

# Five Sources of Quick Cash

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## 1. Get Paid Up front

First, try to obtain payment up front. Require customers to make deposits. Consider offering an incentive for payment upon signing. Secure cash to help your business flow through the project. Secure the cash you need in advance of the work. Up front payments not only work in the professional service industry, but are also applicable to retailers through the purchase of gift cards. Did you know that:

- Almost 50 million adults purchased gift cards in the last year.
- 61 percent spent more than the card value.
- 55 percent of gift card holders make more than one trip to deplete the value of the card.
- 33 percent of total the value is never used or redeemed by the user.
- 17 percent of gift cards are never redeemed.

*(Source: Standard Register's National Consumer Retailer Survey of Plastic Card Usage)*

Whether it's through gift cards or down payments, get your cash upfront.

## **2. Collect Payment**

Now that you're obtaining pre-payments from current customers, make sure to collect from past clients. Be polite, yet persistent with 14, 30 and 45 day terms. Shorten from 30 and 60 day collections. Encourage clients to make progress payments as soon as possible. It's better to get 5 percent of what is owed on a weekly basis rather than nothing at all. Above all, try to maintain a good relationship with your clients. These are difficult times for everyone.

## **3. Try Factoring**

Factoring is a long accepted financing model that allows your business to get paid immediately on outstanding invoices. A factor will pay you the balance of an invoice in advance, minus his fees, and wait to receive payment from the client. First, however, a factor must verify that your client is willing and able to pay. Accordingly, this method works best for well established customers with good payment histories. This is a quick and relatively risk-free way of getting the cash you need without having to wait 30, 60 or 90 days for payment.

## **4. Slow Your Payments**

Another way to free up extra cash is to slow or reduce your payments. Contact your vendors, lenders and credit card companies to renegotiate your rates, fees and repayment schedule. The key is to do so *before* you begin to have payment issues. You should be able to leverage your good repayment history to obtain more advantageous terms.

## **5. Borrow from Alternate Sources**

When all else fails, borrow cautiously. Many experts agree that borrowing from yourself to aid cashflow is preferable to losing your business. Start by liquidating inventory, equipment and depositing cash owner equity. However, as you would with a bank, you should always have a *plan to pay yourself back*. If you have a line of credit, meet with your bank about keeping your line open and

explore the potential of increasing the line or removing the condition that requires you to rest the line periodically. Meet with a [SCORE mentor](#) to evaluate cashflow and look at the safest and smartest ways to manage debt obligations.

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