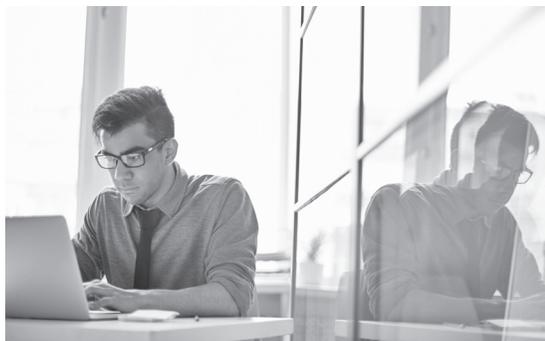


STRATEGIES FOR MANAGING A BUSINESS' SHORT-TERM CASH REQUIREMENTS

It is important for businesses to have tools in place to manage both the excess and shortage of cash created by the time gap between collecting receivables and sending payments to vendors.

"Because payments and bills do not line up exactly, you need strategies for both types of situations," explained Shantel Laird, Cash Management Officer at Croghan Colonial Bank.

"When there are extra funds, those short-term dollars can either be put to work to earn interest in an account for those few days, or [the money] can be used to reduce interest expense by being applied to loan balances," Laird said.



Sometimes leaving the funds in the business checking account may be the best approach.

"Maintaining a minimum balance may reduce service charges, so in some cases leaving the funds in the checking account may be the best choice," she said. "In other cases, it would be beneficial to move the funds into other accounts. The key is making sure the business has a pre-determined strategy to make the best use of those funds on a daily basis."

At the other end of the spectrum, a line of credit can help manage a business' cash needs when existing cash flow does not cover the current expenses.

"A line of credit is a loan and can be used to help a company with short-term expenses, such as working capital, receivables or inventory management," Laird explained. "A line of credit ensures that you have smooth operations as your income and expenses fluctuate."

It is important that you use the information from your cash flow management system to understand how much of a line of credit you actually need.



Can you have too much credit? The answer is yes. For example, if you have excessive credit, you might not be as attentive to the accounts receivables.

With a line of credit, you make no payments and pay no interest until you actually use the funds. A line of credit also provides you the flexibility of paying the balance in full or making payments each month.

"The key is for the business owner and the bank to work together to ensure the line of credit allows for the flexibility to act when opportunities arise, but doesn't lead to unnecessary interest charges," Laird said.

To learn more, please call 888-276-4426, or visit us at croghan.com.



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