



# Cashflow Calm Guide

*Build Healthy Cashflow to successfully plan  
the future of your business*

There is an old saying:

“ **Turnover is vanity, profit is sanity which is true, however, cashflow is king.**

At the end of the day, it doesn't matter what your turnover or profit are on paper, if you haven't received the actual cash payment your business will be in serious trouble.

Physical cash in the bank is needed to buy your supplies, pay the bills, and yourself! Without it, you are not going to go very far.

Cashflow is the flow of your cash - in and out of your business. It may seem an obvious statement, but you need to ensure you have more cash coming in, than going out each month if you want your business to survive

and flourish. You will need to assess your cashflow each month to keep on top of it and ensure you have enough cash to pay for everything.

Healthy cashflow is the lifeline of any business and this is an area that many businesses need help with. According to Xero's research (Small Business Insights data UK, AU & NZ 1-31 July 2018) only just over half of businesses are cashflow positive (more going in than going out). Businesses need to address this sooner rather than later to ensure they do not fail.

**This guide takes you through all the steps you need to ensure your business keeps a positive cashflow and flourishes, in 3 key areas:**

## PLAN

- **Building Foundations**
- **Financial Healthcheck**
- **Cashflow Solutions**

Xero plays a central role for your business finances, and within this guide we will introduce some of the app partners in the PPF App Stack that we use ourselves in house, as well as recommend to our clients. The core app we recommend to use with Xero is Dext (which we insist on for all our full package clients), and the rest of the apps included can be bolted on to suit the needs of your business.

# Building Foundations

This is more than just getting your tax return or accounts done – it's the building blocks for your business finances. Using Xero and add on partners to improve efficiency through automation, plays a critical role in the next two steps. Get this bit right and the next two steps will be much easier.

## EXPENSE MANAGEMENT

We use two great apps to aid expense management, and it's a great starting point to getting your financial foundations in place.

# Dext

### Paperless receipt management with Dext

At PPF, Dext (formerly known as Receipt Bank) is probably our favourite app (after Xero of course!).

No more losing receipts - with just a few clicks you can take a picture of your receipt as soon as you get it.

If you receive your receipts on email, either as a pdf from a supplier or in the body of the email (like Amazon) you can just forward on to your personalised email-in address. Dext will then extract all the information and send across to Xero, along with a picture of the

receipt. The receipt will then show as a Bill in Xero, with a picture of the receipt attached, ready to be reconciled.

And that's it. Quick and simple.

No need to waste time manually entering the receipt details or hunting around to find it!

Dext is a great foundation in improving efficiency and automation. All your expenses will be logged in Xero in a breeze, which will be essential for the next two steps.



### Staff Expenses Management with Soldo

Soldo is a fairly new addition to the PPF App Stack. It's a great way to manage expenses for you and your staff. If your staff regularly purchase items for business/have expense claims, then this could be perfect for you and Soldo has a direct effect on your cashflow.

In a nutshell you load up a prepaid Mastercard, and then give it to your staff to pay for their expenses. You can assign a Soldo card, with custom spending limits, to employees in just a few clicks.

No more expense claims, no more lost receipts, with Soldo it is much easier to

manage employee expenses. Your employees no longer need to pay for things out of their own pocket and wait to be reimbursed. You have the benefit of knowing exactly how much cash you need to spend out, and can manage the cash added to the cards to suit you and your business.

No more large expense claims (which could cover months at a time) when you are not expecting it. The ball is in your court. You can preload the cards when your cashflow is good to tie you over for months when you struggle to get cash in the bank.

## SALES SYSTEM

We use Xero and some great add on partners for our sales system to ensure a smooth process from invoice to getting paid.



### Effortless and beautiful bookkeeping with Xero

It's no secret that we absolutely love Xero at PPF! It is more than a bookkeeping tool – it is a major part of your financial foundations. Here we are going to focus on the invoicing feature as part of our sales system. Xero allows you to raise an invoice to your customer in seconds. If your business model

revolves around monthly subscriptions/ services you can use a great feature in Xero where the invoice is even raised and emailed out for you every month – so other than initially setting the template up, you don't need to do anything!

## OUR KEY INVOICE TIPS:

- ✓ **Invoice as soon as you can** – don't leave all your invoicing until the end of the month – the sooner you invoice the sooner you get paid
- ✓ **Email invoices direct to your customer** – gone are the days of snail mail – email it and it will be in their inbox in a matter of minutes asking them to pay you
- ✓ **Pay now button on invoice** – Xero has a great feature to help you get paid – your clients can click on this button from the covering email or the online invoice and make payment via your chosen payment method (see our getting paid section)
- ✓ **Include a due date** – how does your customer know when to pay if you don't tell them?

## GETTING PAID

We use 4 great apps to help get paid quickly and easily, and cannot recommend highly enough getting at least one of these payment services set up for your business. Make it as easy as possible for your customers to pay you. The harder it is to pay, the longer they'll take. With Xero invoices, as we mentioned above, there is a Pay Now button on every invoice sent out, which links to a payment service – either GoCardless or Stripe – the customer simply clicks on this button and makes payment either via direct debit (which can be a one off or regular payment), or by entering their card details.

## GOCARDLESS

### Payments made easy with GoCardless

Get your invoices paid automatically with GoCardless' online direct debit solution. It's completely flexible and you can collect fixed or variable amounts, and take one-off or recurring payments, directly from your customer's bank account. Depending on your business model, your customers can pay this way using the Pay Now button on your invoices (one-off payments), or if you have regular recurring services your customer can complete a mandate, then when you raise

your invoice, GoCardless will automatically set up to collect the invoice amount on the due date. The funds are then transferred into your bank account 2 working days after the payment is taken.

Completely effortless and we use this with all of our clients to collect our fees – so simple – what's not to love! Oh, and did we mention GoCardless' fees are probably the lowest on the market?!



### Effortless card payments with Stripe

There are many card payment providers on the market, but we've found by far Stripe to be the simplest and cheapest. Stripe also integrates with Xero for use with their Pay Now button feature, allowing your customers to make payment immediately on receipt of your invoice by clicking a few buttons and

entering their card details. Funds are then transferred into your bank account in 2 days (after your first pay-out, which will take a little longer). Again, this is much faster than most other card providers, meaning you have the cash in your account where it is needed.



### Effortless card payments with iwocaPay

iwocaPay is a new payment service that has recently been introduced to the market - and I've got to say - it's brilliant!!

As a seller it enables you to collect payments very quickly, via Pay Now or to offer payment over 3 months - the first month's payment being interest free. With Pay Now you get the funds as soon as the invoice is paid, and there are no additional fees for you or the buyer. Similar to Stripe a Pay Now button is added to your invoice and the buyer clicks here and is able to pay you via iwocaPay quickly and easily using open banking technology. Now I'm sure to most that sounds like jargon - what does this actually mean?! Well, on clicking the button iwocaPay can link with their internet banking to make the payment within literally seconds - far quicker, and easier than logging onto their internet

banking and manually setting up and making the payment!

Now the interesting bit - pay later - with iwocaPay you can offer your customers to spread payment over 3 monthly payments. This will take them a little longer to set up than the pay now, and it is a credit agreement - but it's so easy for them to do, just in a click of a few buttons! As I mentioned before interest is applied to months 2 and 3 payments. However - you, the seller will get paid as soon as this is all set up - so no waiting for the payment - hurrah!! There is a small fee for this service (at the time of writing the seller transaction fee is 3% and the representative rate for the buyer is 3.3% per month), but it's worth it to be able to offer it as an option to your customers.





### Accept card payments anywhere with Square

So far, we've only mentioned online payments, but if your business is a physical shop you will want to take payment there and then with the customer in front of you. Obviously, some people will pay with cash, however, in this day and age most people will want to pay by card. Square is perfect for this – it's a great payment and point of sale tool allowing you to get paid by debit and credit card. You can accept Chip & PIN, contactless and mobile payments like Apple Pay or Android Pay by using a range of readers.

You can also key in details to accept payments over the phone too. You can also use Square with many e-commerce solutions, as well as WIX sales solutions on your website.

With low fees and funds transferred into your bank account as soon as the next business day (wow!), Square is a great solution for your business and helps keep your cash flowing into your bank quickly.

## CREDIT CONTROL

You wouldn't go into a restaurant and leave without paying, or go to Tesco to pick up some items and tell the cashier to invoice you so you can pay them at some point, so why let your customers do this? Even if you follow our tips above and implement the payment services you may still experience delays in getting paid.

## CHASER

### Credit control made easy with Chaser

Many people find it hard to chase for payment; it's inconvenient, takes up valuable time, and let's face it, can often be quite embarrassing (for you and your customer!). There is a better way! Chaser is a fantastic

virtual credit control service and we have seen some excellent results when using the software – one bad payer even paid an invoice EARLY!

Research shows that 80% of outstanding invoices can be collected by email chasing alone. The average customer saves 7.3 hours per week on credit control, and on average, Chaser brings a 16-day debtor day reduction, bringing a £4,000 cashflow boost for every £100,000 turnover. Even if you have a great credit control system in place, Chaser can help you reduce the time you currently spend on this – which in turn also saves you money and helps your cashflow!

As a brief overview of how it works – emails are sent out from your email address, with your usual email signature, and can be

worded in your tone of voice and how you would normally ask for payment. So, it is totally personalised and looks like it is coming from you, when in fact, it is all done through the software. You can set emails to go out at certain intervals, with the wording getting stronger as time goes on, and you can even escalate the emails to go to a higher or second person at your customer's business (if applicable) or from a higher person in your own business. There is also a great feature where you can send an email to remind your customer their invoice is due tomorrow/in a few days. Chaser completely takes the hassle of chasing payment out of your hands.

## BANKING & BANK FEEDS

So, with your sales and expenses all set up you're all ready for money to come in and out, you then need somewhere to keep your cash, but which is the right bank for you.



STARLING BANK

Banking made easy with Starling

We recommend Starling Bank, who we believe give excellent service and really look after their customers. They've been making huge waves in the banking industry and it's not hard to see why.

It takes just a few minutes to set up the account via their app - fill in a few details, upload your passport, take a selfie - they do some behind the scenes stuff and boom your account is open!! And the card is delivered to you in a few days. Simple.

There are no monthly account fees, 24/7 support who actually help, real time alerts, and cheque upload via the app. Starling also has a feed into Xero allowing the automation and efficiency required for keeping on top of your finances. What's not to love!

Find out more about our partnership with Starling Bank [here](#).



# Financial Healthcheck

Forecasting, including cashflow forecasting (which shows projections of money in and money out), are crucial for you to understand how your business works. This allows you to take this one step further to improve your financial health and the ability to reach your goals.

As we said before, cashflow is key for any business and keeping an eye on your cashflow is just as important, if not more so, than keeping an eye on your sales. Preparing a cashflow forecast can help foresee any issues you have with cashflow, and will highlight any times when you possibly won't have enough cash to pay the bills, so you can prepare and make arrangements to deal with these problems in plenty of time.

It is also useful to run 'what if' scenarios so we can see how certain things will affect your cashflow. For example, say you have a big job opportunity, but there are lots of upfront costs. Can you take the job? We can run a 'what if' scenario to see what is going to happen to your cashflow if you don't get paid until later down the line.

Thinking of taking on extra staff, or moving to a larger office? What happens if your biggest invoice doesn't get paid? What if your sales decrease next month? We can see how each of these will affect your business. We can foresee what will happen in 3 months, 6 months or a year down the line if your sales do not increase with the additional staff and space.

Forecasting can help you to plan for your future and help you make decisions, knowing that you're not just 'winging it' and you can actually afford these things.



# SO HOW DO YOU DO A CASHFLOW FORECAST?

Well, that really depends on your individual needs. We are partnered with two great apps to help make forecasting a breeze.



## Cashflow forecasting with Float

Float uses due dates on invoices and bills in Xero, along with any budgets you set, to create an accurate cashflow forecast. Float is a great tool for businesses who:

- Wish to view weekly cashflow performance
- Wish to create a detailed view of cashflow over the next 3-12 months
- Have had a previous year of poor sales and want to create a scenario for hiring contract staff to boost performance over a key sales period
- Wish to receive a daily update of performance against their budget

It's also great to note that Xero, Chaser and Float all work together - if you update an expected payment date in Chaser it updates in Xero and Float - if you update in Xero it updates in Chaser and Float, and you guessed right - if you update in Float it updates in Xero and Chaser. So, you don't need to add the information in all 3 places, and the apps all work together to ensure payment is chased correctly according to the expected date, and incoming cash is predicted correctly in your forecast giving you an accurate picture of your cashflow.

## Full budgeting and 3-way forecasting with Fathom

Fathom also works with Xero to help build not only a cashflow forecast, but other budgets and forecasts, as well as detailed financial and non-financial reporting.

Fathom is great for businesses who:

- Want full budgeting and 3-way forecasting which includes a Profit & Loss and Balance Sheet forecast as well as the cashflow forecast
- Want to understand the impact of various capital investments or achieving a 1/3/5-year growth goal
- Wish to delve deeper into their business to understand monthly performance
- Wish to include non-financial data/KPIs

**We love both of these apps, and both serve different needs to give you the information you require to reach your goals. Float allows you to have a real time cashflow forecast to know exactly where you are cashflow wise at any time, whereas Fathom allows you to plan and dig into forecasts at a deeper level.**

## Cashflow Solutions

So, now you know your forecast and what might happen in the future you can build an action plan to solve any potential issues. We work with some great companies who can help your business to access additional funds when you need it, to either improve short term cashflow management or achieve longer term business goals.

The most obvious and common solutions would be a bank loan or overdraft from your bank, however these may not be the best option for your needs, or you may not be eligible. Therefore, we work with two companies with two different finance options to help you when you need it.



### Short term funding from iwoca

Iwoca provides fast, flexible finance that meets a wide range of needs for small businesses. They offer a business loan facility for limited companies over a period of up to 5 years. They also offer a credit line over a period of up to 12 months for all types of businesses.

Iwoca links to Xero so they can analyse the data in seconds allowing them to make a decision within one working day – usually within hours.

The credit line is perfect for someone with working capital requirements, to help maintain cashflow, such as paying your VAT return over 3 months instead of in one lump sum.



### Invoice financing from Market Finance

Market Invoice give you an advance against your outstanding customer invoices, so you get paid faster. You can get funding against specific invoices from a single or handful of customers with pay as you go terms. This is great for businesses who need occasional cashflow needs. This would be perfect for a construction company working on a large project, and seasonal businesses.

They also have an option to give funding against all your outstanding invoices, which is perfect for businesses with ongoing cashflow needs.

You still deal with your customer – Market Invoice advance you between 60 – 80% of the invoice value within 24 hours. You then receive the remainder, minus the fees, when your customer pays the invoice. Simple and easy, what more could you ask for?

# Cashflow Quick Wins



Upsell at every opportunity – additional services/products (think McDonalds – ‘Do you want to make that a large meal?’ – or when ordering a coffee, they ask ‘would you like a cake with your coffee?’)

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Agree terms in advance

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Request deposits upfront before starting work

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For long term projects – request deposits and stage payments, do not invoice all in one lump sum at the end

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Don’t assume people are going to pay! Remind them (Chaser has a handy reminder before due date email)

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Make it clear when you want people to pay you and how

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On completion of your job/work you could arrange a courtesy follow up call to ensure they’re happy, they’ve received the invoice and the payment has been authorised as required.

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Ask your suppliers for more time to pay a bill, or set up a payment plan.

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And this should be an obvious one - but **invoice at the earliest possible opportunity** - don’t wait till month end to raise all your invoices - build raising the invoice into your workflows, make it a part of your daily process!!! **The sooner you invoice the sooner they can pay.**

# ABOUT PINK PIG FINANCIALS

## *Financial freedom for business owners running families too*

You started your business with ambitions. You had a dream lifestyle in mind, even if it felt far away on the horizon.

But it's hard to let your ambition lead the way when you're buried under admin and financial obligations.

Being a business owner can feel lonely. Chatting with other like minded people can really help you navigate this journey in a happy healthy way.

## OUR MISSION:

To make the accounting process as quick and simple as possible for parents, so you can spend more time doing the things you love with the people you love.

We do that by understanding where you are today. Once we've defined your goals and freed up your time, we can forecast your tomorrow, taking practical steps towards your ideal lifestyle.

We believe accounting must revolve around the milestones in your life. Just ticking boxes isn't enough. You want to be mentally free from overwhelm, and financially free to take the next step forward.

## Here's the truth:

- ✓ You can run a successful business and take time off.
- ✓ You can make a profit and be present.
- ✓ You can have both.

For more information on how Pink Pig Financials can help you have your cake and eat it too, email us or visit our website [www.pinkpigfinancials.co.uk](http://www.pinkpigfinancials.co.uk).

*You don't have to choose between your business and your life.*



01245 791164

hello@pinkpigfinancials.co.uk