



NECOG Development Corporation

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Managing Cash Flow

By Alison Kiesz

“Cash is King.” We’ve all heard this statement and it’s never more true than in a small business. Cash can ebb and flow like a tide, but it’s important to understand when and where it’s going in and out.

Keep close tabs on how much money you have in your checking account and know what payments you have placed in the mail. It’s important to record receipts and payments on a regular basis – like, weekly. If you have payroll expenses, keeping track of available cash can help in making sure you have enough to pay your employees.

It may seem intuitive, but make sure you are sending out invoices in a timely manner. It should be one of the first things you do once a job is complete or your product has been delivered. Once an invoice is sent out, check aging A/R on a regular basis. Offer your customers payment options – from accepting credit cards to a small discount for payment within the first 10 days to installment payments. After all, several small payments are better than no payment at all.

On large projects, you may need to ask for prepayment from your customers. You may also have certain milestones during the project where a payment is due. Use your customers money to build your business.

Figure out what your break-even point is. How much do you
(cont. on Page 3)

In This Issue

Managing Cash Flow.....Page 1

4 Tips on Separating Personal and Business Finances
.....Page 2

Would Your Records be Safe in the Event of a Natural Disaster?.....Page 3

NECOG-DC Receives Grant from SD Community Foundation.....Page 3

Why Do I Need a Business Plan?.....Page 4

Upcoming Events and Workshops.....Page 4

4 Tips on Separating Personal and Business Finances

Adapted from John Baird

Running a small business can be challenging. One of the biggest causes of stress in the context of running a small company is avoiding the potential for the lines between personal and business finances to become increasingly and inseparably blurred.

Here are four tips aimed at helping businesses and entrepreneurs delineate their finances a little more clearly.

1 – Pay yourself a salary

There might always be a temptation to bundle professional and personal finances together when you are responsible for running a business. Paying yourself a specified and predetermined salary can help to create clearer lines between what money belongs on the personal or the professional side of the equation.

2 – Designate accounts for business spending.

Getting into good habits and having a process that works for you is half the battle when it comes to separating work-related payments from personal purchases. Try not to put personal expenses on your business credit card or vice-versa, a system and a clear line of thinking can make a huge difference.

What you should be aiming to avoid in particular is a situation in which you are regularly forgetting which credit or debit cards you intended to use for what sort of purchases.

Likewise, separate your personal expenses from your business expenses in your bookkeeping system (whether that's software like QuickBooks, and Excel based system, or good, old-fashioned paper records.)

3 – Keep it real when it comes to expenses

The issue of precisely what can be counted as business expenses for tax purposes can be confusing. This is where a tax professional can help but it is generally better to err on the side of caution or at least to keep your claims well within the realms of reason.

There is and perhaps might always be a temptation on the part of small business owners to mark extravagant spending down as business expenses. But, whether legitimate or otherwise, such a tendency might come back to haunt you if the IRS decides to scrutinize the validity of a large and unusual expenses claim.

4 – Consider formalizing the separation

If for any reason you decide that you would appreciate the certainty of delineating your personal and professional finances without confusion then the most formal way of doing so is to establish a Limited Liability Corporation (LLC).

An LLC designates your company as a legally separate entity in its own right and from the point of view of separating personal and professional finances it represents what might think of as the nuclear option. In essence it means that there is no overlap or potential for discrepancy when it comes to identifying financial liabilities associated with a company of any size.

If you are in any way uncertain about how best to separate your private finances from those relating to your business then it is well worth seeking out a professional accountant.



Would Your Records be Safe in the Event of a Natural Disaster?

From the South Dakota Retailers Association "Retail Prophet" (July 2014)

The IRS is encouraging businesses to safeguard their records against natural disasters by taking a few simple steps.

Taxpayers should keep a set of backup records in a safe place. The backup should be stored away from the original set. The backup set of records should include, for example, bank statements, tax returns, and insurance policies. Even if the original records are provided only on papers, they can be scanned into an electronic format. With documents in electronic form, taxpayers can save them to the cloud, download them to a backup storage device, like an external hard drive or USB flash drive, or burn them to a CD or DVD.

The IRS also recommends documenting and photographing or videotaping contents of your home to help prove market value of items for insurance, updating emergency plans, and checking on fiduciary bonds.

NECOG-DC Receives Grant from SD Community Foundation

NECOG-DC recently received a \$7,500 grant from the South Dakota Fund of the South Dakota Community Foundation. The grant will assist NECOG-DC with their revolving loan fund program. The grant helped leverage money received from USDA and NECOG.

Using the leveraged funds, NECOG-DC was able to make 10 business loans which helped those businesses create or retain 36 jobs. NECOG-DC's funding attracted an additional \$380,000 in private investment.

(Cont. from Page 1)

need each month just to break even and keep the doors open. This analysis can also help you see what expenses can be reduced or cut altogether. If cash is tight, it might be time to tighten your belt for awhile and pay only the absolute necessary expenses.

Work with your suppliers on payment terms. You might see if they will accept terms of 45 days or some other longer payment cycle. Hold on to your money for as long as you can.

Establish a good working relationship with your lender. If they know your business and know your struggles, they will want to help. Often start-up businesses need an operating line of credit to assist with cash flow. Admittedly, these can be risky loans for the lender but having a good relationship with your lender can be advantageous. Maintaining good books can be key to securing a LOC.

The more you understand about your cash-flow cycle, the more effectively you'll be able to run your business. Taking some time to get the right processes set up now will allow you to spend more time on your business later on.



Stephanie Judson (center), President, SD Community Foundation, presents a check to Alison Kiesz and Eric Sennger, NECOG-DC, for \$7,500 to assist with the revolving loan fund program.

Why Do I Need a Business Plan?

By Alison Kiesz

When we first start visiting with potential borrowers, one of the questions that often comes up is “Do I Need a Business Plan?” Our answer is almost always “Yes”.

However, business plans shouldn’t be something you only put together to receive a loan and then set on the shelf. They should be a guiding document for growing your business.

I was recently talking with one of our borrowers and was pleased to hear her referring over and over again to her business plan as she decided how to grow her business. She was using her business plan as a road map to the path for growth.

Even existing businesses can benefit from devel-

oping a business plan, or dusting off and updating their current business plan.

Most business plans have common elements such as a description of your business; industry trends; products or services offered; pricing; competition; and marketing. Financial projections and other financial information are also important parts of the plan.

Most business owners have much of this information already in their head. For them, it’s a matter of articulating the information onto paper.

Having a good business plan that you use on a regular basis can be an excellent tool for steering your business in the right direction.

There are several resources that can assist you in preparing your business plan, including the Small Business Development Centers.

Upcoming Events and Workshops

Nov 14-15 | **South Dakota Local Foods Conference** | Sioux Falls | <http://igrow.org/events/south-dakota-local-foods-conference1/>

Nov 20 (tentative) | **Dakotafire Café** | Topic—Health | Wessington Springs | <http://dakotafire.net>

Nov. 21 | **Applications Due for Community Incentives Matching Program for Workforce Development** | <http://www.southdakotawins.com/>

Nov. 28 | **SD Community Foundation Innovation Grants Deadline** | www.sdcommunityfoundation.org

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