**Cash Management: Work of Art & Science**

**Managing cash shouldn’t be a shot in the dark.**



The idea that managing cash can be a scientific process and a form of art should not be a foreign thought. Many factors and nuanced influences are involved from the advisor providing the service.

When you are providing cash management services, think of yourself as a little bit Einstein, a little bit Van Gogh… after all, it never hurts to be aspirational.

**Why does cash management matter so much?**

When money is not properly planned, it vanishes into thin air. How did large corporations become so rich? How could they build new warehouses during recessions, buy properties instead of renting them, and then do it over and over again?

It is true that they make a lot of money, but only partly. Cash management and planning are the real answers. Smart businesses earn big and then go on to increase their wealth through intelligent cash management skills. This is accomplished through disciplined spending and wise investments.

Now you may say, financial planning and money management are the things that only big businesses can afford to do. This is simply untrue and if your clients believe this fact, you’re bound to lose them as clients or keep them only in a pure “do my taxes once a year” type engagement.

By imparting the true value of cash management and showing your clients what they can accomplish for their businesses you will earn customers for life. This is why we refer to cash management as a work of art and science.

**What the art and science behind cash management?**



Essentially, cash management is a process of budgeting, saving, investing, and using the money you have for your business. You need cash management to make sure your money is used responsibly.

Generally, financial advisors make investment decisions on behalf of their clients, advising them on mutual funds, pensions, etc. in the financial market. Investment management and portfolio management are sometimes covered under money management as well. This is the more scientific side of cash management, predicting and following market values and anticipating returns on investments.

All business owners have their personal and business goals. To make these goals into a reality, there needs to be money and there needs to be a plan for that money. Every dollar must be accounted for and must serve a purpose. This is where the art and science of cash management can start to make dreams into realities.

Smart businesses will have their short and long-term goals, what they need to hit this quarter or even this year, and where they see the business in five years’ time. This may range from simply paying their tax obligations each quarter to expanding operations and opening a new location.

Good advisors will help these businesses step-by-step to understand their current cash positions, and what they are capable of in the present moment. They will also help these businesses backtrack from their goals to understand what needs to be done today in order to achieve them. Gathering financial information, reviewing the status of the company, and creating a strategy are all involved in the process.

This example gives a broad overview of cash flow management and planning.

**Key concepts of cash management to share with your clients**



As we mentioned above, cash management can be a scientific process with regards to forecasting and planning based on empirical evidence, but it is also a matter of art when you consider that every business is owned and operated by real human beings with goals and aspirations.

As a result, understanding the empathetic side of the business is a must when embarking on cash management journeys with your clients.

The following are some of the most critical concepts for your clients:

**Accounts Receivable and Accounts Payable**

To start off, we should take a look at your client’s revenue. How much is your client’s business earning and how much are you owing in relation to the operations? Monitoring all expenditures and checking for any unnecessary expenditures on a regular basis.

This exercise will give your clients a clear view of how much money they need on a monthly basis, how much cash flow is required, and how much surplus money they have to reinvest in the business.

**Increasing Cash Flow**

If you start watching clients’ spending closely there is a fair chance that you will locate various unnecessary expenses. Prevent unnecessary spending and cash flow will instantly increase. This is a good sign that cash flow management is working for your clients and they are benefiting from your services. Painting a clear picture of how increasing cash will allow them to invest in the business or reduce debt places a direct value on your services while helping clients stay in business.

**Reinvesting in the Business**

This is one of the most important aspects of cash management for your clients. Investing in the right tools that will help grow the business or increase cash flow on a long-term basis will be a matter of life or death for some companies.

This is where your clients can work towards their long-term goals.

**Managing Business Debt**

There can’t be growth without debt. Clients need to understand this. Once their cash flow is optimized and can’t be improved further, the only option to grow is to self-finance or to go into some debt. It’s often a lot easier for clients to see the benefit through examples, so don’t discount showing them the specifics to help them understand what needs to be done.

─

Don’t just guess when it comes to cash management. A lot of activities are impacted by it and it is the driving force behind short and long-term goals for your clients.

Looking for more like this? Contact me today.