

COVID & cash flow

The COVID-19 crisis is creating unprecedented challenges to cash flow. Whether you struggle with fluctuating revenue, find yourself having to delay projects or need to get a handle on costs, these 4 steps can help.

Step 1: Recognize you're not alone

Cash flow struggles can be frustrating. Even though most small businesses were growing before COVID-19,¹ very few had significant savings.



86% of small businesses said, pre-COVID, that they couldn't survive a 2-month revenue gap without supplemental cash flow.²

Unfortunately, that situation is now a reality for many small businesses.

Step 2: Analyze the disruption

Ask your accountant, or use your accounting software, to pull together your income statements for the last year, as well as an up-to-date balance sheet.



Inflows

- Current and future sales
- Accounts receivable
- Existing financing

+ Assets



Outflows

- Fixed operating costs
- Accounts payable
- Interest payments

- Liabilities

Compare your inflows and outflows in 2020 to the same periods in 2019, and note how COVID-19 has affected your business. Studying the disruption to date can help you plan for any future uncertainty.

Action: Create cash flow forecasts for the next 3, 6 and 12 months. You may want to create multiple forecasts to reflect different recovery scenarios.

Step 3: Make cash flow adjustments

How could you generate more income?



Pivot

Think about how you can **change your products** or services to be better suited to today's customer.

Adapt

Think beyond products and services to how you do business. Could changes, like doing more digitally, help you win more customers?

How could you cut your costs?



Press pause

Delay unnecessary projects, such as testing new products that aren't immediately relevant.

Negotiate

See if you can defer payment on big expenses, like rent, and ask your vendors about updated terms. Consider creative solutions like discounts for on-time payments.

Raise prices

Evaluate a potential price increase by weighing lost revenue against your customers' ability to pay.

Sell assets

Selling an asset can generate cash. If you didn't own the asset outright, this could also eliminate an expense.

Action: Research the potential consequences of any cost-cutting efforts to help you avoid surprises. For example, skipping payroll may violate the Fair Labor Standards Act, and skipping payroll taxes may lead to a penalty from the IRS.

Step 4: Seek help if you need it

The federal government, along with many corporations and nonprofits, wants to help small businesses. These resources can get you started.

1 Main Street Lending Program

Run by the Federal Reserve to help small businesses access credit.

2 Venturize

Find community development financial institutions (CDFIs), small business development centers and more.

3 Small Business Administration

The SBA offers various programs meant to help businesses through COVID-19.



77% of small businesses applied for funding via the CARES Act.³



93% of applicants received a loan.⁴

Action: If you received a Paycheck Protection Program (PPP) loan, keep tabs on how you spent the funds. This can make it easier to sort out potential loan forgiveness or repayment terms when the time comes.

Keeping track of cash flow can help you apply for and keep track of outside funding.

Review the [COVID-19 resources from Wells Fargo](#) for more ideas on cash flow.

^{1,2} 2020 Report on Employer Firms: Small Business Credit Survey, Federal Reserve Bank.

^{3,4} Covid-19 Small Business Survey, National Federation of Independent Business, May 29, 2020.

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