



## CASHFLOW MADE SIMPLE

### The 3-Minute Guide to Cash Flow (Because Who Has Time for Finance Jargon?)

Let's face it—"cash flow management" doesn't exactly sound thrilling. But when you break it down, it's one of the most practical and powerful tools you can have in your business toolkit. And don't worry—you don't need a degree in finance or hours of free time to get a handle on it.

Here's a jargon-free, three-step guide to understanding and managing your business cash flow.

#### Step 1: What is Cash Flow?

Cash flow is simply the movement of money in and out of your business. Think of it like a water tank:

- **Money coming in** (sales, customer payments) is water filling the tank.
- **Money going out** (expenses, salaries, rent) is water draining from the tank.

The goal? Always keep enough water in the tank to keep things running. Sounds simple, right? It is—until you don't check the tank and suddenly find yourself running dry.

#### Step 2: Why Does Cash Flow Matter?

Cash flow is the lifeblood of your business. You might be turning a profit on paper, but if the cash isn't there when you need it, you're in trouble. Here are three quick scenarios:

- **The “Where’s My Money?” Dilemma:** You’ve made a big sale but the customer takes 60 days to pay, leaving you scrambling to cover rent.
- **The “Too Much, Too Soon” Trap:** You take on a massive project, buy supplies up front, but can’t pay your staff because your client hasn’t paid you yet.
- **The “Invisible Leak” Problem:** Small expenses you didn’t notice—subscriptions, bank fees—are draining your tank faster than you think.

Managing cash flow prevents these “uh-oh” moments and ensures your business can thrive, not just survive.

## Step 3: How Do You Manage Cash Flow?

Good news: You don't need fancy software or a finance degree to start managing cash flow effectively. Here are three easy tips to get started:

### 1. Track Your Money (Yes, All of It):

Use a cashflow spreadsheet to track every dollar coming in and going out. When you see the numbers laid out, it's easier to spot patterns and plan ahead. You can run your daily account lean, with excess funds in an interest bearing call/savings account, knowing exactly when you need to top up for expenses due.

Update your spreadsheet from your bank transactions each day or few days, whatever works for you. Factor in all your known expenses as far ahead as you can – Direct debits, Automatic Payments, estimated 20<sup>th</sup> of the month payables, GST etc

### 2. Speed Up Inflows and Slow Down Outflows:

- Encourage faster customer payments by offering early payment discounts or sending friendly reminders for overdue invoices.
- Negotiate longer payment terms with your suppliers to give yourself breathing room.

### 3. Build a Buffer:

Set aside a portion of your revenue as a cash reserve in a separate savings account. Think of it as your safety net for surprise expenses or slow months. Even starting small makes a big difference over time.

### 4. Ensure you have a tax savings account

Keep track of your estimated tax & GST (if registered) on your net profit each month and physically set this aside in a tax savings account so you don't get caught short come tax time.

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## The Bottom Line

Cash flow might sound like a boring finance term, but it's actually the secret to running a stress-free business. When you manage it well, you're not just keeping the lights on—you're giving yourself the freedom to grow, take risks, and enjoy the ride.

So, grab that coffee, take three minutes to set up your spreadsheet, and keep that tank full. Your future self will thank you!

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