

## How-To Guide: How to Decelerate Cash Outflow

Decelerating cash outflow in your business enables you to hold onto cash longer so you have more money available and more flexibility in your business. Here's a closer look at some ways to decelerate cash outflow.

### Accounting Software

Today's accounting software allows you to closely monitor accounts payable so you can keep cash in your account as long as possible, while still meeting the due dates for all your payments. Here's how: Even if payables are not due for 45 or 60 days, enter them into your system when they are received, including the invoice date (date of service) and the date payment is due. This will enable you to see at a glance how much you owe and how much cash is available to you at any given time.

It typically takes 5 business days for a check to reach the recipient by mail. If you are mailing a check, count back 5 business days from the payable due date, add an extra handling day for safety and mail the check that day.

### Electronic Invoice Payment and Presentment (EIPP)

If your vendors offer Electronic Invoice Payment and Presentment (EIPP), see if you can select this option. EIPP means you receive invoices by email. You can then enter them into your payables system and schedule payment by debit. This can eliminate worries about your check arriving by the due date.

### Credit Cards

Using business credit cards wisely can help you decelerate cash outflow. Here's how it works: If you have a bill (such as a utility bill) that is due in 30 days, wait until the bill is almost due, then pay it with your business credit card. When the credit card bill is due (25 days later) you pay it off. You have effectively extended your payment period to 55 days rather than 30.

In order for this tactic to work, you need a credit card that has a grace period (does not start computing interest when you make the purchase) and you must pay it off in full each month. As a bonus, you might earn mileage points or other rewards for using the card, which can help you conserve even more cash.

### ACH Credit

ACH credit can be used to schedule and manage payments so you can hold onto your cash as long as possible and always know exactly when the money will leave your account.

ACH credit operates through the Federal Reserve Bank. Instead of withdrawing (or debiting) money from another's account (ACH debit), ACH credit allows you to credit



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another's account for a certain amount on a specific date. It is similar to online bill payment, but in this case, you originate the payment and know the receiving party's bank routing number and bank account number.

Most banks now offer ACH debit and credit to small businesses at low or no cost. You can use ACH credit to pay companies (your vendors) or individuals (like your employees).

### Will It Work For You?

Not all of the above tactics will work for every business, but you should be able to use some of them to manage your cash outflow more effectively. Consider the following list of ongoing payments your business might have, and whether one of the above tools can be used to help decelerate these cash outflows.

EXPENSE	ACCOUNTING SOFTWARE	EIPP	CREDIT CARDS	ACH CREDIT
Rent				
Utilities				
Telephone				
Internet				
Insurance				
Wages				
Payroll Service				
Employee Benefits				
Taxes				
Supplies				
Business Services				
Inventory				
Advertising				
Travel/Entertainment				
Interest/Loan Payments				
Other				

