



## Money Management

Knowing the state of your financial affairs back to front is one of the best ways to make sure the cash keeps flowing. Staying on top of your finances means you can avoid unforeseen business debt and have enough money to invest in and grow your business.

### Stay on top of the day-to-day money management

1. **Properly manage your accounting.** You can hire a good bookkeeper or purchase DIY accounting software. It is crucial that you keep accurate track of your income and costs.
2. **Know your costs.** Keep track of all of your small business expenses. These can add up quickly, but reviewing them allows you to fine-tune where your money goes.
3. **Make financial projections.** Having clear financial projections is important. Your main business plan will help you to anticipate and address possible future obstacles.
4. **Don't slack on invoicing**
  - Send out invoices as soon as possible after providing goods or services.
  - Always follow up on sent invoices. You can make this easy by creating set templates for email or SMS follow-ups.
  - Reference invoice numbers and cross-reference these with payments.

### Separate business, pleasure and private accounts

5. **Keep a separate business bank account.** Mixing business money with your personal finances is a recipe for unexplained losses and tax-headaches. Keeping your business's money separate will make gauging profitability easier and help you to keep proper track of your expenses.
6. **Keep track of personal loans to your business.** Keep accurate records of what you loan to your business. When your business starts making money, you can easily pay back the director's loan first before paying tax on the remaining profit.
7. **Use a business credit card.** You'll want a [business credit card](#) for making your business-related expenses. This helps keep your personal purchases wholly separate from business purchases. Plus, some business cards may offer rewards for business-related spending.
8. **Make sure to pay yourself first.** This doesn't mean sucking up all the profit the moment you make it; start with 10% of the earnings. This is a good way to



set aside money consistently and to test the profitability of your business. It also provides a safety net for unexpected expenses.

9. **Remain frugal.** Even though you pay yourself, don't get sucked up in the benefits of business ownership even if you can afford it. Set your salary as low as possible. What you save now will give you more flexibility in future lean months.
10. **Keep travel costs minimal.** Most hotel and travel costs should be spent on a place to simply lay your head at night and a way to get from meeting to meeting. Don't overspend on luxurious travel and accommodation. This sets a bad precedent for employees and can be an unnecessarily large cost with little return. Plan your business trips as if you were paying for them yourself.

### **Take care of the bigger business issues**

11. **Take care when expanding.** Make sure expansion is done steadily and wisely. Pushing large amounts of money into expansions that are too quick and too drastic can be disastrous.
12. **Take control of your own marketing and public relations.** Follow a PR and marketing strategy to make sure efforts are intentional and focused.
13. **Consider renting instead of buying.** Leasing equipment instead of buying helps you avoid maintenance costs and can also prevent you from overpaying on equipment only needed for a specific period of time. You could also consider renting your office space, as it makes relocation and expansion easier.
14. **Don't wait too long before seeking a loan.** An easy mistake to make is waiting until your business is in financial trouble before applying for loans or other credit. This is exactly when you will be least likely to receive financing. Consider [applying for a business loan](#) when your financials are still in a good state. This way the loan can be used for expansion or as an emergency line of credit instead of rescue.
15. **Make sure you have enough capital.** Small businesses tend not to have enough capital to get themselves through the startup phase. To prevent this, have three months' living expenses saved plus the amount you are expecting to need for the first three months' business expenses. Plan as if you expect to receive no business revenue.
16. **Don't spend prematurely.** Don't go big on business cards, signwriting, marketing materials, cars, or inventory before any actual revenue comes in. This can create a cash flow blockage.