# YOUR MONEY

## Commerce offers advice on how to weather a cash flow drought

**BY MATT GOMRIC**

Cash flow is the lifeblood of a small business. When less cash is coming in, you must find ways to minimize cash going out. Here are three cost-cutting ideas to consider:

**Review your rent or mortgage** – Now might be an appropriate time to talk to your landlord about renegotiating your rent. Or, if you have a mortgage on your property, consider refinancing. If some staff members are working from home or you are conducting more business online, you may also rethink how much space you actually need. Co-working spaces – offices where you share meeting rooms, internet and expenses with other tenants – have continued to grow in popularity, especially for start-ups or for those that are uncomfortable taking mass transit to get to their "regular" work location. These shared spaces are experiencing their own unique challenges, however, regarding social distancing and sanitation parameters. Shared facilities used for warehousing and shipping are also great for economizing your business. Downsizing your space or sharing them with others will help you save money on utilities, cleaning and other operating costs.

**Gomric**

**Consider leasing (rather than buying) equipment** – Equipment and vehicle leases rarely require large down payments, and often times, need no upfront cash outlay. Given their minimal initial expense, they have less impact on cash flow and liquidity than other forms of financing, enabling you to preserve cash for day-to-day operations. Because lease payments are a business expense, they can usually be written off on your taxes, too.

**Audit your supply chain** – Compile a list of your vendors and service providers, and then go on a competitive shopping trip. While cheaper is not necessarily better, you may discover opportunities to save on everything from insurance to advertising costs. Your suppliers, too, may be experiencing cash flow concerns and might be willing to renegotiate their fees, even if only temporarily, to maintain your partnership. They may also be willing to provide a discount for early payment on invoices. A small investment of your time could save hundreds or thousands of dollars.

**The Bottom Line:** Now is the time to examine every line item in your business' budget. The ability to "trim the fat," coupled with early payment discounts, electronic payments and other cash-flow enhancing tools, can help small business stay afloat during these trying times.

*CommercePayments solutions are provided by Commerce Bank. Matt Gomric is president of the Metro East Region of Commerce Bank.*

## Credit 101: What credit is — and how to get it

Whether to fund a major purchase or cover emergency expenses, you – like all the rest of us – will likely need to borrow money at one time or another. Even the youngest among us can benefit from understanding how credit works and what you must do to get it.

**How credit works.** When you get a loan from a bank, you agree to pay back the amount you borrow, plus interest and, in some cases, additional service fees. The lender provides a schedule for repayment, which you are obligated to follow.

Your bank isn't the only one concerned with the timely repayment of your debt. Credit bureaus also track your credit history and compile credit reports that reflect how well you managed your finances over time. They also assign you a credit score, which future banks and lenders will use to assess your credit-worthiness.

**How to build credit.** Building credit takes time – at least six months of making on-time payments. High school and college-aged students are wise to begin creating a credit history as it improves their chances of being approved for a loan when they need it. You can build a credit history by:

1.Opening a secured credit card account – When building credit from scratch, a good place to start is with a secured credit card. This type of card requires you to deposit funds with a card issuer that can be used as collateral if you fail to make payments. By paying on-time and in full each month, you raise your credit score and will eventually become eligible for a regular unsecured credit card.

2.Becoming an authorized user on someone else's credit card. You can also build a credit history if a family member or friend is willing to add you to his or her card as an authorized user. But be forewarned: you must contact the card issuer to make sure it reports your authorized user activity to the credit bureaus. Also, you'll want to be faithful in paying your portion of the bill. While not legally liable for payment, you want your friend or relative to consider you trustworthy as well.

3.Applying for a small credit-building loan. Similar to a forced-savings program, these loans are designed for people with little or poor credit history. The money you borrow is held by the lender until you repay the loan. Your on-time payments are reported to the credit bureaus, helping to boost your credit score.

4.Getting a co-signer on a loan – Many lenders will make loans to people with little credit history if they have a co-signer – a qualified person who agrees to pay the debt if the borrower fails to do so. Again, you don't want to take advantage of the co-signer's goodwill by not meeting your responsibilities, so it's important to have a financial plan in place to ensure you're able to make the monthly payments.

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