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Making business expenses work for you

Martin Seward

Published: August 20 2015 - 6:00AM

COMMENT: Small businesses are missing out on 450,000 return Sydney to Melbourne flights each year.

Running a small business is no easy feat. You need to become an expert in HR, finance, marketing and sales, in many cases, areas where you have limited or no experience. There are a few simple things businesses can do in each of these areas to save precious time or money.

From a finance perspective, you're not alone if managing cash flow is a challenge for your business. Research conducted by American Express found one in four (25 per cent) Australian businesses listed this as a major challenge, behind attracting new customers (44 per cent) and finding time to get everything done (29 per cent).

Despite this, Australian small businesses are missing out on the cash flow benefits from tools like charge and credit cards. Almost half (48 per cent) of small business owners pay their charge or credit card bill within two weeks of receiving it and one in five (20 per cent) pay their bill as soon as they receive it. As many as 37 per cent don't use a business charge or credit card at all.

With many small business failures caused by poor cash flow, there's a significant opportunity for business owners to be smarter about how they manage their finances.

Small businesses missing out on big rewards

Small business owners deserve all the rewards that come with running a small business – one of which is making expenses work for them. Research by American Express found small businesses are paying almost \$52,000 on average each year in business expenses including rent, travel, office supplies and equipment.

Less than 40 per cent (38 per cent) of them are reaping rewards from channelling some or all of this spend through credit or charge cards attached to rewards programs. That leaves 62 per cent paying for business expenses with forms of payment that don't offer rewards and missing out on benefits from a collective \$15.6 billion annually.

In real terms, that equates to more than 450,000 return Sydney to Melbourne flights Australian small businesses are missing out on annually. That's a lot, especially when you consider the importance of travel in growing a business. So many small business owners would benefit from these rewards, yet so few are taking advantage.

One in six businesses (17 per cent) stated lack of time or difficulty changing established practices as the reason why they hadn't made changes to their payment methods. It makes sense – most small business owners are time poor and spend their time working in the business, not on the business. However, finding the time and making the effort to consider whether there is a better way to manage the business finances will pay dividends in the long run.

Martin Seward's five top tips for managing business finances:

- Ensure personal and business finances are completely separate so that you can clearly track expenses and have a clear picture of the business' financial health at any moment

- Bring money into the business faster by making it really easy for customers to pay you – ensure you are set up to accept a variety of payment methods including credit cards.
- Once you have the cash in your account, keep it there for as long as possible. Look at the credit terms offered by your current credit or charge card and consider whether a card with extended payment terms of up to 51 days would serve you better
- Be creative when it comes to minimising costs – this could be anything from partnering with a neighbouring business on advertising to buying recycled print cartridges or downloading free software instead of buying expensive licenses
- Maximise the value of your business spend by using a rewards card to get the benefits of statement credits, free flights and accommodation

Martin Seward is the vice president of American Express Small Business Services

This story was found at: <http://www.smh.com.au/small-business/finance/making-business-expenses-work-for-you-20150819-gj2djx.html>

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