you do best: creating and selling floral arrangements.

IS IT EXPENSIVE?

Not really. A shop with 15 employees will probably spend around \$100 per month. Well worth it, in most cases.

Check around in your area for local payroll services. Paychex and ADP are reputable national firms. SAF offers a payroll service as one of its member benefits. Most accountants also can handle payroll for their clients.

Just make sure you compare prices.

Once you begin to use a payroll service, you may never want to go back.

THE BEST BENEFIT

Although the benefits listed above are important, being forced to pay your payroll taxes on time may be an even bigger benefit.

Failing to make payroll tax deposits on time is a trap many small businesses fall into when they are short on cash.

The owners know they have to pay their employees on time. But instead of making their payroll tax deposits, they use that money to fund their business operations.

That's a big mistake. Payroll tax penalties are stiff. If you are short on cash, it's far better to get a loan from the bank.

Consider a payroll service. It will take away most payroll hassles and force you to make your deposits on time. 🌸

FAMOUS FINANCIAL WORDS

"Before borrowing money from a friend it's best to decide which you need most."—Joe Moore

"The biggest thrill wasn't in winning on Sunday, but in meeting the payroll on Monday."—Art Rooney

"A simple fact that is hard to learn is that the time to save money is when you have some."—Joe Moore

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INQUIRIES & ANSWERS Letters

EFFICIENT DELIVERY

*"Is there a quick way to calculate
how many deliveries a driver should make?"*

Yes.

The key is determining how long it takes to make a single delivery. For the next week, track the total mileage for all your deliveries and the total number of delivery stops. Divide the mileage by the number of stops to get the average miles per delivery stop.

Assume two minutes per mile (a 30-miles-per-hour average) and add five minutes for the actual dropoff. That will give your average time per delivery. Divide that time into the number of hours available, and you will have your answer.

A driver should beat the average when multiple arrangements are taken to hospitals or funeral homes.

HOLDING ON TO CASH

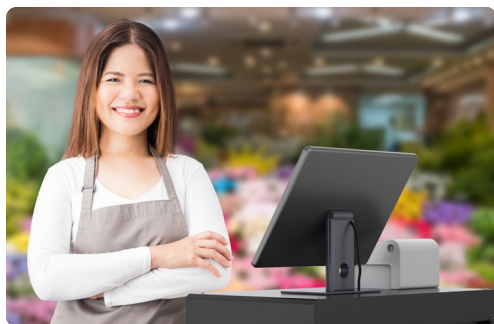
"When paying bills, what's the best way to keep my cash as long as possible?"

Mail the checks on the due date.

If you date and mail the check on the date the invoice is due, most suppliers will count that as on-time payment. Just watch for any suppliers that clearly require payments be received by the due date.

To make the job easier, get an expandable folder with a slot for each day of the month. File each invoice in the slot for the day it is to be paid. Then, process each day's payables as they come due.

For utilities and other recurring bills, set up an automatic withdrawal from your checking account. You will be notified of the payment amount and due date. The money will be taken out precisely on the due date. No earlier. No later. And no hassles.



NORMS

ONLINE SALES



When the COVID-19 lockdowns began in March, about 12% of all retail sales were done online.

By the end of the summer, online retail sales had almost tripled to just under 35%.

E-commerce is more important than ever. And your website is the entry into the world of e-commerce.

Think of your website as the front door of your shop to online customers. Make sure it is up-to-date, represents your brand and is inviting to customers.

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