



## Winning The Cash Flow Lottery

by [Steve Brown](#)

Just when you think you are good to go in life, you can get a curve ball thrown your way. Look no further than the data around lottery winners that finds a whopping 70% of these folks end up going bankrupt within 5Ys. Financial planners say that is because these winners can tend to feel invincible, leading them to give away too much money too fast. That is really rough when you consider the odds of winning the Powerball jackpot are a paltry 1 in 292mm. It won't be lost on community bankers that it appears the real issue here is all about properly managing cash flow.

Cash flow is a topic community bankers know well. It is also one of the most basic concepts for new business owners. You may think that this is an obvious area of focus for your business customers - after all it is pretty straightforward. Yet for business owners, especially new ones, managing cash flow is among the most daunting tasks. Payments and receipts get out of sync and suddenly cash flow is negative. Deposits may not be made on time and risk can increase due to incidental expenses. These are real life issues for some of your customers.

As bankers know too well, lots of new businesses go under because they cannot properly manage cash flow. According to the SBA, 50% of all new businesses fail within the first year and about 33% fail within the first 10Ys. A US Bank survey also finds that 80% of business failures were the result of cash flow problems. These numbers show that most business owners are ill-equipped to handle cash flow. Luckily, community bankers can play an important role.

Helping businesses with their financial health can be mutually beneficial. It is indeed in the interest of community banks to help educate and guide business owners to fully understand and manage cash flow. As their businesses thrive, they become solid borrowers and bank customers.

While there is no magic bullet for accomplishing that, banks can be agents for best practices, helping business owners - particularly new business owners - understand the mechanics of cash flow and the pitfalls that can lead to serious trouble. Assigning a bank representative "teacher" to new business customers could be a way to effectively educate, so customers can avoid issues and promptly rectify any cash flow problems.

Of course, the main tool at the banker's disposal is information. Community bankers can refer business owners to the SBA web site for instance, where information is available to help business owners learn more about managing cash flow. Other helpful information can be posted on your bank's website.

Certainly, being proactive with business borrowers, regularly checking in for updates and asking specifically about any cash flow issues are all ways to keep your business customers financially healthy. Community bankers who keep close watch on business owners missing loan payments will be more able to intervene early with advice on how to better manage cash flow.

A few simple steps in the loan process can be helpful as well. Borrowers can be encouraged to open separate accounts for loans as a reminder to use the money only for designated purposes and not to commingle it with other funds. Misuse of loan funds can often lead to shortfalls and cash flow problems. Borrowers can also be encouraged to set up automatic loan payments to help insure they don't get behind and wind up short.

A program for helping loan customers manage their cash flow issues can not only be useful in working with business borrowers, it can perhaps also be used as a promotional tool. This would show that a bank's services extend beyond the simple act of making a loan, to helping a business customer succeed after the loan is

approved. After all, when your business borrower wins the lottery of cash flow they succeed and so does your bank.

# ECONOMY & RATES

## Yesterday

Yields slipped 3bp, as investors were skeptical Congress would accept the Trump tax cut plan that was announced (would push the corporate rate from 39.5% to 15.0%).

Rates As Of: 04/27/2017 11:45AM (PDT)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.80	0.00	0.00
6M	0.97	0.00	0.00
1Y	1.06	0.00	0.00
2Y	1.26	0.00	0.00
5Y	1.82	0.00	0.00
10Y	2.29	0.00	0.00
30Y	2.96	0.00	0.00
FF Market	FF Target	Fed Disc	
0.00	1.00	0.00	
Prime	Unemployment	Oil	
4.00	0.00	\$0	

[More Market Rates](#)

## BANK NEWS

### Tax Cuts

President Trump is proposing cutting the corporate tax rate from 39.5% to 15% (for S corps as well) and a repatriation tax rate on offshore earnings from 35% to 10%. If they can get anywhere near these rates, it is good news for community banks and the small business customers they serve as it will help performance numbers going forward.

### BSA/AML Firing

The Wall Street Journal reports at least 3 bitcoin exchanges have been cut off from processing transactions in dollars as banks have moved to block all requests. Of note, some of the world's largest banks specifically prohibit other banks they do business with from dealing with virtual currency exchanges. Looks like this KYC (know your customer) has shifted to a different type of KYC (kick you to the curb).

### Compliance

A KPMG survey of chief compliance officers of major US organizations finds 60% say the technology they use either hasn't been checked to make sure it meets compliance requirements or they were not sure if that had occurred.

### Regulation Pause

The global regulatory body that drives banking rules worldwide (Basel Committee on Banking Supervision) said it will stop issuing new policies and shift for the next 2Ys to assess the impact of regulations that have flooded out since the credit crisis.

### Biz Acumen

Research by William Belk finds 76% of high performing employees say mastering their trade is more important than money when considering career decisions.

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