**Coping with Seasonal Cash Flow**



As we enter difficult financial times, many businesses are realizing their cash flow is more seasonal than they once thought. Whether you’re a restaurant that’s been impacted by COVID restrictions due to cold weather, or a tourism agency that won’t see an uptick in winter vacations for the second year in a row, seasonality affects many businesses.

So, here are our 4 top recommendations for managing cash flow in a seasonal business:

1. A group of people on a stage

   Description automatically generated with medium confidence**Knowing when your peak is.**

Knowing your peak season is good information to have regardless, but this year it could be vital. For example, if you typically peak in the springtime, it might just be a matter of making it through these next few months until sales pick back up.

However, if you’re in retail and peak over the holidays, you’re going to need to do some heavy forecasting and planning now in order to make 2023 a year where your business survives.

Managing your yearly cash flow should account for peaks and valleys but with the year we’ve just had and the year we’re about to, it might be a completely different ballgame.

1. **Determine recurring variable expenses.**

When creating a cash flow forecast, determining and accounting for recurring variable expenses is crucial to create an accurate snapshot of your business health.

Fixed expenses are easy to remember and account for, simply because they’re always there. But incorporating quarterly tax payments, insurance premiums, and other variable expenses into your forecast will put you in a better position to manage your costs and anticipate long-term financial standing.

1. A picture containing calendar

   Description automatically generated**Don’t discount a business line of credit.**

Some take it as a point of pride to never take out a business line of credit. And while on principle, this could be sound advice, if you’re one of those businesses that just need to make it through the first quarter until your peak season and you’re only hurting for a relatively small amount to cover expenses, it might not be such a bad idea.

Factoring this line of credit into your cash flow analysis and business forecast can help you decide whether it’s the right decision to move forward with, but for many businesses that can see the light at the end of the tunnel, a small business line of credit can mean life or death.

A business line of credit can extend the life of your business through your offseason and if your busy season usually makes up for the offseason, you’ll be in the clear.

If you’re unsure of the exact financials regarding your peak and off seasons, forecasting software can be extremely useful (not to mention EASY to use). This can make big decisions (like securing a small business line of credit) a lot easier because you’ll be able to tell whether it’s “worth it” right away.

1. A person writing on a tablet

   Description automatically generated with medium confidence**Refine your forecasts.**

By refining your forecasts on a regular basis, and planning/accounting for as many expenses as possible upfront, you can have an accurate picture of the health of your business in a few simple steps.

Forecasting software and technology can be integrated with cloud-based accounting software to help make forecasting cash flow (and other reports) a LOT easier.

Having a complete picture of your business’s finances can help make a lot of your other decisions much easier; it allows you to view the business objectively and you’ll be in a better position to make a sound decision, for the betterment of the business as a whole.