Combating your chronic cash flow crisis

Rhondalynn Korolak
Take a minute to connect with your neighbor
Today’s speaker

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Can you see order in chaos?
Pattern recognition keeps you alive
How big is the problem?
Cash Flow Pain for SMBs

30.2m SMBs (20.2m < 20 employees)
Cash flow shortfall - $1.7T in USA ($6T globally)

Personal savings 53-67%

External Funding 12-26%

45% unsuccessful

Credit cards 19-30%, Equity <2%

Data and statistics provided by https://www.sba.gov/sites/default/files/advocacy/2018-Small-Business-Profiles-US.pdf
If 87% have cash flow pain...

What’s the best solution?
Agenda

What we are going to cover

How to spot the 5 rookie mistakes that kill your cash flow
Tangible solutions to CURE cash flow pain
Why it’s impossible to fix chronic cash flow problems with financial literacy alone

+ Executive summary – pdf takeaway
What is / isn’t cash flow

Profit
Revenue $\leq$ expenses

Cash
$ in your bank account

Cash position estimate
How much you might have

Key Point: Profit, cash and cash position estimate (forecast) won’t give you enough info to FIX cash flow problems
Cash flow is 100% certain

Here's an example...

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(gone & trapped)
Do you want to know:

1. Where the water is **underground**?
2. How much is in the **gauge**?
3. Or **speculate** when it might rain?
BEST solution ->
find water (i.e. cash), quantify how much is there, & unlock it
Another example...

PENNY and ERNEST
(FINANCIAL FOREPLAY® CHARACTERS)
Money collected - Money spent
Cash flow - Visual

Money in $50K

Cash flow $10K

Profit $120K

Money out $160K

Figure 6.3 Pricing Value (also adapted from Financial Foreplay®)
Cash flow - Visual

Money in $50K

Money out $160K

Profit $120K

Cash flow $10K

Figure 6.3 Pricing Value (also adapted from Financial Foreplay®)

Poor margins hurt cash flow. Increase Price!
Cash flow - Visual

Money in $50K

Profit $120K

Cash flow $10K

Money out $160K

Figure 6.3 Pricing Value (also adapted from Financial Foreplay®)

Customer Debts Systems, collections, psychology!
Figure 6.3 Pricing Value
(also adapted from Financial Foreplay®)

Cash flow - Visual

Money in $50K

Cash flow $10K

Money out $160K

Profit $120K

Stock/WIP too high
Minimize, upfront billing!
Cash flow - Visual

Money in $50K

Money out $160K

Profit $120K

Cash flow $10K

Figure 6.3 Pricing Value
(also adapted from Financial Foreplay®)

Supplier payments
Pay intelligently, stretch, discounts!
Agenda
What we have covered so far

The 5 rookie mistakes that kill cash flow
#1 Wasting time forecasting
#2 Poor net profit
#3 Letting customers get away without paying
#4 Paying too quickly
#5 Carrying excess inventory/WIP

Solutions to CURE cash flow pain
#1 Measure and focus on cash flow
#2 Increase margins (price is easiest)
#3 System and psychology
#4 Pay intelligently & intentionally
#5 Minimize inventory/WIP

Why it’s impossible to fix chronic cash flow problems with financial literacy alone
Impact of stinking thinking

Must deal with both emotional and financial aspects if you want to have a successful business

Here’s an example...

Emotions, mindset, habits, self sabotage lie below the surface but are driving your behaviour & results
**Bandaids vs. solutions**

**Financial literacy**
- Collect debt quicker
- Don’t give credit to anyone with a pulse
- Get loan or investment
- Pay suppliers slower
- Get rid of dead or slow moving stock
- Increase margins
- Assets must generate revenue

**Dealing with addictions**
- Take pulse
- Put in recovery position
- CPR
- Call ambulance
- Check vital signs
- Anyone nearby with medical training?
- Clear airway

**KEY POINT:**
Chronic cash flow issues aren’t cured with band-aids. You must **eliminate the cause & prevent it from recurring.**
Profit, tax, & money are bad

Perception & framing
Profit, tax, & money are neither good or bad
Negative meaning leads to pain and struggle
On deeply subconscious level this leads to self-sabotage
Acknowledgement and reframing
Bad habits are hard to break

Fret about $100 purchase, yet think nothing of wasting $10,000.

60+ days to form/break a habit

Need consistent and impactful support to prioritize and evaluate
Scarcity mentality

Dangerous thinking:

Only so much pie to go around
Difficulty sharing or being happy for success of others
Focus on the extreme short term of every decision (ignore long term consequences)
 Leads to bad/impulsive decisions
Abundance is the anti-dote
Agenda
What we have covered so far

How to spot the 5 rookie mistakes that kill your cash flow
Tangible solutions to CURE cash flow pain

**Why it’s impossible to fix chronic cash flow problems with financial literacy alone**

Emotions, beliefs, habits, mindset are keeping you poor
Awareness – pay attention (thoughts, words, behaviour)
Create new, more empowering meanings
Habits take at least 60 days to form/break
Focus on abundance/gratitude
Next steps

- Financial literacy
- Spotting patterns
- List 2-3 strategies you can take away & implement

- Chronic Poverty
- 1 way you sabotage yourself?
- 1 strategy to combat it

- Implementation
- What’s your #1 takeaway?
- How will it transform your business?

- Accountability
- Who will hold you accountable?

- Investment
- What are you willing to invest?
- Are you ready for a little Financial Foreplay®?
- Remember to download pdf

**KEY POINT:** Must address both mindset and financial literacy if you want to have a successful business.
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