

The recent credit crisis is just a reminder of the importance and benefits of having a sound strategy that you can use to navigate through turbulent times. Don't hesitate to contact your CPA for objective guidance in helping you make intelligent financial decisions for the future of your business. In the meantime, below are some tips to help you assess your current financial condition and start rethinking your business plan to face the current economic challenges.

1. Don't panic. It's difficult to make sound decisions if you do. To get a better sense of where you stand, begin by reviewing your cash position and anticipated cash needs. Are they in line with your business's short-term needs, goals and risk tolerance?
2. Take a fresh look at your monthly income and expenses. Have you been meeting your budgeted projections? How much of a drop in revenues can your business withstand and for how long? What are your cash-flow needs for the next 90 to 120 days? Or 120 to 180 days? Do you have sufficient cash reserves for the next 30 to 60 days?
3. Check with your lenders on the status of your credit lines. Are you in compliance with their terms? Will your bank renew their commitments at similar amounts, rates and terms?
4. Eliminate your reliance on credit by disciplining your spending.
5. Refocus on your balance sheet and how much credit you are extending to your customers.
6. If your credit lines are frozen or at their maximum limits, consider meeting with vendors and working out a schedule of partial payments that would allow continued delivery of critical materials and supplies.
7. Look into alternative types of financing. Some to be considered are loans on life insurance policies, loans from key customers that rely on your business for their materials and supplies or from labor unions, local development agencies or the U.S. Small Business Administration.
8. Keep an eye on your accounts receivable. Watch for new patterns of slow payments and follow up immediately. Review your largest and riskiest accounts to determine whether credit constraint or economic slowdown will affect their ability to pay you. Keep receivables aging current at all times.
9. Manage accounts payable more closely. Forfeiting early pay discounts may be more advantageous in preserving cash that may be needed for critical items. Keep payables aging current at all times because that's an important tool for managing cash.
10. Analyze your expenses and determine which ones can be controlled. Can you reduce spending in any areas to put less of a burden on your cash-flow needs? As necessary, communicate to staff/team members about the need to tighten spending. If you are a manufacturer, review inventory management practices. Are there opportunities to reduce your on-hand inventory? Service companies should make sure they're capturing all their billable hours and invoicing promptly.

Have you billed all your contractual items? How about all your pass-through expenses, such as billable third-party services and travel and living expenses?

11. Consider ways to pass your increased costs (i.e., fuel expense) on to your customers.

12. Check the safety of any cash deposits you have. On October 3, 2008 the FDIC deposit insurance was temporarily raised from \$100,000 to \$250,000 per depositor through December 31, 2009. If you have more than \$250,000 in any one bank, move the excess to another FDIC insured bank. Consider investments such as CDARs (Certificates of Deposit Account Registry) to spread the risk of short- to medium-term cash you may have invested in CDs.

13. Don't engage in panic selling of your investments. Make sure your portfolio is diversified and in accordance with your risk tolerance.

14. Come up with a plan NOW to respond to future declines in revenues, before they actually occur. Re-think your business strategies and update projections. Review your product/service lines to identify the most profitable items and determine how to leverage for future growth in profits.

15. Contact your good customers. Even casual discussions can lead to new business opportunities.

16. Review all your insurance coverage, particularly any from companies with weak balance sheets. Be careful not to surrender a policy, as securing new coverage might require underwriting that can affect your coverage.

17. Calm your employees' fears about how this crisis will affect the company, their jobs and their retirement or other benefit plans. Speculation and gossip are counterproductive, so it's better to address their concerns directly.

For help in understanding some of the issues facing small business, you can turn to the CPA profession's free Financial Literacy Web site for consumers, <http://www.360financialliteracy.org>. It offers tools and tips to help you make important decisions for your business and your own personal financial planning needs.

Finally, remain focused on your own advantages. Remember that:

- Small businesses have greater flexibility and can more easily adjust to changes in the economy than their larger counterparts.

- Small business owners can use the recent crisis as an opportunity to buckle down, refocus, assess and make their company more financially sound, disciplined and less reliant on credit.

During tough times, it's important to maintain communication with your CPA firm, your trusted adviser. Remember that you are not alone. We know and understand your business and the challenges you face, and we can work with you to navigate these turbulent times. We can help you gauge your current situation in the wake of recent market events and create a sound business plan in response. Contact us today for expert advice on how to maintain your company's success.