A Business Survival Guide

Where's my money gone?

A free guide to kickstart you finding out what's going right and what's gone wrong.

We know it can feel overwhelming, especially when you're carrying the weight of personal guarantees or supporting a family. Throwing in the towel might seem like the easiest option, but it's not always the best solution. In many cases, liquidation or bankruptcy could leave you liable for debts anyway.

The truth is, if you're not willing to adapt, the future of your business could be at risk. The world has changed dramatically, and so must your approach. We're in an era where you can order a pint of milk from the corner shop and have it delivered by a robot - these are different times, and your business needs to evolve to keep pace. With the right guidance and a few key changes, your business can not only survive but thrive.

About us

Hippey Accountancy is more than just a family-run accounting firm—we're your trusted partners on the journey to business success. With years of experience in guiding small businesses through challenging times, we've helped many clients turn their businesses around, even when they felt ready to walk away. Our hands-on approach and deep understanding of the unique struggles owner-managed businesses face mean we're equipped to support you every step of the way.

We don’t just focus on the numbers; we focus on you and your business. We know that success doesn’t happen overnight, and it often takes months, sometimes years, to dig out of a tough situation.

At Hippey Accountancy, we believe in providing personalised, practical advice that empowers you to take control of your business finances, so you can focus on what you do best—running your business. Whether you're struggling with cash flow, tax challenges, or simply need guidance on how to grow, we're here to help you find the light at the end of the tunnel.

Before you start

Running a small business is no easy task. As an owner-managed business, you're likely an expert in your craft, whether it's providing exceptional services or producing high-quality products. However, we understand that managing the day-to-day operations—keeping track of cash flow, navigating the complexities of taxes, calculating profit margins, deciding what to charge, and finding the right financing can often be more challenging than the work itself.

At Hippey Accountancy, we bring many years of experience working with small businesses just like yours. We understand that running a business isn't just about numbers; it's about people, passion, and perseverance. The pressures can be overwhelming, but you're not alone we're here to help you regain control and move forward with confidence.

As a family-run firm ourselves, we know the stakes are high—not just for you, but for your loved ones who rely on your business. That's why we bring the same level of care and commitment to helping you achieve your goals. Our advice isn't one-size-fits-all; we tailor our guidance to fit the unique needs of your business, ensuring that every step you take is a step toward stability and growth.

In this guide, we've focused on five key areas that are often the most significant pain points for small business owners. These are also the areas where we frequently see businesses falter. If you find yourself asking the same frustrating questions at the end of each week or month, it's a clear sign that change is needed.

Here are the topics we've expanded on:

- **Profitable but Penniless: Understanding the Cash Flow Conundrum**
- **Drowning in Debt: How to Stop Interest and Fees from Sinking Your Business**
- **Tax Troubles: Unravelling the Mystery Behind Your High Tax Bills**
- **Pricing Pitfalls: Are You Charging What You're Worth?**
- **Getting Paid: How to Protect Your Cash Flow with the Right Payment Terms**

Profitable But Penniless?

Understanding the Cash Flow Conundrum

I know the feeling: cash is leaving your account quicker than it comes in. Paying your bills gets harder every month, yet your business is showing a profit. Or is it?

We're not going to bore you with endless accounting jargon or spreadsheets—you've probably got those covered with your accounting software. But let's strip things back to basics for a moment.

Whether you're selling products, services, or a mix of both, do you truly understand your market?

Do you know who you're selling to and at what price?

These are fundamental questions that even large companies can lose sight of, and they're crucial for ensuring that your profitability translates into actual cash in the bank.

Let's assume you've got a product or service people want. You might be working from your kitchen table or in a smart rented office. The phone is ringing every day, and you're making sales. But when you check your bank account at the end of the week, there's still not enough cash in it. Sound familiar?

You might turn to an overdraft or a credit card to get some breathing space, but a few months later, you're back to maxing out that credit limit. It's a frustrating cycle that many small business owners know all too well.

It’s hard not to feel negative. You’re putting in the hours, but it feels like you’re moving backward. To make matters worse, you see people online claiming they’ve made money out of thin air. Let’s be real—the magic money tree doesn’t exist, right?

In the past, some business owners would choose to crash and burn, walking away and starting again. This process, known as ‘phoenixing,’ isn’t as simple as it used to be, and it’s rarely the best solution. If you’re not selling enough, or if your sales aren’t translating into cash flow, you have a fundamental problem that can’t be fixed by starting over.

So why does this happen? The reality is that there are several important expenses and factors that sit outside your profit and loss statement—things like capital repayments on loans, purchases of fixed assets, VAT payments, other tax bills, dividends, and trade debtors and creditors. These aren’t directly reflected in your profit figure, but they have to be paid out of your profits, and they can be tough to meet.

Lots of things make up cashflow, individually these are easy to control but together they quickly become overwhelming.

Sometimes you it’s easy to lose track of where you are, what you need to do next and how all of that affects your business.

Of course you can manage this using spreadsheets or computer software. You should make sure you understand what you need to record otherwise you’ll just end up with rubbish!

Beyond Profit: Unseen Business Costs That Impact Cash Flow

Trade Debtors: The Sales You've Made But Haven't Been Paid For

Your profit and loss statement might show that your business is profitable based on the sales you've made. However, if you haven't been paid for those sales yet, the cash isn't in your bank account. This is where trade debtors come into play. The money owed to you by customers, while technically part of your profit, isn't available to you until it's actually paid. If your customers are slow to pay, or if you've extended generous credit terms, your cash flow will suffer, even if your profit looks good on paper.

Trade Creditors: The Bills You Owe From Previous Periods

On the flip side, you may owe large bills from previous periods that are coming due now. These trade creditors represent payments you need to make for goods or services you've already received. Even though these expenses might have been accounted for in a previous period's profit and loss statement, they still require cash outlay when they come due. This can put a strain on your current cash flow, particularly if your sales and collections aren't keeping pace with your obligations.

Capital Payments on Loans

When you take out a loan, the interest you pay is recorded as an expense in your profit and loss statement. However, the repayment of the principal—the actual loan amount—isn't. This means that even if your business is profitable, you still need to have enough cash flow to cover these repayments. Without careful planning, these payments can quickly drain your cash reserves.

Purchases of Fixed Assets

Investing in new equipment, vehicles, or other fixed assets can be essential for growth, but these purchases require significant cash outlay. While these assets are recorded on your balance sheet and depreciated over time, the cash needed to buy them comes straight out of your business bank account. This can create a cash crunch, especially if the investment doesn't lead to immediate revenue increases.

VAT and Other Tax Payments

VAT and other taxes are another area where cash flow can become tight. You collect VAT on your sales, but when it comes time to pay it over to HMRC, that money needs to be available. If you haven't set aside the VAT you've collected, it can be a shock when the payment is due. Similarly, corporation tax and income tax payments can be substantial and require careful budgeting.

Dividends

Paying dividends to shareholders, including yourself if you're the owner, is another cash outflow that doesn't appear in the profit and loss statement. Dividends are paid out of retained earnings, but they still require cash, which can be a challenge if your business is tight on funds.

Budgeting for These Costs

To avoid the cash flow crunch, it's essential to budget for these non-Profit & Loss expenses. Here are some strategies to help:

Separate Accounts

Consider setting up separate bank accounts for VAT, tax payments, and loan repayments. Regularly transfer the appropriate amounts into these accounts so that when payments are due, the money is already set aside.

Cash Flow Forecasting

Regularly update your cash flow forecast to include all of your outgoings, not just those in the profit and loss statement. This will help you anticipate any shortfalls and take action before they become a crisis.

Budget for Capital Expenditures

When planning major purchases, ensure you have a clear budget and understand how these investments will impact your cash flow. Where possible, spread the cost over time through financing options that align with your cash flow

Debtor Management

Actively manage your trade debtors by setting clear payment terms and following up promptly on overdue invoices. Consider offering discounts for early payment to encourage faster cash inflow.

Creditor Management

Negotiate payment terms with your suppliers to match your cash flow cycle. Where possible, align payment due dates with your receivables to ensure you have the cash on hand when you need it.

Dividend Planning

Plan your dividend payments carefully, ensuring that your business has sufficient cash reserves. It's tempting to take large dividends during profitable periods, but this can leave you short when it's time to cover essential expenses.

Your take aways

Understanding the difference between profit and cash flow is crucial for the survival of your business. By planning for these often-overlooked costs and actively managing your debtors and creditors, you can ensure that your business remains on solid financial footing, even when the unexpected happens.

Separate Accounts for Major Costs
Set up separate bank accounts for VAT, tax payments, and loan repayments. This ensures the money is available when the payments are due, avoiding nasty surprises.

Regularly Update Your Cash Flow Forecast
Include all outgoings, even those not in the P&L statement, in your forecast. This will help you anticipate any cash flow problems and allow you to act before a crisis hits.

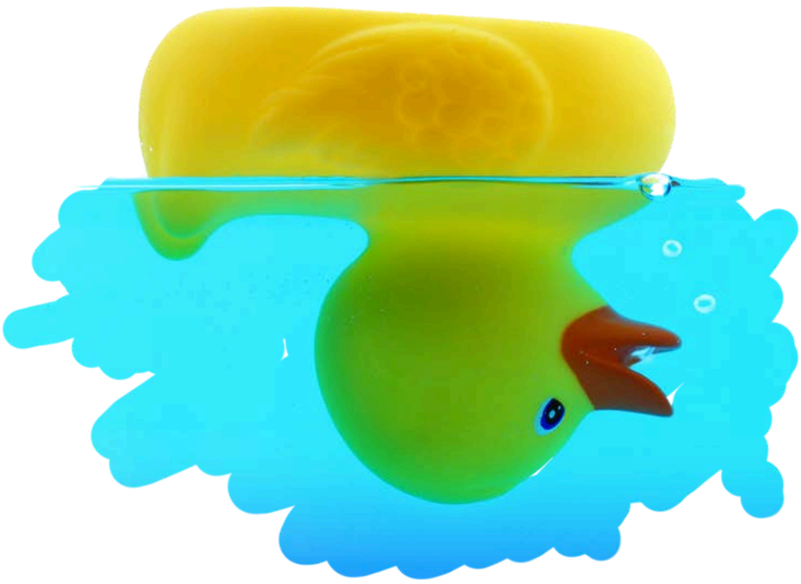
Plan for Capital Investments
Budget carefully for major purchases. If possible, finance them over time to reduce the immediate impact on your cash flow.

Manage Trade Debtors and Creditors
Ensure you're collecting payments from customers promptly and managing supplier payments effectively to keep your cash flow in check.

Review Your Dividend Strategy
Only pay dividends when your business has sufficient cash reserves. Keep an eye on cash flow to avoid paying out too much and risking future financial problems.

Drowning in Debt?

How to Stop Interest and Fees from Sinking Your Business



Drowning in Debt

Financing can be a double-edged sword for small businesses. On the one hand, it can provide the necessary boost to facilitate sales, smooth out cash flow, or make things feel a lot more manageable.

On the other hand, without careful management, borrowing can lead to a cycle of mounting interest, penalties, and unmanageable debt that can ultimately sink your business.

A common problem in small businesses is the high cost of borrowing. It's not unusual to see short-term borrowing rates of 50% APR or more.

These interest charges can quickly add up, turning what seemed like a manageable debt into a substantial monthly burden. Often, the easiest debt to incur is also the most expensive. Here's a typical ranking of business debt, from most to least costly

1. Commercial/Business Credit Cards
2. Business Unauthorised Overdrafts
3. Business Overdrafts & Fees to Set These Up
4. Fixed-Term Loans - Unsecured
5. Peer-to-Peer Lending
6. Business Loans – Secured
7. Business Mortgages

The False Economy

It's important to be mindful when spending money on 'deals' or opportunities that require you to take on debt, especially if there's a chance you won't be able to pay off the value of the purchase in the short term.

For example, we've seen clients spend significant amounts to secure a discount with a supplier, only to put the cost on their commercial credit card. Months later, with the balance still outstanding, the interest charges have wiped out any savings from the deal.

Sometimes, it's better to turn down short-term offers and accept that paying a bit more upfront could be cheaper in the long run if it means avoiding costly interest and fees.

The Benefits of Borrowing: When Debt Works in Your Favour

While it's easy to focus on the negatives, there are situations where taking on debt can be beneficial for your business. If managed well, borrowing can:

- **Facilitate Growth:** Loans can provide the capital needed to expand your business, purchase essential equipment, or hire additional staff, leading to increased revenue.

- **Smooth Cash Flow:** Short-term financing can help cover gaps in cash flow, ensuring you can meet payroll, pay suppliers, or take advantage of business opportunities without disruption.

- **Build Credit:** Responsibly managing debt can improve your business credit score, making it easier to secure more favorable financing terms in the future.

- **Earn Rewards:** Many business credit cards offer reward programs where you can earn cash back, travel points, or other benefits for spending. If you regularly use credit cards for business expenses and pay off the balance each month, you can actually earn money or perks for the purchases you'd make anyway. This can be a smart way to offset some costs, provided you manage the debt carefully and avoid interest charges by paying the balance in full.

However, these benefits are only realised when debt is managed carefully. The key is to avoid overextending your business and to have a clear plan for how borrowed funds will be repaid.

When Borrowing Becomes a Burden

When cash gets tight, it's easy to struggle to make payments, leading to mounting interest, penalties, and a worsening financial situation. Here are some common pitfalls to avoid:

- **Relying on High-Interest Debt:** Credit cards and unauthorised overdrafts might seem like convenient options, but their high interest rates can quickly spiral out of control.

- **Overestimating Cash Flow:** Borrowing based on optimistic cash flow projections can lead to trouble if sales don't meet expectations.

- **Ignoring the True Cost of Debt:** The ease of accessing credit can mask the true cost of borrowing. Always consider how much you'll end up paying in interest and fees before taking on new debt.

Strategies for Managing Debt

- **Create a Debt Repayment Plan:** Prioritize paying off high-interest debt first.

- **Use Short-Term Lending Sparingly:** Reserve short-term loans and credit cards for genuine emergencies or opportunities that will quickly generate enough cash to cover the cost.

- **Monitor Your Cash Flow Closely:** Keep a close eye on your cash flow to anticipate any shortfalls.

- **Negotiate Payment Terms with Suppliers:** If cash is tight, talk to your suppliers about extending payment terms or spreading out payments to help reduce your debt burden.
- **Avoid Buying in Bulk on Credit**: While bulk purchases can offer discounts, using credit to finance them can wipe out those savings

- **Leverage Reward Cards Wisely:** If you use business credit cards with rewards, ensure you're paying off the balance each month to avoid any interest.

- **Regularly Review Your Borrowing:** If you find yourself up to your lending limits every month and still short of cash, it's time to review your business

Your take aways

By understanding the true cost of borrowing and managing your debt carefully, you can prevent interest and fees from overwhelming your business and instead use financing as a tool to support your growth and stability.

- **Credit can actually cripple your business, don't take on more than you can service**
- **Short-term lending should only be used to tide you over temporarily**
- **Business lending usually costs money even if you don't use it; consider repaying and reducing overdrafts as soon as possible**
- **When funds are tight, spread payments over the week or month to help reduce your overall debt burden and interest payments**
- **Buying in bulk to save money? If you're using credit and paying interest to do this, it's likely to be more expensive in the long run**
- **If you're up to your lending limits every month and still short of cash, it really is time to review your business**
- **Use reward credit cards wisely—if you can pay off the balance monthly, you can earn money or perks on your regular business spending.**

Tax Troubles?

Unravelling the Mystery Behind Your High Tax Bills

Let’s break down the main taxes you’ll encounter as a business owner: VAT, PAYE, Corporation Tax, and Income Tax.

Income Tax

If you’re self-employed, Income Tax is calculated based on your personal profits from the business. The tax rates vary depending on how much you earn, and you’ll pay more as your income increases.

Similar to Corporation Tax, your taxable profit is your income minus allowable expenses. Ensuring you claim all eligible deductions—such as home office expenses, equipment, and business mileage—can significantly reduce your bill.

Corporation Tax

Corporation Tax is paid on your company’s profits if you operate as a limited company. The rate is currently 19% (though it may vary depending on your profit level).

Corporation Tax is calculated on your profit after expenses, but it’s important to note that the definition of “profit” for tax purposes may differ from your own view. Expenses that reduce your tax bill include salaries, rent, and utilities, but not all costs are deductible.

VAT (Value Added Tax)

VAT is a tax you collect from your customers on sales and pay to HMRC, typically charged at 20%. If your business is VAT-registered, you’re responsible for paying this tax on your taxable sales. However, you can also reclaim VAT on most business-related purchases, which can reduce your overall VAT bill.

Many businesses get caught out because VAT collected on sales must be set aside until payment is due. It’s easy to spend this money, leading to a scramble when the VAT bill arrives. Regularly moving VAT collected into a separate account is a smart way to avoid surprises. Also, take advantage of any reliefs available, such as the VAT flat rate scheme, if applicable to your business.

PAYE (Pay As You Earn)

PAYE refers to the income tax and National Insurance contributions (NICs) you deduct from your employees' wages and pay to HMRC. While this money technically comes from your employees, it’s your responsibility to ensure it’s collected and paid on time.

It’s crucial to remember that PAYE payments are due monthly, and failing to pay on time can result in significant penalties. Set aside enough money to cover these payments, just as you would for VAT, and ensure payroll calculations are accurate to avoid underpayments or penalties.

Why do my taxes seem so high?

Many business owners are shocked when their tax bill arrives, even if their business is profitable.

There are a few reasons why this happens:

- **Not setting aside enough cash:** If you don't regularly put money aside for taxes, you might feel like the tax bill came out of nowhere. Planning ahead and saving regularly for taxes is essential.
- **Misunderstanding profit vs. cash flow**: Just because your business is profitable doesn't mean you have the cash on hand to pay your taxes. This is especially true when large expenses, like VAT, are factored into your overall profit but the cash hasn't been set aside.
- **Overlooking Taxable Income:** Many business owners forget to account for all taxable income, especially if they've received dividends or additional income streams. These sources are taxed differently from regular profits and can result in a higher bill than anticipated.

- **Forgetting Tax Deadlines:** HMRC deadlines are strict, and missing them doesn't just result in late payment penalties—it can also lead to interest charges on unpaid tax, making your bill much higher than expected.
- **You've got it wrong:** Check your accounts software and the numbers you are putting in. It's very easy to make small mistakes that lead to incorrect calculations. You need to make sure that settings such as VAT rates, region & currency are all correct.
- **Use your allowances:** Tax reliefs & allowances are there to use, but only use them if you know you are eligible. See our blog **here** for further information.

The Cost of Missing HMRC Payments

Taxes are an inevitable part of running a business, but they can often feel overwhelming, especially when they seem to consume more of your profits than expected.

Understanding how different taxes are calculated and where relief can be found is key to keeping your tax bill manageable and ensuring you avoid the hefty penalties that come with late payments.

One of the most costly mistakes a business can make is failing to pay taxes to HMRC on time. Missed payments come with heavy penalties, and these costs can escalate quickly.

To avoid these penalties, set reminders for all tax deadlines, keep money aside to cover payments, and communicate with HMRC if you think you'll struggle to meet a payment deadline.

Don't forget that HMRC can force you out of business, known as a winding up order. You should seek advice before this happens, it's a process that can be expensive to stop.

- **Late Payment Penalties:** For VAT, PAYE, and Corporation Tax, failing to pay on time results in automatic penalties. These penalties increase the longer the payment is delayed.
- **Interest on Unpaid Tax:** HMRC charges interest on late payments, which compounds daily until the debt is settled. This can turn a manageable bill into an overwhelming burden if ignored.
- **Loss of Payment Plans:** If you've arranged a payment plan with HMRC and fail to stick to it, you could lose the option of making staged payments and be forced to pay the full amount immediately.

Your take aways

A certainty in business is paying tax and it's not something you should actively avoid.

Making some small changes to your mindset will help soften the tax payment burden.

- **Set aside VAT as you collect it to avoid being caught short when the payment is due.**
- **Ensure you accurately calculate and pay the PAYE Income Tax and National Insurance contributions you collect from your employees.**
- **Be mindful of what constitutes taxable profit and regularly set aside funds to meet your tax obligations.**
- **Missing deadlines can cost you dearly in penalties and interest and if you're struggling, communicate with HMRC to avoid further penalties.**
- **Don't avoid taking opportunities just to avoid a tax bill, if you take time to understand any tax implications you can make a plan to ensure enough is left to pay any liability that arises.**
- **Take advantage of available reliefs, such as AIA and R&D tax credits, to reduce your overall tax bill.**

Pricing Pitfalls

Are you charging what you're worth?

The most obvious place to start when evaluating your business is pricing, yet it's often the most overlooked or deliberately ignored. Whether you're selling goods, services, or a mix of both, your sales represent your income. Setting the right price is key to maintaining a healthy cash flow and ensuring your business remains profitable.

Pricing isn't just about choosing a number. It's about knowing your market, understanding your costs, and finding a balance between being competitive and ensuring you cover all of your business expenses. Even if your business is running smoothly, you might face feedback that you're "too expensive." But is that feedback accurate?

Sometimes, the label of being expensive comes from a breakdown in communication with your customer. Perhaps they didn't fully understand what they were getting for their money. Other times, it's because you may have delivered more than the customer expected or wanted, inflating their perception of value. Or maybe they found a cheaper option elsewhere and assume you should match that price. In many cases, the root issue is a mix of these factors. Clear communication with your customers about what they're paying for can go a long way in managing these perceptions.

Ask yourself: Are you explaining the value behind your pricing? Put yourself in your customer's shoes—what would you expect if you were paying for your products or services? In price-sensitive markets, it's important to offer something more than just the lowest price. That doesn't mean it needs to cost you more; instead, it's about how you differentiate your business from the competition. Is there something your competitors aren't offering that you could provide?

First Impressions Matter

Whether you've just started out or have been in business for years, your customers already have an impression of your business. First impressions count. Whether you engage with customers face-to-face, over the phone, via WhatsApp, or through your website, the way you present your business will shape their perception of value.

You'll hear many advisors talk about gross profit margins, percentages, and numbers above and below the line. While these are critical to understanding your pricing, don't be intimidated if they seem confusing at first. The key takeaway is that you need to know how much profit you're making, and more importantly, whether it's enough to keep your business running smoothly. You don't need to be a financial expert, but you do need to understand your margins and the impact your pricing has on your cash flow.

Avoiding the Race to the Bottom

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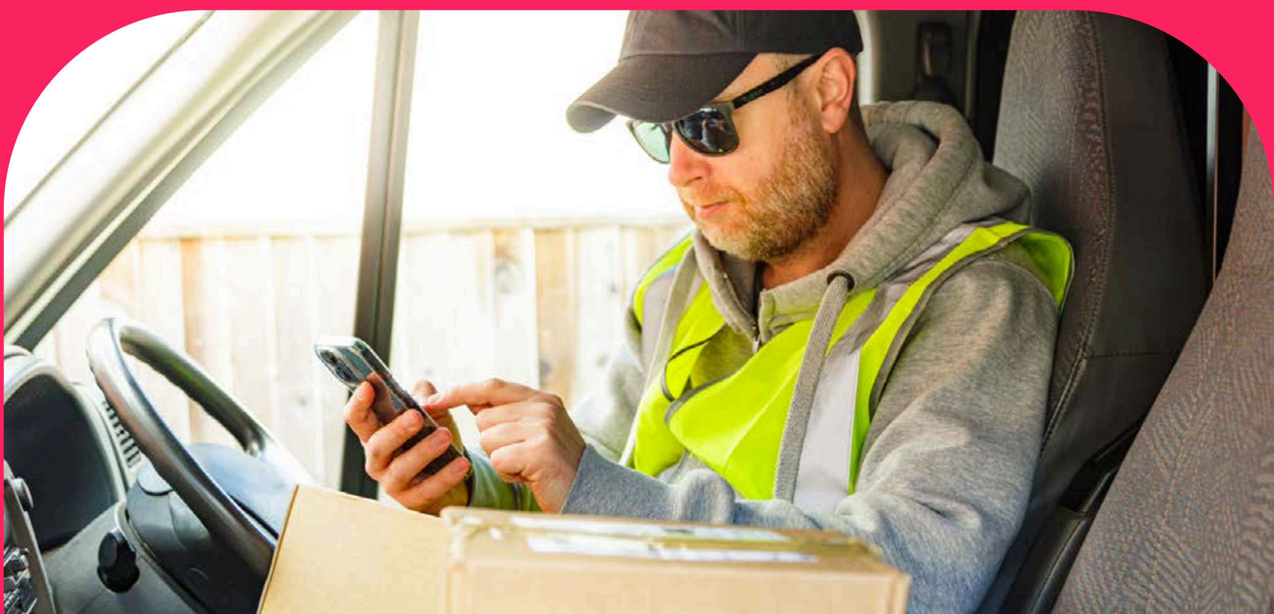


The Importance of Research and Pricing Strategy

Pricing isn't something you set once and forget. It's important to continually research your market, keeping an eye on what your competitors are charging. Look at what they offer and determine whether your prices align with the value you provide.

Work your pricing from both ends. Start with your ideal price, which reflects the profit you need to grow your business, and compare it to your minimum price, which covers your costs but leaves little room for profit. Always use the worst-case scenario when planning for costs—these are the highest expenses you'll face for any given job or product. That way, you won't be caught off guard by unexpected expenses.

Reducing Input Costs

Another way to improve your pricing strategy is by focusing on reducing input costs. When you're just starting out, very few suppliers will offer you discounts because they don't know how much you'll buy from them. However, as your business grows, you should start negotiating better terms with your key suppliers. Don't be afraid to ask for volume discounts or to shop around for alternative suppliers who may offer better prices or terms.

At the same time, don't put all your eggs in one basket. Relying too heavily on a single supplier can put your business at risk if they fail to deliver or their prices rise unexpectedly.

Also, avoid paying upfront for goods unless you can afford it. In many cases, the interest you pay on borrowed money will negate any savings you make by paying upfront.

Your take aways

By understanding your pricing strategy and ensuring you charge enough to cover costs and generate cash flow, you'll create a business model that's sustainable, competitive, and prepared for growth.

- **Sales are your business's lifeblood,** so pricing needs to be strategic. Your prices must cover your costs, generate enough profit, and provide the cash flow needed to keep your business running smoothly.
- **Keep an eye on purchasing prices -** suppliers won't always notify you of price increases, so stay informed to avoid surprises that could eat into your margins.
- **Avoid sales churn -** pricing your products or services too low just to win business can result in losses or break-even sales that don't contribute to long-term growth.
- **Know the difference between quotes and estimates -** understanding these terms will prevent confusion if costs rise during a job and ensure your customers know what to expect.
- **Allow for margin when selling B2C (Business to Consumer) -** consider the potential for product returns, warranty claims, or other consumer rights that may require additional costs.
- **Be selective about sales -** if you're invited to quote for a job but don't want to pursue it, let the customer know. Spending time on a deal you don't want is a waste of resources.

Getting Paid

How to Protect Your Cashflow

Getting Paid:
How to Protect Your Cash Flow

In business, sales are essential, but getting paid for those sales is what truly matters. You might be generating profits on paper, but if cash isn't coming in fast enough, you'll struggle to pay suppliers, staff, and yourself. It can be incredibly frustrating—especially when it feels like there's no cash left to cover expenses despite your hard work.

Every business owner faces this challenge at some point, and the reality is that each situation is different. Whether you're selling products or providing services, cash is the lifeblood of your business. If you're not being paid on time or not managing your payment terms effectively, it can be a slow drain that eventually leads to bigger financial problems.

One of the most critical aspects of running a business is ensuring you get paid for the products or services you've provided. All too often, business owners focus on profits without giving enough attention to how quickly that profit turns into cash. You may have sold a product, but if the buyer doesn't pay on time—or at all—those sales won't help your cash flow.

Whether you're selling tangible products or services, the terms under which you sell them are vital. What are your payment terms? Are you allowing too much leeway? What would you expect if you were the buyer? For example, selling to consumers should generally involve collecting payment as soon as you deliver the product or service.

When it comes to big-ticket or bespoke items, taking deposits before you start work can protect you financially. These deposits can cover upfront costs and weed out time-wasters, ensuring you're not working for free if the sale falls through.

Setting Payment Terms That Work For You

Many businesses—especially those in the B2B space—automatically offer credit terms like 30 days or longer, even when it's unnecessary. But who said credit terms have to be 30 days? You can set the payment terms that make sense for your business. More often than not, business owners end up allowing customers to dictate these terms, which can hurt cash flow. Worse still, late-paying customers tend to be the ones who demand the most, cutting into your margins and causing unnecessary stress.

Ask yourself: Why didn't you ask for payment upfront or at least immediately after completing the work? For small, one-off jobs, there's no reason you shouldn't be paid right away, especially in today's world where payment methods like credit cards and instant transfers make it easier than ever for customers to settle invoices quickly. Even large organisations can usually find someone to pay small invoices on the spot.

The Risks of Not Talking About Payment

Fear of losing work is the number one reason business owners hesitate to discuss payment terms with customers. But here's the reality: not having this conversation is even worse. You risk doing the work and not getting paid—or being paid so late that it puts a strain on your business. You might as well stay in bed if you're not going to get paid for your hard work.

For larger, ongoing jobs, laying out clear payment terms at the start of the relationship is essential. A signed contract ensures both parties are on the same page, and it gives you the leverage to demand payment when it's due. Equally important is determining who in your client's organisation is responsible for paying the bill. Chasing the wrong person is a common and frustrating issue that can waste time and delay payment even further.

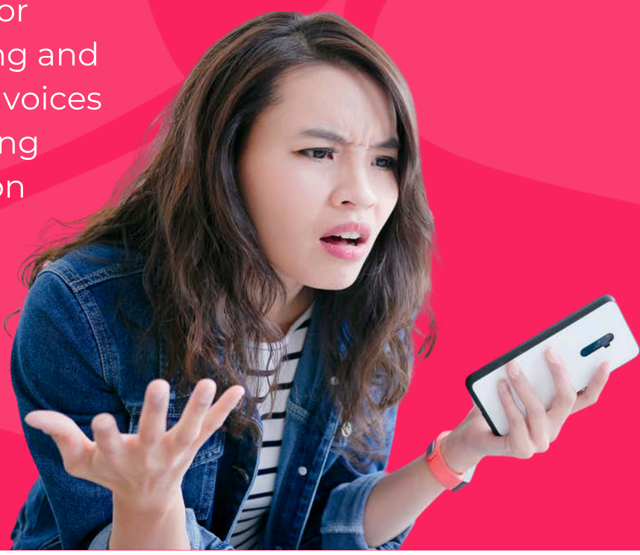
Payment Methods
Make It Easy for Your Customers

Gone are the days of waiting for cheques in the post. If you're still relying on outdated payment methods, it's time to switch things up. Customers today expect fast, easy, and secure payment options. Whether they're buying online, in-store, or via an invoice, they want the process to be quick and convenient. Modern payment methods such as card payments, online transfers, Direct Debit, and digital wallets offer instant processing, ensuring you get paid faster and with less hassle.

The advent of small businesses being able to set up Direct Debit cheaply has been a game changer. This system allows you to issue an invoice and get paid in line with your terms, not whenever the customer decides. If the customer doesn't have enough money in their account, the Direct Debit will fail, and you'll be notified quickly, giving you the chance to take appropriate action.

The way we make and receive payments has changed dramatically in recent years, and it's time for businesses to move with the times. Offering multiple payment methods - credit cards, Direct Debit, instant transfers - makes it easier for customers to pay you, speeding up the process and reducing the chance of late payments. It's about creating a seamless sales journey that works for both you and your customers.

With so many options available, it's important to find the right payment system that integrates with your business needs and accounting systems. Look for payment providers that offer automated tracking and notifications, so you can monitor outstanding invoices in real time. The right system will make managing payments simpler, allowing you to focus more on running and growing your business.



Using Credit Wisely Taking Advantage of Terms Without Risk

While getting paid promptly is essential, **having the ability to take advantage of credit for your own purchases can be incredibly helpful**, provided you manage it carefully.

The key is not to let creditors mount up and create financial trouble down the line.

Business credit cards, loans, and trade credit can offer a buffer, giving you time to smooth out your cash flow or take advantage of opportunities without having to pay upfront.

However, this flexibility comes with risks. It's easy to let credit build up, and before you know it, you're juggling payments, interest, and penalties.

- **Prioritise** paying down high-interest debt first, such as credit cards, while using trade credit strategically for goods and services that generate revenue quickly.
- **Negotiate** better terms with suppliers to match your cash flow. For example, aligning payment terms with when you receive payment from your customers ensures you have the funds to meet your obligations without needing to take on more credit.
- **Track** your payment obligations carefully, so you don't end up with a pile of invoices due at once. Spreading payments out over the month can make cash flow management much smoother.

Your take aways

Communicate Payment Terms Clearly: Ensure your customers understand your payment terms from the outset. This should be on all your invoices and any sales documentation. Make it clear when and how you expect to be paid.

Don’t Surprise Your Customers: Avoid late payment disputes by being upfront about pricing. If your costs rise or change during the project, inform your customer immediately. Surprises are a major cause of late or non-payment.

Offer the Right Payment Methods: Make it easy for customers to pay by offering a variety of methods, including Direct Debit, credit cards, and online payment options. This speeds up the payment process and reduces excuses for late payment.

Use Credit Strategically: Credit can be useful for your business, but don’t let it get out of hand. Negotiate terms with your suppliers that align with your cash flow, and pay off high-interest debts as quickly as possible.

Set Realistic Payment Terms for B2B Customers: If you offer credit accounts, ensure the terms are affordable and manageable for your business. You can offer shorter terms than 30 days - 7 days or even payment on a set date could work better for your cash flow.

Get Deposits for Big Orders: When working on large projects or bespoke products, take a deposit upfront. This will help cover your initial costs and keep your cash flow healthy. It also ensures the customer has committed to the order.

Know When to Walk Away: If you can’t agree on payment terms with a potential customer, be prepared to walk away. A customer who’s difficult about terms from the start is likely to cause problems down the road.

By ensuring you’re paid efficiently and managing your credit wisely, you can protect your cash flow and ensure your business remains in good financial health.

You’ve almost reached the end

Of course there’s more to your business surviving that what you’ve read so far.

So, if you feel you have nowhere to turn and need help getting back on track, get in touch - you have nothing to lose!

Book your review session

Your first session with us is free. No hard sell, no obligation, no fluff. We just ask that you keep an open mind and try what we suggest.

Ready to go?

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Or visit our registration page **here**

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