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GOERING CENTER

Since 1989

What's Inside

Publisher's Note:
This publication is an advertising supplement to the Business Courier in cooperation with the Goering Center for Family & Private Business, an affiliate of the University of Cincinnati's Carl H. Lindner College of Business.

Established in 1989, the Goering Center is the country's largest university-based educational resource for family and private businesses.

Carol Butler, President
Sarah Dieckman, Editor

University of CINCINNATI
CARL H. LINDNER COLLEGE OF BUSINESS

It's time to harness the power of change

By Carol Butler, President
Goering Center for Family & Private Business

As the saying goes, change is the only constant in life, an adage proven beyond a doubt over the last few years. Yet, despite the many challenges we've endured, we've also witnessed time and again those who effectively harness the power of change. These are the people who evolved successfully to build relationships and connection in one of the most difficult environments of our time.

What's their secret? It's what the world needs when everything is in transition: visionary, adaptable leadership.

Are you the kind of leader who embraces change to thrive and grow? If you're not yet, and you believe in the adage that leaders aren't born, they are made – then that's where the Goering Center can help.

Registration is now open for the Goering Center's 2023 Leadership Development Institute™ (LDI), which kicks off on March 8. LDI can help you become the kind of leader who not only thrives on change, but also uses it to their advantage. This comprehensive leadership curriculum attracts business owners, CEOs, COOs, directors, vice presidents, general managers, and emerging leaders to work side-by-side to better understand themselves, how to best work with others, build teams, and problem solve to accelerate their performance and that of their organizations in times of change.

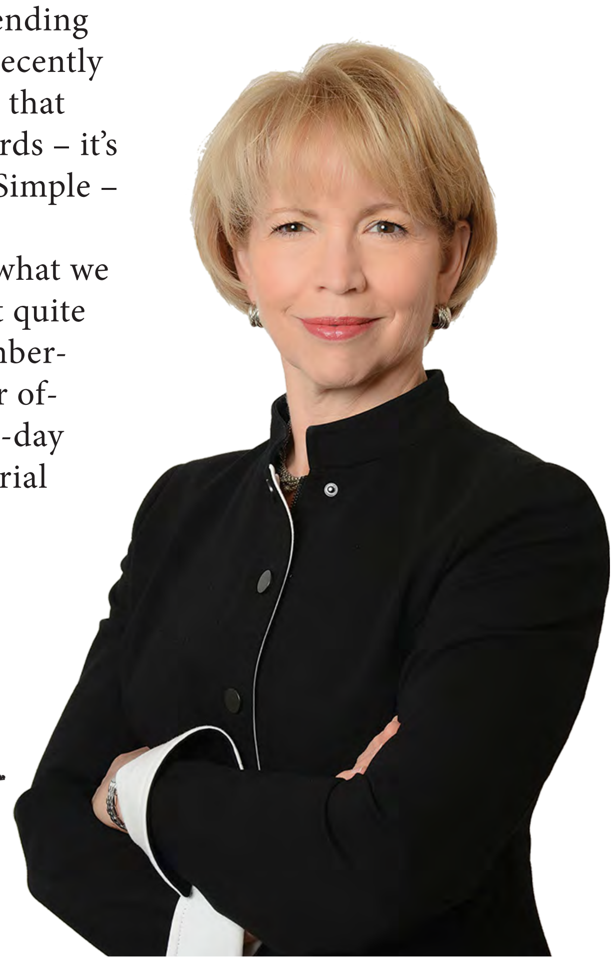
Coming up in March, we have Exploring the 2023 Economic Landscape, part of our regular single-day programming. This update, provided by a panel of leading economists, will help us look beyond the headlines to understand what's ahead for businesses, consumers, and the country's overall economic health.

Ultimately, while there are certainly lessons we can learn from the past, we as leaders need to look toward the direction we're going – forward. I hope you'll consider how the Goering Center can help you navigate your path forward, whether it's taking part in a leadership course or attending an informative event. I recently saw a post on Instagram that said "Don't look backwards – it's not where we're going." Simple – profound!

If you're interested in what we have to offer, but are not quite ready to commit to membership, the Goering Center offers a complimentary 90-day trial membership. As a trial member, you'll meet with our Membership Director to discuss your business and membership goals. You will take part in the Principles Course, an orientation session in our safe-haven environment, where you will share your goals and concerns and come away with a new sense of purpose and community. You'll also enjoy complimentary admissions to the membership Breakfast Series and membership pricing for Luncheon Series, Multi-Day Programming, and Workshops. To learn more, contact Membership Director David Miller at 513-556-5648 or david.miller@uc.edu.

Until next time.

Carol



SECURE 2.0 Act of 2022:

A Summary of Key Changes Impacting Employer-Sponsored Retirement Plans

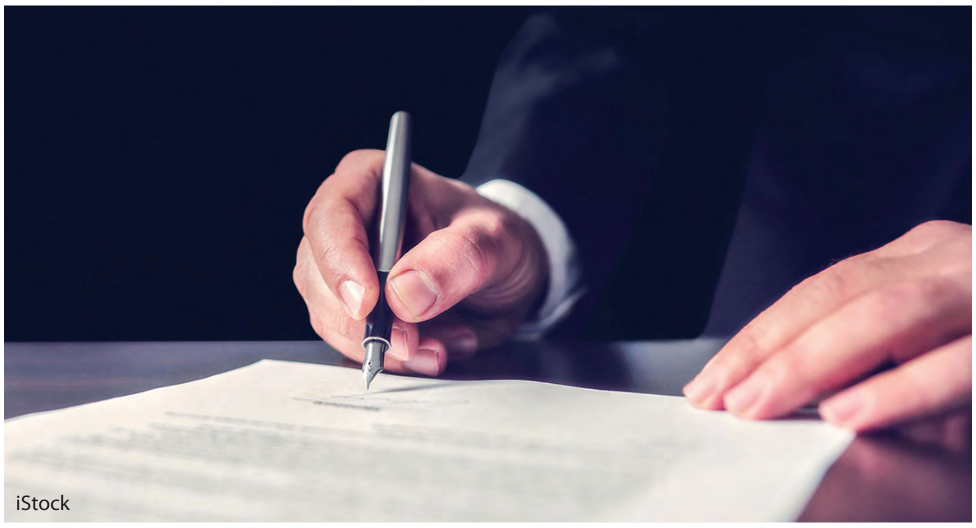
FIFTH THIRD BANK

By Michelle Hodgeman, Vice President | Senior Retirement Plan Consultant Group Leader, Fifth Third Bank

On December 29, 2022, President Joe Biden signed the Consolidated Appropriations Act of 2023 into law. This legislation contains the SECURE 2.0 Act of 2022 (the "Act"). These provisions largely build upon the changes under the SECURE Act, which was signed into law on December 20, 2019.

Hodgeman

This massive piece of legislation includes 92 provisions that will expand participant coverage, help participants preserve income, and simplify plan rules and administrative procedures. Please note, the summary includes highlights from the Act and is not intended to be an exhaustive list.



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Matching Student Loan Payments (Section 110) | Optional provision starting in 2024

- Employees making "qualified student loan payments" can have those payments matched in the retirement plan.
- The loan match must be at the same rate as regular matching contributions.
- The loan match must be subject to the same vesting schedule as the regular match.
- Employees must be eligible to participate in the plan in order to be eligible for the loan match.
- Student loan payments eligible for the match may not exceed the current elective deferral limit reduced by elective deferrals made by the employee.

In-service Withdrawal for Emergency Savings (Section 115) | Optional provision starting in 2024

- One distribution per year, up to $1,000 with the option to repay within three years. Distribution must be due to an unforeseen or immediate financial need related to necessary personal or family emergency expenses.
- Not subject to early withdrawal penalty.
- If account is not "rebuilt," either through repayment of prior distribution or making contributions equal to distribution, no additional distributions will be available for three years.

Higher Catch-up Limit at Ages 60 – 63 (Section 109) | Starting in 2025

Catch-up contributions increase in 2025 to the greater of $10,000 or 50% more than the regular catch-up amount in effect in 2024 for participants aged 60 – 63 (attained age for the entire tax year is at least 60 and not yet 64).

Long-term Part-time Workers (Section 125) | Starting in 2025

- The three-year long-term part-time rule from Secure 1.0 is reduced to two years. For example, employees working 500+ hours in two consecutive years must be eligible to defer.
- No employer contributions are required.

Paper Statement Requirement (Section 338) | Starting in 2026

- Plans relying on 2020 e-delivery safe harbor must provide one statement per year on paper.
- Participants can opt out of this requirement.

Unnecessary Notices (Section 320) | Starting in 2023

- Employers are no longer required to provide certain intermittent ERISA or Internal Revenue Code notices to "unenrolled participants."
- The Act defines an unenrolled participant as an employee that has received summary plan description and notice of initial eligibility.
- The Act amends the requirements under ERISA and the Internal Revenue Code to provide that only an annual reminder notice of eligibility is required to be furnished to unenrolled participants during the annual enrollment period.

Force-out Limit Increase (Section 304) | Starting in 2024

Limit increased from $5,000 to $7,000.

Incentives for Contributing (Section 113) | Starting in 2023

Employers may offer "de minimus" (has yet to be defined) financial incentives, not paid from plan assets, to boost employee participation in plan.

Required Minimum Distribution Age Increase (Section 107) | Starting in 2023

- The SECURE Act extended the required beginning date from age 70 ½ to 72.
- Secure 2.0 increases the required beginning date to age 73 in 2023 for participants who turn 72 on or after January 1, 2023. The required beginning date age will then remain 73 until December 31, 2033.

Penalty-free Withdrawal for Cases of Domestic Abuse (Section 314) | Starting in 2024

- Plans may permit participants who are domestic abuse victims to take a distribution in the amount of the lesser of $10,000 or 50% of their vested account balance.
- Distributions made under this rule are not subject to the early withdrawal penalty.
- Can be repaid to the account over three years.

PLAN AMENDMENTS

The majority of the provisions in the Act will not require retirement plans to be formally amended until the end of 2025. Your document provider will work with you on any required amendments in a timely manner.

For more information, contact Michelle Hodgeman at Michelle.Hodgeman@53.com or 513-534-6241.

Disclosures:
Please note, this information is subject to change and is not an exhaustive list of the potential legislative changes. Fifth Third Bank does not provide tax, accounting, or legal advice. Please contact your tax advisor, accountant, or attorney for advice pertinent to your personal situation. This commentary is intended for educational purposes only and does not constitute the rendering of investment advice or a specific recommendation on investment activities or trading.
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Inflation: Consumer Price Index (CPI) Prints and What They Mean to the Economy

By Carey M. Markoe, CFP®, CRPC®, MAI Capital Management, LLC

INFLATION/CPI BACKGROUND

If you weren't already familiar with consumer price index (CPI) prints, you almost certainly are now. What used to be a swept-under-the-rug number that barely made fine print on page 6 of your local paper is now the number that is responsible for moving capital markets in one drastic way or another.

Markoe

While the CPI number—which you'll often see stylized as month-over-month (m/m) or year-over-year (y/y)—is important, it is comprised of many separate figures that impact a consumer's budget, from energy & housing costs to the price of eggs & milk. Additionally, this number is a lagging indicator, meaning that this is indicative of what has already happened. The CPI figure is released by the United States Bureau of Labor Statistics (BLS) and is always released at 8:30AM EST mid-month.

The CPI is a basket of goods and services that consumers frequently purchase or utilize in their day-to-day life. In the most recent reading, released in January 2023 for December 2022, inflation decreased by .1% month-over-month (Nov. 2022 to Dec. 2022), but increased by 6.5% year-over-year (Dec. 2021 to Dec. 2022). Internal to this report were quite a few line items—everything from butter, margarine, and gas to rent for a primary residence—and how their price has changed. Looking at year-over-year metrics, eggs were the biggest contributor to inflation with their price up nearly 60% over the past year. On the flipside of the coin are televisions, which have decreased in cost by over 14% since last December.

SO, WHAT ALL DOES THIS MEAN?

When inflation is surging, as it has for well over a year, it hits consumers in the wallet unless their wages are increasing at an equal or greater rate. While wages are rising in general, macroeconomic data shows they aren't quite keeping up with inflation. Thus, the wallets for those who were living paycheck-to-paycheck got much tighter, whereas those with higher incomes were able to weather the effects without as many repercussions.

Inflation has affected everything from what you pay at the pump to how much you're able to contribute to your employer-sponsored retirement plans; even IRS tax brackets are impacted.

NOTABLE CHANGES TO BE WARY OF

Some important changes are listed below:

- Employee deferral limits in 401(k)/403(b)/457 plans for those under age 50 have increased from $20,500 to $22,500
- Employee catch-up provisions for those 50 years or older in 401(k)/403(b)/457 plans have increased from $6,500 to $7,500
  - o If you're 50 and older & have access to a 401(k)/403(b)/457 plan, the max you could've contributed in 2022 was $27,000 compared to $30,000 in 2023—more than an 11% increase year-over-year
- Employee & employer combined contribution limits have increased from $61,000 in 2022 to $66,000 in 2023; these are referred to as 415 limits in the industry
- The lower & upper end of tax brackets have moved up at an accelerated pace; simply put: if you're earning the same as you were last year or received a marginal raise, you'll likely owe less in taxes this year (for more information, consult a tax professional)
- The standard deduction for individuals has increased from $12,950 in 2022 to $13,850 in 2023
- The standard deduction for those that are married filing jointly has increased from $25,900 in 2022 to $27,700 in 2023

Your financial advisor or planner should be aware of all these changes plus a whole lot more. If you have particular questions about inflation and how it affects the economy, they should be able to elaborate on questions you may have or how it's impacted your wallet, portfolio, retirement accounts, and even any real estate you may own.

IN SUMMARY

The past few months' readings have shown that the pace of inflation is easing. With December's report showing a monthly decrease, a lot of financial professionals are hoping that the worst of inflation is behind us. Unfortunately, this progress may not be linear, but may be better charted as a dot-plot. With appropriate monetary & fiscal policy, many economists & market strategists are predicting that by the end of 2023, we could very well be back on track towards an environment with healthy, stable inflation.

Carey M. Markoe can be reached at 513-579-9400 or by email at Carey.Markoe@mai.capital.

Succeeding Where Most Family Businesses Fail

Stock Yards Bank & Trust
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By Mitch Nice, Commercial Banking Division Manager, Stock Yards Bank

It's hard to let go. As a successful family business owner, you took a giant leap of faith when you launched your business idea. You spent countless hours building the company with your own two hands, and you carefully guided it through lean, difficult years and periods of tremendous growth. Your business is your baby. You feel emotionally connected to it. It's part of your identity, your legacy. How can you let it go?


Nice

KEEPING IT IN THE FAMILY

If you're like most family business owners, you want to keep your family business in the family. In fact, according to Deloitte's Global Family Business Survey 2019, nearly 70% of family businesses would like to pass their business to the next generation. The harsh reality is that historically only 30% actually do. Even more troubling is that over the past five years, only 19% of family businesses transitioned to the next generation. What can you do to beat the odds?

FAILING TO PLAN IS PLANNING TO FAIL

Business owners spend years – even decades – nurturing and cultivating their businesses. However, few companies get the attention they deserve when it comes to planning for their transition. According to PwC's 2021 Family Business Survey, 58% of family-owned businesses have a succession plan; however, most are informal and inadequate. Only about one-third of family businesses have a robust, documented, and communicated plan in place. This lack of planning can result in a forced business transition due to an unexpected crisis (such as death, divorce, distress, or disagreement), often resulting in the next generation being woefully unprepared to take on leadership roles.

6 STEPS TO HELP ENSURE A SMOOTH TRANSITION

1. **Start early**
   You've spent decades building and nurturing your business. Putting all the pieces in place to ensure a smooth transition takes time and effort. Ideally, you should start planning at least five years before a planned transition – even longer if possible.
2. **Transfer skills and knowledge**
   This is often the most challenging step because it requires the business owner to give up control. In many cases, the business revolves around the founder; they intimately know how the company operates, they are the face of the organization, and they cultivated relationships with customers and suppliers. Owners need to get comfortable stepping back and allowing other family members to step in, learn the mechanics of the business, and build key relationships.
3. **Evaluate your management team**
   Family business leaders should regularly assess the skills and talents of their management team – including both family and non-family members. Does the next generation have what it takes to take control of the business? What skills do they need to develop? Should non-family members take on leadership positions in the business to help fill gaps?
4. **Assemble a trusted team of advisors**
   You're not in this alone, and this is definitely not the time to take a DIY approach. Assemble a team with experience helping organizations transition their business. At a minimum, this team should include your attorney, accountant, banker, and financial advisor. These experts bring a wealth of skills, experience, and knowledge to ensure things go smoothly from a technical standpoint. They'll also help structure the transaction in the most tax-efficient manner possible and help shore up any potential gaps in financing or capital resources.
5. **Communicate early and often**
   Volumes have been written about the challenges family businesses face in keeping the family connected both to the business and each other. This is especially true during a significant event such as a transition. Developing a family council can be an effective way to keep dialogue open, address the concerns of everyone involved, and identify areas of potential conflict upfront.
6. **Expect the unexpected**
   Always be prepared for "Plan B." Even though you may want to transition your business to the next generation, sometimes those plans fail to come to fruition due to internal family issues or other unforeseen circumstances. Always keep your business attractive to potential outside buyers. Keep your financial statements organized and in good order, consider obtaining a valuation so you know the fair market value of your business, and consider doing sell-side due diligence to identify potential sticking points that might arise from an external buyer.

Transitioning a business to the next generation is complicated – that's why so many fail. However, with proper planning, you can significantly increase your odds of a successful transition.

For more information, contact Mitch Nice at 513-824-6105 or Mitch.Nice@syb.com.

GOERING CENTER 2023 events calendar

The Goering Center's single and multi-day programs, institutes, and community events allow you to connect, learn, and grow alongside other family and private business leaders.

Dates and topics subject to change. Visit goering.uc.edu/calendar for current event details.

JANUARY

12
The New Sales Frontier - Virtual Series, Session 1 of 5

26
Luncheon Series: Bridging the Gap – Fractional C-Suite
11:30 a.m. - 1:30 p.m.

FEBRUARY

1
Overview: Leadership Development Institute™
7:30 - 9:30 a.m.

15
Overview: Scrappy Culture™
7:30 - 9:30 a.m.

MARCH

8
Leadership Development Institute™ - Session 1 of 10

22
Overview: Business Boards Institute™ (BBI) and BLUEPRINT
7:30 - 9:30 a.m.

23
Breakfast Series: Exploring the 2023 Economic Landscape
7:30 - 9:30 a.m.

APRIL

12
Overview: Roundtables
8:00 - 11:30 a.m.

25
Scrappy Culture™ - Session 1 of 6
7:30 a.m. - Noon

27
Luncheon Series
11:30 a.m. - 1:30 p.m.

JUNE

8
Luncheon Series
11:30 a.m. - 1:30 p.m.

JULY

12
Overview: G2 Roundtables
8:00 - 11:30 a.m.

26
Overview: Business Boards Institute™ (BBI) & BLUEPRINT
7:30 - 9:30 a.m.

AUGUST

1
Pricing Power™ - Virtual Series, Session 1 of 5
9:00 - 10:30 a.m.

10
Breakfast Series
7:30 - 9:30 a.m.

SEPTEMBER

12
24th Annual Family and Private Business Awards

20
Overview: Next Generation Institute (NGI)®
7:30 - 9:30 a.m.

OCTOBER

3
Financial Fluency for Next Gen Leaders - Virtual Series, Session 1 of 5
9:00 - 11:00 a.m.

12
Luncheon Series
11:30 a.m. - 1:30 p.m.

NOVEMBER

15
Overview: Roundtables
8:00 - 11:30 a.m.

16
Breakfast Series
7:30 - 9:30 a.m.

28
Next Generation Institute (NGI)® - Session 1 of 12

Principles Course
New members learn how to leverage Goering Center resources to help them prioritize the time invested in their membership.

Jan. 5, Apr. 6, Aug. 3, Oct. 5

Knowledge. Connection. Community.

To learn more, contact us at 513-556-7185 or goering_programs@uc.edu.

Am I in the Right Place?

By Amanda Shults, President & CEO, and Jonathan Theders, Chief Growth Officer, RiskSOURCE Clark-Theders

Everyone asks themselves this question – not just one time, but year after year after year. We all wonder, "Is this still working for me?" When the trend is changing your job, what is it that makes someone stay?

Shults

Theders

There are a multitude of hard compensation factors to consider – pay, PTO, health/dental/vision insurance, in-office perks, flexible scheduling, and hybrid/work-from-home options. Yet, many companies that offer great benefits have found retaining and hiring employees challenging over the past year.

So, if you're a great company, competing against other great companies for talent, what attracts new employees and makes your current team want to stay? In our experience, we've found that the answer is intentionally creating a strong culture and hiring people who not just fit, but enhance your culture.

Culture is the fabric of every person in an organization. Culture is more than catering lunch every day and monthly happy hours. It's what you believe and how you behave – it's your values. Those fun touches do help create opportunities for people to interact, but that's not the basis for how to build your culture.

Each culture is a little different. There is a wide spectrum of beliefs and behaviors in the business world. Clearly defining and communicating who we are has helped us hire people who enhance, versus detract or just fit, with our culture. Our hiring process emphasizes finding talent whose personal values align with our company values. That's because our six values – authenticity, service, integrity, faith, teamwork, and excellence – truly guide all the decisions that we make and living our values is a big part of our culture. Several years ago, we added a tagline to each of our values to communicate our interpretation more clearly.

People really gravitate to our value of "authenticity – go ugly fast." We encourage our team to respectfully share their issues, challenges, questions, or concerns, so we can find solutions together. Living this value means we intentionally offer opportunities for our team to give and receive feedback, and then actually act on it. We do annual stay interviews – not tied to compensation, and we used to do a handful of talent development check-ins throughout the year.

The pandemic really showed us that things don't have to be done the way that they've always been done. As expectations around work-life balance shifted over the past two years, we realized that we needed to check-in with them more frequently. We now do monthly talent development check-ins as well as a monthly anonymous survey. We want every team member to feel heard and supported. People stay where they feel like they belong, and people feel like they belong when they are heard and supported as human beings.

"Go ugly fast" is part of intentionally creating a culture where team members feel welcome, where people can be who they are, and feel safe to share ideas and give feedback. These elements of psychological safety are necessary in any healthy relationship, and how these play out determines whether a relationship will thrive and create new opportunities for those involved.

QUESTIONS TO HELP YOU EVALUATE IF YOU'RE IN THE RIGHT PLACE:

- Am I informed? Do I know what to expect and where the company is going?
- Do I have a voice? Am I encouraged by leadership to share ideas, voice concerns, and celebrate successes? Do I feel safe sharing those ideas?
- Do I make a positive difference in my role (monthly/quarterly/annually)?
- Do I enhance or detract from the culture? What is this place about? Am I a part of this?
- Does my organization care about me – both personally and professionally?

As a leader, it is even more important to know that you're in the right place. If you're unsure, don't discount your ability to create positive change. If you truly believe that you are in the right place, it is easy to create those opportunities for your team to thrive, and for people to know that they are indeed in the right place.

For more information, contact Amanda Shults at ashults@risksource.com or 513-644-1278.

Managed IT Services – Top Trends

By Karen Morgan, Director of Marketing, OptimizedIT a Modern Office Methods Company

Many small business owners struggle with the idea of trusting others outside the company who offer assistance and expertise. It's one of the reasons why owners and other company officers end up wearing more than one hat. But you can't always be an expert at everything, especially in a complex field like IT. Frequently, managed IT services offer the best solution regardless of a company's size and ambitions.

Morgan

MANAGED IT SERVICES

All managed services are designed to improve business operations and manage expenditures in various ways. But managed IT services are arguably more than the flavor of the month. With most of the business world increasing its presence in the digital realm and employing technology solutions, IT expertise is in hot demand.

But why use a dedicated service provider instead of hiring full-time specialists or on-demand professionals? Three ongoing trends explain this need.

TREND NO. 1 – CLOUD STORAGE AND COMPUTING

The cloud computing industry is accelerating at a rapid pace. It's intertwined with the IT sector in many ways and keeps getting more traction. Cloud storage and computing platforms can allow small businesses to increase their reach and streamline workflow and productivity in remote and hybrid workplaces. They enable business owners to invest in technology stacks and spark complete digital transformations in their companies without breaking the bank.

Due to this trend, hiring managed IT services is a top priority for everyone, from small businesses to large enterprises. That's because even cloud technology needs some implementation and monitoring by specialists you may not be able to afford to hire in-house.

TREND NO. 2 – AUTOMATION AND OUTSOURCING

Companies across all industries want to go through a digital transformation to keep up with the times. But not everyone has the capital or experience to create an IT department.

Outsourcing to IT service providers isn't a new concept. But it wasn't until recent times that managed IT services could offer the advantages it does today.

It takes a village of specialists to stay on top of every new tech development and analyze its potential for various industries and businesses. And with more companies already outsourcing everything from admin work to marketing to IT, managed IT services are a must-have in a fast-paced business environment.

TREND NO. 3 – CYBERSECURITY

The world is becoming increasingly connected through devices. The Internet of Things connects phones, thermostats, personal computers, smart watches, printing machines, and everything in between - which means communication is much easier. The downside is that it also exposes more devices, people, and operations to cyberattacks.

Being prepared means having a team capable of monitoring network activity 24/7. This is a monumental undertaking for most small businesses, even those operating in the IT industry. Companies need specialized hardware and software cybersecurity solutions and teams to actively prevent or respond to threats.

Managed IT services offer a great outsourcing opportunity for any company in need of better security. The right provider can assess your business and identify its vulnerabilities. It can recommend reliable solutions to prevent or mitigate damage in the event of an attack.

The best service providers will help your company get back on track and resume business operations should something happen.

MANAGED IT SERVICES – A SMART SOLUTION

Staying competitive in today's market requires more than innovation, excellent delivery, and good client relationships. You must make your company flexible enough to adapt to new market trends, obstacles, and be impervious to attacks. Upgrading your technology with managed IT services is one of the most cost-effective and simplest ways to integrate new tech and complete your digital transformation.

Managed IT service providers can do a lot for a company, from overseeing office equipment integrations to providing personalized cloud and cybersecurity solutions. And unlike using the occasional consultant, you can get ongoing monitoring, guidance, and interventions.

Working With Your Banker Through a Difficult Economy

FIRST
first financial bank

By Bill Harrod, Chief Credit Officer, First Financial Bank

As business owners prepare for choppy waters in the economy, the natural approach is to think through worst-case scenarios. And if trouble does come, some will simply plan to call their bank, or a different bank, for help.

Harrod

However, banks are being careful in this economy, too, and may choose to steer clear of risk. Lenders want to see profit/loss statements that are in the black. Going into a potentially challenging year for your business with the assumption that more credit will be your ace in the hole could lead to disappointment and even more trouble.

Preparing for uncertain times comes down to being smart about your business, understanding your revenue base and being proactive on expenses. To that end, here are four action steps for business owners to better position themselves for a productive discussion with the bank.

MONITOR CASH LEVELS

The earlier you identify a problem, the better the conversation will be with a bank, because you'll be talking about future solutions instead of the jam you're in today. That's why it's important now to step up monitoring of cash and liquidity, but to also act quickly if a problem surfaces.

I tell borrowers to focus on their 13-week cash flow. This is a good window of time to understand the ins and outs of cash flow, so we can proactively see potential issues coming down the road.

During recessions, many businesses' top lines go down, so the most prepared leaders will also have cost reduction plans in place to maintain healthy margins on less revenue. This is a recipe for survival. You can never eliminate expenses too soon in the face of difficulty.

Businesses with cash problems should scrutinize every purchase extremely carefully to preserve cash, while exploring alternatives to buying. Working with an equipment lease and finance specialist may provide a lower monthly payment versus buying the same equipment outright. This is why industries typically see an increase in leasing when the economy slows.

WATCH ACCOUNTS PAYABLE AND ACCOUNTS RECEIVABLE

Knowing that liquidity is key to any cash flow discussion with a banker, tip number two is to stay on top of accounts payable and accounts receivable. Pay as late as you can and collect inbound payments as quickly as you can.

With an economy in flux, accounts receivable must notify the rest of the business immediately when incoming payments are late—it could be a crucial red flag. Likewise, businesses may be able to adjust payment terms with vendors to improve availability of working capital.

AVOID EXPENSIVE LONG-TERM COMMITMENTS

Some businesses begin to suffer during a recession because they're sticking with a decision made long before the recession started. In these cases, leadership may have failed to read the tea leaves urging a slowdown. When expensive long-term commitments fail to generate immediate results, pain follows, and a lender will pick up on that right away.

Fixed expenses of all types have a way of increasing during a downturn. When recession looms, business leaders must be highly aware of their fixed costs, including how to reduce existing costs and avoid new ones. Cancelling a long-term project may be the best business decision, even if significant investment has already been made.

In short, look for all areas draining cash out of the business to learn what can be eliminated or put on hold until greener pastures arrive. Every nickel should be going to a good cause. If it doesn't directly correlate to revenue generation, it may not be needed right now.

REDUCE DISTRIBUTIONS

Like plucking too many leaves from a tree, large distributions to ownership at the wrong time could imperil the business and all the employees and families who depend on it.

Business owners may need to take less money out of the company to maintain the strong cash reserves that improve chances for new credit. Leaning on debt instead of reducing withdrawals from the business is often the wrong approach. The better path is to review 13-week cash flow and annual projections, check whether you have enough to cover debts, and then decide whether it truly makes sense to continue taking distributions at the same rate.

Your banker can share excellent advice and help to bridge gaps in cash flow. But bankers usually are not interested in subsidizing losses. Make the hard decisions about revenue, expenses and cash on hand, and the conversation with your lender will have a much better outcome.

Contact information: Bill Harrod
513-246-1846 | bill.harrod@bankatfirst.com