Title:
Cash Flow - How To Collect 98% Of Business Debts In 28 Days

Word Count:
414

Summary:
The most common cause of businesses failing is a lack of cash flow. Cash flow is the money coming in, compared to money going out.

Your business plan will identify where, and when, your major business expenditures occur. These are unlikely times when your income is at a maximum.

Businesses often run into cash flow problems because their customers delay paying their bills, or when their customers cannot pay their bills at all.

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Keywords:
business debts, debtors, management, business plan, factoring

Article Body:
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Your business plan will identify where, and when, your major business expenditures occur. These are unlikely times when your income is at a maximum.

Businesses often run into cash flow problems because their customers delay paying their bills, or when their customers cannot pay their bills at all.

Many individuals delay paying bills until they have to. All companies do this, because it improves their own cash flow position and because the companies that owe them money are doing the same thing.

When someone starts a business it usually comes as a surprise when debtors do not pay their bills on time. The company owing you money knows that you want to keep their business, so you are unlikely to chase them for debt collection immediately or aggressively.

The attitude your customers, your debtors, take is that your cash flow is your problem. If your company fails then there are plenty more suppliers they can turn to, and meanwhile the money they owe you is in their own bank account, earning interest. If your company fails, then they will have the use of your money for six months or more, while accountants pursue them for the debts.

There are 2 ways out:

1. You can delay paying your suppliers until you absolutely have to, i.e. pass the problem along the supply chain.

2. You can sell your debts to a finance company. This is called factoring.

The factoring company will buy your 100 dollars debt for between 75 and 98 dollars. The range varies with the likelihood that the factoring company will be able to get the debt paid. If you factor all of your debts after 21 or 28 days the factoring company will give you a better price than if you only sell them debts that have been outstanding for 6 months or more.

Factoring can mean the difference between your business thriving or folding because of the difference in cash flow it makes. Your income is predictable. Your cash flow is secure. You can pay your debts and sleep at night.

Factoring means that you collect less than the full amount of each invoice, but at least you get 98 cents on each dollar on time. Your profit margin may appear to be lower, but when you take loan charges necessary to cover your outstanding invoices into account, there may be little or no difference.