

INTEREST RATE HANDBOOK: THE BUSINESS OWNER'S GUIDE THROUGH MARKET TURMOIL

Advice distilled after surveying 10,000+ accountants,
CPAs, and small business experts



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This ebook on how to weather economic change was compiled by **Relay**, an online banking and money management platform built for small businesses.

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INTEREST RATE HANDBOOK: THE BUSINESS OWNER'S GUIDE THROUGH MARKET TURMOIL

Climbing costs. Slowing demand. Unexpected shifts in the economic landscape have been a major challenge for small businesses recently. How can they fortify their finances to ensure they're ready for the next financial curve ball that comes their way? Relay asked more than 10,000 financial experts for their best advice and compiled the 23 best responses here.

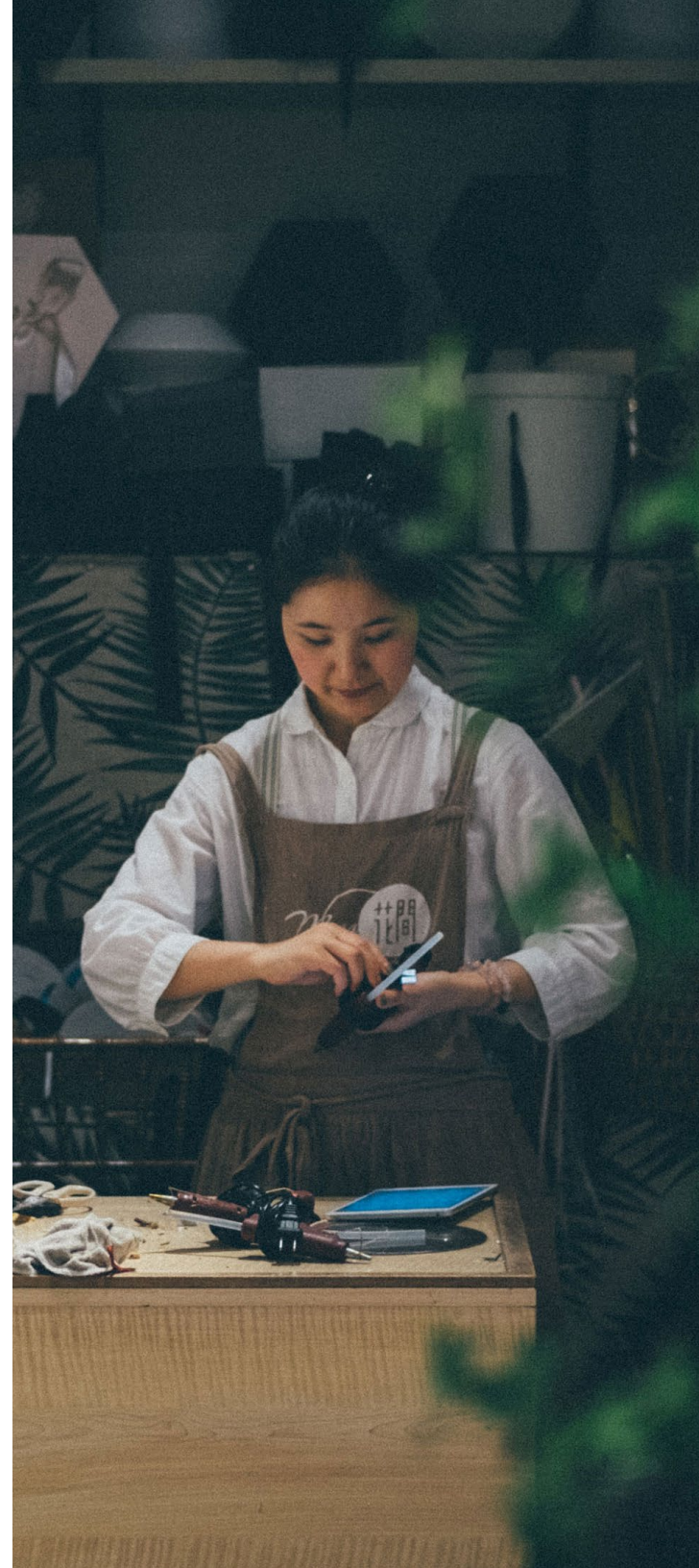
If the past few years of rate hikes, soaring inflation, and market turmoil have taught anything to small business owners, it's that they always need to be prepared for economic changes. Costs will rise and demand could fall. Maybe you've weathered the ups and downturns of the market before, or perhaps this is unfamiliar territory. Either way, the steps you take to fortify your company's financial position for when challenges arise will have a meaningful impact on the success of your venture.

At **Relay**, we're dedicated to supporting small businesses—which is why we harnessed the expertise of 13,181 accountants, bookkeepers and financial advisors to ask them “What is your

#1 tip for how business owners should prepare for periods of financial uncertainty and potential economic changes?”

Their insights are specifically tailored for small businesses facing the challenges of a changing economic terrain and include advice from leaders like Profit First Professionals Co-Founder Ron Saharyan, Founder and CEO of Of Course Bookkeeping Serena Shoup, Resting Business Face's Michael Eckstein, and many others.

If your goal is to thrive within any economic landscape, these are the strategies to adopt now and into the future...





CREATE A CASH CUSHION

“Fasten your seatbelts and stash cash,” says Ken Portnoy, Fractional CFO at Thayer Partners, a firm dedicated to guiding hands-on business owners to greater financial clarity and increased profits.

KEN PORTNOY
Fractional CFO, Thayer Partners

“*Cash is QUEEN during uncertain economic times.*” — **GABRIELLE KELLY**

Creating a cash cushion is one of the tips we heard over and over from our experts. “Our number one tip is to get a profit strategy in place,” says Gabrielle Kelly, a CPA and the Co-Founder of WEM, an organization that advises women-owned businesses on their financial blueprints. “Once that’s in place,

instead of taking a 50% profit distribution each quarter, reduce that percentage to 10 to 25% to keep more cash in your rainy day fund to weather whatever is coming our way. Cash is QUEEN during uncertain economic times,” she explains.

GABRIELLE KELLY
Co-Founder, WEM

The most important thing that an emergency fund or reserve fund can buy you as a business owner is time — to wait out a downturn or to enact additional strategies to keep your business solvent during challenging periods.

“Increasing cash reserves will help soften the impact of operations being disrupted in the short term and can reduce the probability of having to borrow money at higher interest rates to keep a business running”, says Wendy Rowe, Co-Founder at Perfect Balance Bookkeeping Solutions.

WENDY ROWE
Co-Founder, Perfect Balance Bookkeeping Solutions

HOW MUCH AND HOW TO GET THERE

There’s no precise dollar amount to keep as a cash cushion, but our experts recommend anywhere between two to three months of operating expenses or six to 12 months of personal expenses depending on the size and type of company you operate.

“Business owners should make sure that they are financially whole and healthy with about 6 to 12 months of their personal expenses in an emergency fund,” says Gradient Accounting’s founder Kristin Meador. “This will help them personally weather any slow seasons or downturns in sales volume because they will have a cushion if they need to cut back on what they pay themselves.”

KRISTIN MEADOR
Founder, Gradient Accounting

Hannah Holley of Focal Point Bookkeeping, a firm that specializes in digital bookkeeping for creative professionals, offers a more modest estimate: “Every successful business has a

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HOW MUCH AND HOW TO GET THERE

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safety net of liquid funds to fall back on when unexpected expenses or income losses come crashing down,” she says. “If you haven’t already, start tracking your cash flow so you know how much you collect and spend in a typical month/quarter. A good goal is to save three to six months’ worth of business costs.”

She also has actionable advice on how to achieve that goal. “Keep a minimum amount of inventory on hand (inventory ties up cash), be firm with your clients (make sure they pay on time), and delay your personal gratification (wait to collect on that year-end bonus or make a big purchase),” advises Holley.

HANNAH HOLLEY

Founder, Focal Point Bookkeeping



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Income

\$26,366

✓ Auto-transfer complete

Account number

..... 3719

Routing number

80410633

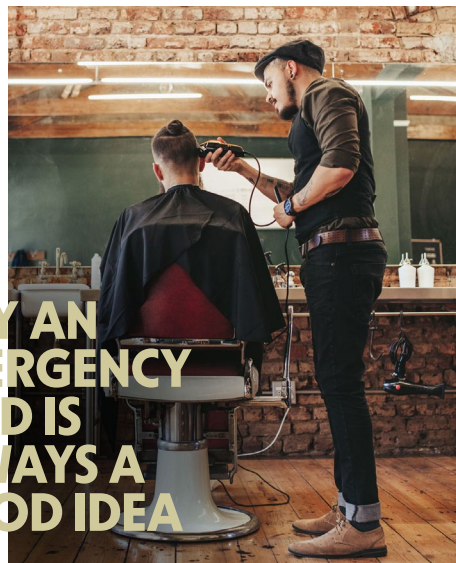
Operating Expenses

\$6,673.83

Payroll

\$5,584.74

WHY AN EMERGENCY FUND IS ALWAYS A GOOD IDEA



Even in times of economic largess, a cash cushion is a smart business strategy. “The cash reserve allows businesses to survive during lean times and take advantage of opportunities when they pop up,” says CPA Luke Templin, Founder and Virtual CFO at a2 advisers.

LUKE TEMPLIN

Founder and Virtual CFO, a2 advisers

When interest rates rise, your instincts may tell you to pay down debt but, says CPA, Founder, and CEO at Of Course Bookkeeping Serena Shoup, that should really depend on the rate you’re paying on that particular loan. “If you have excess cash but also a line of credit or loan at a low rate, don’t pay it off early!” she says. “Keep leveraging that for your cash flow (but make your minimum payments). Use that excess cash for investing back into your business or your team, or put it in a high yield savings account or into bonds. Or do a combo of all the above.”

SERENA SHOUP

Founder and CEO, Of Course Bookkeeping

IMPLEMENT A CASH FLOW SYSTEM

With a cash cushion in place, business owners should consider evaluating their cash flow system — or setting one up for the first time. “The number one thing business owners can do to deal with rising interest rates and potential economic changes is implement a cash flow system,” says Ron Saharyan, Co-Founder at Profit First Professionals, where business owners are instructed to flip the traditional accounting formula on its head and take a percentage from each sale as profit.



The cash flow system is the number one neglected system in businesses, and it’s the one you need RIGHT NOW.”

— RON SAHARYAN



Need help creating a cash flow system? Find a Profit First Professional here

“Businesses have systems for marketing, sales, and delivery — all the things to bring money into the business — but not a system to deal with that money once it arrives,” says Saharyan. “The cash flow system is the number one neglected system in businesses, and it’s the one you need RIGHT NOW to strategically plan your business’s economic future.”

RON SAHARYAN

Co-Founder, Profit First Professionals



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Owner, Sonny Peak CPA

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DEPEND ON THE DATA

You can't know where you're going without understanding where you've come from. That's why our experts also recommend that small business owners turn to accounting data to understand their recent past in order to better plot a course for the future.

"Start tracking your cash flow and forecasting the next six to 12 months now so you can be in a good strategic place for when there are economic shifts and unexpected changes," says Tailor Hartman, CPA and Founder at Celerity, which focuses on monthly accounting for small businesses.

"This is also a good way to evaluate costs you might be able to cut now to help keep your company afloat over recessionary periods," he adds, explaining that, "The data should be solid. Make sure your historical accounting is accurate before you even start forecasting."

TAILOR HARTMAN
CPA and Founder, Celerity



Great quality accounting and business insights must start with great quality banking data. [Learn how Relay's data quality can lead to 5x speedier bookkeeping.](#)

FORECAST A PATH THROUGH THE STORM

Many of our experts listed forecasting as their number one tip to help small businesses navigate potentially turbulent times. "You must be able to see what you think the impact to your business will look like in the most real way possible — your numbers," says Nerd Enterprises founder Seth David. "Then you can see clearly what needs to be done to stay profitable, but more importantly to maintain positive cash flow. With the right planning tool, you can confirm just how 'bad' it is or how good it might be, despite what's going on."

SETH DAVID
Founder, Nerd Enterprises

“*To deal with potential economic damages, some extra time should be spent budgeting for different scenarios*” — TYLER WILCOX

Take what you've learned from studying your accounts and create a plan for the future that accounts for multiple possible outcomes for the coming year. "To deal with potential economic damages, some extra time should be spent budgeting for different scenarios," says CPA Tyler Wilcox of the non-profit and small business-oriented firm Velu. "Create a base case, best case, and finally worst case scenario that identifies where expenses can be cut should things take a turn for the worse."

TYLER WILCOX
CEO, Velu

GET SMARTER ABOUT ACCOUNTS RECEIVABLE

"The better you are with managing your own cash, the less you will need to borrow from banks or credit card companies," says CPA Hunter Throckmorton.

HUNTER THROCKMORTON
Principal, Throckmorton CPA

Leverage technology in order to ensure that your business is being paid on time by clients and customers — whether this means **switching banking platforms** to a provider that offers more detailed transaction data or revamping and automating your invoicing process.

"If your company has a lot of open invoices, set up a process to follow up with your clients to get paid. The quicker you get paid, the less likely you will need to put expenses onto a credit card," says Mindy Morrison, Founder at Back Office People, a QuickBooks conversion firm loved by technopreneurs.

“*Look into getting paid at least 50% ahead of time*” — MINDY MORRISON

"Look into getting paid at least 50% ahead of time," she suggests. "If your clients buy your services monthly, consider setting them up as subscribers. Getting paid on the first of the month is ideal — you get paid 100% ahead of time. During the 2008 crunch, people still made money, and so can you!"

MINDY MORRISON
Founder, Back Office People

REVIEW EXPENSES AND PAY DOWN DEBT

"In a rising interest rate environment, the cost of money goes up," says Blake Oliver, Founder and CEO of Earmark CPE. "That means, in general, I'd advise business owners to avoid taking on more debt."



In a rising interest rate environment, the cost of money goes up"

— BLAKE OLIVER

For those who know that costs are in fact going to require them to borrow money when there are signs of a rate hike coming, Oliver says this: "If you do need to borrow, and you think interest rates are going to rise, you might want to grab as much as you can before it costs more to borrow."

BLAKE OLIVER
Founder and CEO, Earmark CPE

When rates are on the rise, do consider paying down loans tied to variable rates of interest, says Michael Eckstein, owner of both Eckstein Tax Services and Resting Business Face, a weekly newsletter offering in-depth financial advice to agencies, freelancers, and consultants.

"Pay down that variable interest rate debt, like credit cards and credit lines. There's all sorts of arguments about inflation, hedging, interest on your emergency fund, and a cooling market," he says, "but variable interest rate debt has a very real impact on your bottom line. The Fed bumping interest a few points will make a huge difference in your monthly interest payment."

MICHAEL ECKSTEIN
Owner, Resting Business Face

HIT UNSUBSCRIBE

Year-end in general is a good time to look back at where your business is spending its money and make adjustments where necessary. "Make sure you review your monthly recurring charges," recommends Elizabeth Ortiz,



Too easily we have subscriptions or dues we no longer use or we have too many licenses for some. Evaluating the monthly commitments is pivotal.

— ELIZABETH ORITZ

owner at KEM Business Solutions, which advises small businesses on how to become more profitable. "Too easily we have subscriptions or dues we no longer use or we have too many licenses for some. Evaluating the monthly commitments is pivotal."

ELIZABETH ORITZ
Owner, KEM Business Solutions

Jelena Arkula, president of Books LA, advises to take this strategy a step further: "Once those subscriptions are canceled, create an auto transfer for the same amount and date as the subscription was paid. Make monthly transfers for the same amount to a savings account," she says. "Your business is accustomed to making monthly subscription payments and probably won't feel the difference. Instead of spending the funds on unnecessary subscriptions, your savings account balance will increase faster than you think."

JELENA ARKULA
President, Books LA

"We control our own finances," says Jason Farley, owner of Liberty Ledgers, "but only if we know what they are. Having a crystal-clear picture of our current position is vital to facing changes in the market and the tax code."

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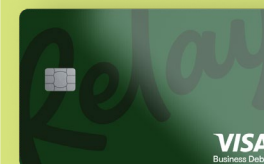


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HIT UNSUBSCRIBE

CONTINUED FROM PAGE 7

How do you know if you can cut costs if you don't know what your costs are? How do you evaluate an opportunity if you are not sure you can afford the investment? A great deal of uncertainty can be relieved simply by having your ledgers in order."



We control our own finances but only if we know what they are."

— JASON FARLEY

Farley recommends taking a long look at your Chart of Accounts and asking yourself, "Does it reflect accurately what your company does? Does it help you to generate good P&L and balance sheets? These," he explains, "with a clear statement of cash flows are the meat and potatoes of good, actionable intelligence about your business."

Farley says that due diligence will pay off at tax time. "Those reports will save you a lot of heartache, and potentially save you thousands."

JASON FARLEY
Owner, Liberty Ledgers

ON THE MONEY, ALL THE TIME

BE STRATEGIC WHEN IT COMES TO CREDIT

If you're also reviewing your loans and credit lines at year-end, AMH Bookkeeping's Alita M. Hall has some advice for times when rates are rising. As a specialist in real estate bookkeeping, she says, "If you are thinking of refinancing, don't. You may end up paying more in interest. This may also lower the overall value on your holdings such as real estate, thereby decreasing the resale value and potential income generated because the expenses will increase at a rate not proportionate to the income."

ALITA M. HALL
Founder, AMH Bookkeeping

When it comes to credit cards, however, Louise Pooley of Pooley Accounting Services says that shopping around can pay off. "Research opportunities to lower borrowing costs with credit cards with lower interest rates, 0% balance transfers, or reduced rate offers. Also, contact card companies to see if interest rates can be lowered."

LOUISE POOLEY
Owner, Pooley Accounting Services



LEVEL UP YOUR SALES AND NEGOTIATION GAME



Don't discount the impact and power of negotiating your payment terms with vendors, suppliers, and contractors to retain more cash."

— LANESHA MOHIP

Matt Cianciarulo of U-Nique Accounting shares a key strategy businesses should employ during times of rising rates and inflation. "The number one thing an owner has to do is to continue to review, analyze, and adjust their pricing. Everything your business needs to survive is in its sales volume and its margin. Keep a watch on this and don't let it slip."

MATT CIANCARULO
Managing Partner, U-Nique Accounting

Lanesha Mohip echoes this sentiment: "One of the best ways to combat the dynamics of cyclical economic shifts,"

she says, "is to get aggressive with your sales strategy to exponentially bring in more revenue."

As the founder of Polished Business Solutions, Mohip, an accounting and human resources expert, says that "Bringing in more sales helps to expand your reach in your niche or industry because you're solving more problems for your customers and clients and they get to share that positive impact in the marketplace."

LANESHA MOHIP
Founder, Polished Business Solutions

LEVEL UP YOUR SALES AND NEGOTIATION GAME

CONTINUED FROM PAGE 8

Circling back to our first tip (the cash cushion), Mohip also offers advice on how to keep your cash flow stable: by utilizing those negotiation skills. “Don’t discount the impact and power of negotiating your payment terms with vendors, suppliers, and contractors to retain more cash,” she says, adding that this process is also an opportunity to “revisit some of the services, supplies, and products you possibly don’t need, can afford to scale back on, or simply prematurely invested in the prior reporting periods.”

Her recommendation during periods of rising rates: “Use this time to minimize overspending in the upcoming reporting periods.”

An economic downturn can be an opportunity to hone your skills as a small business owner, strengthening your ability to strategize, budget, and evolve the way you operate your business. “Being strategic with how you spend money and make money in your business should be a constant dance,” says Mohip, “where you’re working to improve your moves quarter over quarter!”

KEEP CALM AND HUSTLE ON



“Be realistic and learn to make sacrifices,” says small business CPA Sonny Peak. “When things get tough (and they will) just keep going. At the end of the day, you are in business for a purpose. The purpose is more important than the process,” he explains, advising business owners to, “Focus on the purpose. Be flexible. When circumstances change, pivot. Find new ways to serve others and new ways to provide value. Everything will be okay.”

SONNY PEAK
Owner, Sonny Peak CPA

ECONOMIC CHANGE MAY BE TOUGH — BUT SO ARE YOU

If there’s one thing our small business accounting experts agree on, it’s that with the right advice, you can weather any storm. Here’s the recap:

- ✓ Create a cash cushion or emergency fund for your business, it can buy you lots of things, but above all, it will buy you time.
- ✓ Put a cash flow system in place, it will help you plan your business’s economic future.
- ✓ Once you have a cash flow system in place, use a platform like Relay to manage it and get great quality data
- ✓ Put those numbers to work. Your accounting data is your map, your forecast, and your strongest planning tool.
- ✓ Leverage technology to streamline your accounts receivable processes and get paid faster.
- ✓ Take a fine-toothed comb to your expenses, loans, credit card rates, and other accounts to see where you can lower operating costs.
- ✓ Work on your sales game. Become a well-oiled negotiation machine.
- ✓ Keep on hustling. You’ve got this.

GET TOOLS THAT ENABLE CASH FLOW CLARITY

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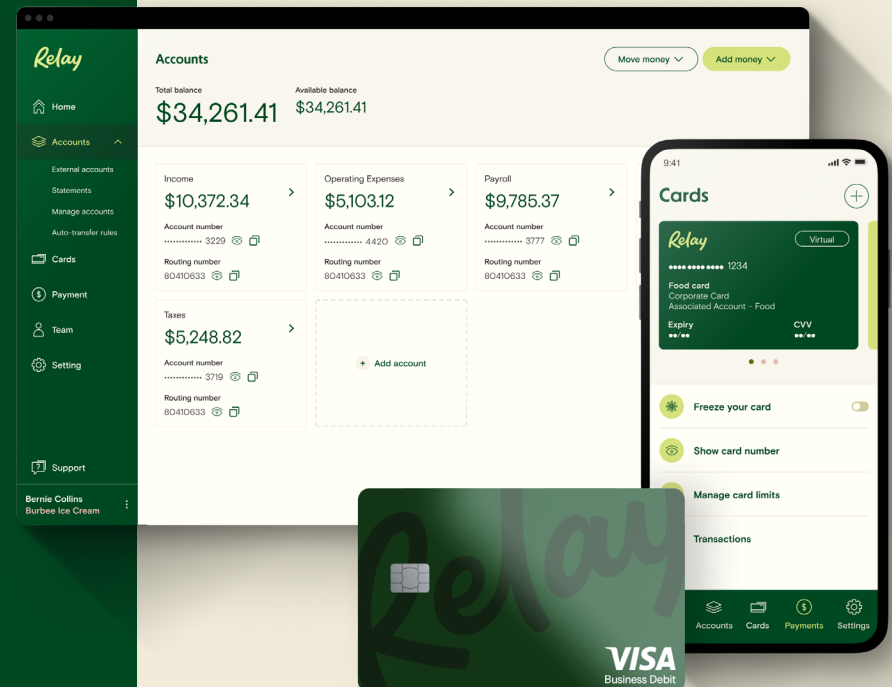
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