

Protecting Your Business in an Uncertain Economy



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Recent economic indicators clearly say that the economy has slowed, and things may get worse.

In anticipation of uncertain economic times ahead, as a business owner you should be exploring ways to position your business so it can withstand the unpredictable demands that are bound to come up.

Following are some of the areas that are likely to contain solutions, and that you would do well to probe, in order to achieve the goal of protecting your investment.

Position your business for today's economy:

1. Analyze your business. **DO** you have a five-year financial history?
2. Build a cash reserve.
3. Create a worst-case cash-flow forecast. Assume a 10%-20% drop in sales.
4. Review all loan documents. Strive for a 10% buffer on every loan.
5. Identify internal weaknesses. Look for signs of excess inventory, too-liberal

credit terms, unprofitable accounts, increasingly aging accounts receivables, etc.

6. Tighten accounts receivables. Start calling customers at three-five days' overdue.

7. Reward loyal customers, but don't cut prices! Build value.

Capitalize on unexpected opportunities:

1. Open a line of credit before you actually need it
2. Keep your funds liquid
3. Lock in a favorable rate on term financing
4. If you must make a capital investment, now is a good time as you can lock in a low rate (before rates return to normal levels).
5. Acquire/merge with other companies, if it makes total business sense.

In these uncertain times, it is **CRITICAL** that you keep a watchful eye on the pulse on your business. Being focused will allow you to stay strong and vibrant in these challenging times.

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