ON THE ROAD TO FINANCIAL HEALTH

It's important to understand the concepts that contribute to financial wellness. Use this quick guide to put your practice on the right path.

Manage credit and debt

> Managing credit

• Build and maintain good credit. Good credit comes from owing money and paying that money on time. Make sure your vendors report your history of on-time payments to credit reporting agencies so financial institutions can form an accurate picture of your good standing.

• Be vigilant! Any negative information on the practice's credit report can have a detrimental effect. By regularly monitoring the reports, you can flag credit changes early.

> Managing debt

• Review interest rates. If the interest rate on business loans is significantly higher than current rates, consider refinancing to obtain a loan with lower monthly payments.

• A higher credit score indicates successful financial management. Use this information to negotiate with suppliers. Ask suppliers for discounts, especially if you order in bulk. Draw on your good payment history or on quotes from other suppliers when negotiating flexible or extended payment terms with suppliers.

• Rethink space. If the practice isn't using all the square footage, consider subleasing space or downsizing.

Build an emergency fund

A business emergency fund is the ideal way to pay for expenses when an emergency arises instead of using credit or running up debt. Use these steps to set up a fund:

• Estimate risks and market fluctuations within the industry.

• Calculate monthly expenses. How much money does it take to keep the practice running each month? Include property costs, bills, payroll and all other costs. Then determine how much money needs to be available to cover these expenses in case of emergency. Three to six months of savings is a general rule.

• Determine a monthly emergency fund budget. Acquiring the necessary funds may take months or years. Divide the total savings goal by the monthly deposit to determine how soon the practice will reach its goal.

• Create a no-touch savings account that's liquid with penalty-free withdrawal.

Stick with a budget

Budgets are important to the practice's operation. In its simplest form, a budget is a detailed plan of future receipts and expenditures. Start by identifying the profit goal and list the expenses you will incur reaching the goal. And update your budget monthly based on business performance and expenses for the prior month.

> Setting goals

Begin with the purpose of the practice. Next decide on the practice's audience. Most businesses have several audiences. Break down the audiences and determine what action is required of each audience. Remember, the goals are only useful if they are measurable.

> Cash flow

Simply put, cash flow is the money coming in to a business as well as the money going out. This includes everything from sales dollars to expenditures for office supplies.

Cash flow begins with cash. From then on, the central purpose is to convert that cash into other kinds of assets, or to extend it with liabilities and turn it back into cash again. This process continues throughout the life of a business.

Cash flow can be defined in different ways. Some people think of cash flow as an income through sales, revenue through any economic activity or any expenditure for the organization. Cash flow is any kind of income or expenditure that affects the cash accounts. A cash flow must be strictly financially liquid cash or finances you can store in a bank account or as currency. Any financial statement that shows an inward or outward flow of cash is proof of cash flow. Inward cash flow is generated as a result of financing or sales. Cash outflow comes from purchases, investments, salaries and any other expenses.

VHMA Veterinary Hospital Managers Association

SOURCE: VETERINARY HOSPITAL MANAGERS ASSOCIATION