**How to Build and Maintain a Business Cash Reserve**

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Cash reserves are a very real strategy that many businesses neglect to employ… often to their own demise.

A cash reserve prepares you for any risks or shortfalls incurred during a “slow season” or unforeseen circumstances, allowing you to use your savings to help cover a few months of expenses and prevent you from falling behind when business is slow. The reason that your rainy-day fund gets used doesn’t matter, the fact that you have it available is the only thing you’ll be happy about if the time should ever arise.

Now this type of contingency planning doesn’t happen overnight. In fact, it should be happening from the moment your business’s doors first open. If it's too late for that, the second-best time to start planning your emergency fund is now.

**As a business owner how can you become adept at predicting and contingency planning?**



A contingency plan is also known as a “what if” scenario. It’s where you think ahead to all the possible predicaments your business could find itself in, and then answer your own question: “what if X happens?”

Sometimes these scenarios are beyond your reasoning and control. For example, no one could have predicted a global pandemic, but it doesn’t change the fact that many businesses needed to adapt quickly and probably required them to use some of that rainy day fund to help keep employees at home for those first few weeks before they adapted to remote working.

To create a contingency plan or business cash reserve, there are four main steps:

1. **Rank your resources**

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First, you will need to research and identify your resources within your organization. These can be anything from employees, tech systems, assets, and anything that puts you ahead of your competition. Rank these resources based on their priority when it comes to the continuity of your business. For example, if you can’t operate without at least 50% of your staff, identify who those people are and what their roles are when it comes to your business’s survival.

1. **Identify key risks**



Next, you can use a risk consultant, or you can go about identifying key risks yourself. Document anything that would pose a threat to your prioritized resources.

1. **Create a first draft of your plan**

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You’ll want to write contingencies (and associated costs, if any) for each potential risk. Starting with the highest priority threats and moving down the list as each plan is solidified. A step-by-step plan should be created for each risk including when and what to communicate, what employees will do, and when to execute the plan.

If your business does not have enough cash reserves to cover your contingency plan, either the plan needs to change, or you need to start allocating more cash to your reserves.

1. **Distribute the plan**



After the plan has been approved by management and your risk advisor, distribute the plan to your stakeholders, employees or key staff members, and all business owners. These plans will need to be maintained, so it may be easier to use an issue/crisis management app to ensure everyone has access and it is easy to keep up to date.

Does your business have a contingency plan and emergency fund in place?

