

**Ten Tips in Tough Times**  
**What Small Business Owners Should Know During Tough Financial Times**  
**By Steve Huston, President of BANKWEST**

As we embark on 2011, many small business owners continue to face tough financial times. Many small community banks, like BANKWEST, are working with our small business clients to get through these tough times. I recently ran across information written by John Blanchfield at the American Bankers Association with help from bankers across the country that could serve as a good checklist to review as you position your business for a successful 2011 and beyond. If you have questions or would like to meet with one of our relationship managers, feel free to call BANKWEST at 763-477-5231.

**Ten Tips:**

1. In tough times cash is king. Carefully examine every capital purchase that will require additional debt. Ask yourself if the expenditure will generate the cash flow needed to pay for itself. If the new item can't create enough new cash to pay for itself over a reasonable period of time, defer the purchase.
2. Let a budget be your financial road map. You are flying in the dark financially if you don't have a budget for all income and expenses. A budget helps you maintain the direction of the business and must be updated frequently. What about a budget for personal expenses as well? Many small business owners do not track personal expenses and as a result they can become an invisible cash drain.
3. Objectively look at your business's financial position and performance. Are you getting the maximum return from your investment? If not, why not? Are your non-business assets generating a maximum return? Is it possible to sell any assets that are not contributing to the financial health of your business? Remember, in tough times, survival is the goal.
4. Examine how your debt is structured. Do you have an imbalance between long-term and short-term debt? Is it possible to increase your long-term debt to pay down your short-term debt? You may be able to increase your monthly cash flow by spreading out your short-term debt over a longer period of time. Be cautious when taking a loan against long-term assets such as your real estate; it's like drawing against your "life" savings account. If you're going to use your long-term equity, make sure the need is critical to your business.
5. Prepare for your financial review with your banker. Have current inventories, cash flows and balance sheets ready for your review with your banker. Provide the information needed. Often bankers spend time with customers looking for misplaced information instead of concentrating on resolving important issues. If you are having financial problems, put your thoughts about how to resolve them on paper so your banker can review them with you.
6. Ask your banker about the Small Business Administration (SBA) guaranteed loan programs. Your banker may be able to restructure your business debt over a longer period if the SBA is willing to provide a credit guarantee on your loan to the bank. If your business is located in a qualifying rural area, your business may qualify for a Business and Industry Guaranteed Loan offered by the United States

Department of Agriculture's Rural Development Agency. Many states also offer financial and technical assistance to small businesses. Your banker is a good source of information about additional financial resources available to your small businesses.

7. Review your hazard and fire insurance coverage. Increasing your deductibles can lower your premium. Carefully review every item on your inventory list and consider eliminating coverage on obsolete or low-risk terms.
8. Carefully examine your life insurance policies. Many whole life policies contain provisions that allow you to borrow against the cash surrender value at low rates or allow you to deduct the premium costs from the cash surrender value. What type of life insurance do you have? Is it worthwhile to maintain a costly whole life policy when you could get similar coverage from a less expensive term policy? Of course, you should never be without life insurance. All key personnel in the business should be covered so that the business can continue in the absence of any specific member of the management team.
9. Deal with financial problems immediately. When an issue arises that impacts your cash flow, be proactive. Talk to your banker early and often. A good way to avoid serious financial problems is to identify and resolve them early. Though discussing financial difficulties may be uncomfortable, many problems are best resolved by a team. Create a personal "board of directors" comprised of people you know and respect, who can be your sounding board. Make sure your banker is a member.
10. Maintain a clear perspective. One of the best ways to think through business problems is to get away from them. For example, take a weekend off – and not just to attend a trade show – or resolve to see at least one movie before it comes out on video. However you do it, it is important for you to put your concerns aside temporarily and shift your focus to other activities – it will make your home team and business stronger.