

FOCUS ON FINANCIAL SERVICES

Small Business Problems – and Solutions – Business Owners Should Know About

There are many small business pain points, whether you've owned your company for a few months or several decades. Problems encountered by small business owners are especially prevalent when entrepreneurs are first starting out. Regardless, it's important to remember that the benefits of small business ownership may far outweigh the challenges. To make your life easier, we've compiled a list of small business problems – and solutions – to keep in mind.

Obtaining Startup Funds

One of the most common small business pain points is obtaining startup funds. According to a 2019 Federal Reserve report, small businesses are the primary source of U.S. job growth. However, they're also much more likely to face financial challenges (like access to capital) than larger firms. There are a variety of options you can pursue to obtain startup funds. Here are a few of the most common:

- Small Business Administration loans
- Venture capital firms
- Self-financing
- Angel investors/peer-to-peer loans
- Crowdfunding/crowdsourcing

Managing Your Cash Flow

Managing cash flow is a financial problem faced by small businesses. One of the best ways to manage your cash flow is to create a projected budget at the start of each month. Then, create a month-end budget that measures your actual income/expenses against your anticipated budget. Below you'll find a few more ways to manage your cash flow:

- **Pay attention to your accounts receivable.** Stay on top of customers when it comes to payments and invoice them immediately. You might consider offering discounts or other incentives to customers who pay early.
- **Don't get sloppy with your bookkeeping.** Clean, up-to-date books help you judge your business' financial state on the fly. If you can afford it, you might want to hire an in-house accountant or outsource to a CPA firm. If you don't consult an accountant, be sure to purchase high-quality accounting software.

- **Stay liquid.** It's important for small businesses to maintain liquidity in case of an emergency. You should be able to convert any short-term assets into cash to manage short-term debt. Consider using a line of credit to fund your short-term debts until you've liquidated your short-term assets. You can then repay the line of credit.

- **Have a backup fund.** Unexpected expenses are bound to happen. Make sure you have a cash reserve to handle whatever challenges life throws at you.

Not Having Historical Business Data

Another problem encountered by small business owners is not having historical data about their company. Historical data includes financial reports, press releases, emails, project documentation, and more.

Not having historical business data makes it difficult to anticipate and prepare for industry trends that can impact your business. Historical data also helps you improve relationships with customers because you can document any issues they may have experienced with your company in the past. It's never too late to start accruing historical business data by tracking variables that affect your business.

Covering Healthcare Costs for New Employees

Funding part or all of your employees' healthcare is common small business pain point. In fact, 79% of small business owners reported that health insurance costs cut into their profitability. The rising costs of healthcare coverage are causing many businesses to hire contract workers. Here are a few tips that can make covering your employees' healthcare a bit more affordable:

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- Poll your employees to see how many of them actually want health coverage.
- Compare a variety of plans to ensure you pick the best plan for your business.
- Calculate how much of each employee's premium you can afford to pay each month.
- Small businesses can usually deduct the cost of employee premiums from their taxes.
- Some small businesses also qualify for small business healthcare tax credits.

Growing Your Profits

Figuring out how to grow your profits is another financial problem faced by small businesses. You're putting most of your money back into your business for continuous innovation. As a result, it can be challenging to simultaneously grow your profits. Wondering how to lower your operating costs and grow your profits? Try the following:

- Cross-sell products or services that complement each other, especially if the cross-sells are more expensive.
- Offer your prospects discounts and specials to incentivize them to purchase.

- Make the most of your digital marketing efforts. This includes things like your website, email, and social media channels.
- Earn certifications and accreditations to build your reputation among customers and prospects.

The Business Services team at Diamond Credit Union can offer solutions to help you with the small business challenges you may encounter – from lending and business banking needs to services and growth options. For assistance with any of your financial questions, contact:

Diamond Business Services Division – 610.326.5490, ext. 2123

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