

The importance of Cash Management

By *Tori Wainwright, Ledyard National Bank*

When you hear the term Cash Management one may think it is the general idea of managing money coming in and money going out. While that is partially correct, Cash Management encompasses strategic processes for many components of one's business to support financial stability and operational efficiencies. The concept behind Cash Management is to save time while increasing convenience, saving money and mitigating risk both short term and long term. The goal of business owners is typically to grow the business' financial well-being while innovatively adapting to market trends.

Failure rates for small business are at an all-time high. This can be due to lack of resources or knowledge of Cash Management. Thus, restricting business owners the ability to take advantage of various Cash Management Services. Maintaining sustainable cash flows can be a challenge when managing incoming and outgoing cash while optimizing return on investments. Researchers have found that business leaders who have not developed effective cash management strategies are at risk of experiencing liquidity and performance problems, including bankruptcy (Prasad, 2017).

A comprehensive review of internal processes allows for management to strategically identify areas of opportunity to apply streamlined operations and cash flow forecasting. Streamlined operations can consist of many different concepts and can be incorporated and customized over time to best fit your business and financial planning needs.

An effective approach to implementing cash management processes starts with identifying and measuring current processes and critical points of business. Analysis will allow for risk management controls to be identified and incorporated as solutions are implemented. There are also opportunities for segregated duties, dual control and multi factor authentication controls on payment processing services such as Wires, ACH and Remote Deposit Capture services.

Every business wants to make the most of cash-on-hand and identifying solutions may not always be as convenient or easily attainable. Concepts to keep in mind when planning may include.

Online ACH Services: Allows businesses a convenient tool for collection/payment of funds between the business and its customers, vendors or other financial institutions.

Online Wire Services: Allows businesses to make domestic or international bank-to-bank transfers for vendor payments.

Online Positive Pay Services: A fraud monitoring tool that can be used by businesses on both incoming/outgoing ACH and check activity. This allows businesses to receive timely alerts in order to manage unauthorized activity and maximize a business' ability to dispute ACH transactions within a 24-hour window to pay or return items.

Remote Deposit Capture Services: Gives businesses a convenient way to deposit checks from business locations with a bank certified scanner and seamless desktop integration. Saves time and money by cutting out trips to the bank!

Account Analysis: Allows for business account holders, depending on the structure of the account, the ability to receive an earnings credit rate to be applied on balances maintained in the account on a monthly basis. This would allow the ability to offset service charges for the month.

Insured Cash Sweep Accounts: Optimizes growth of a business' excess cash flow by automatically sweeping funds into an interest-bearing account. In doing so, the funds remain liquid while receiving multimillion-dollar FDIC coverage.

Lockbox Services: A streamlined payment processing system for simplifying payment collections and remittance documentation for the business' customer base. The service cuts back on the time it takes for checks to be mailed and deposited into the accounts. The Lockbox is a physical location the bank has access to in order to verify payments that customers mail in. This is done through online banking platforms or directly through the bank.



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Merchant Services: A way for businesses to take advantage of payment processing utilizing terminals to accept debit and credit card payments. These terminals can be both physical or virtual access points and can typically be integrated with an existing Point of Sale system.

Tori Wainwright joined Ledyard in August of 2019 as Cash Management Officer in their Commercial Banking Division with over 10 years of local banking experience. In this role, Tori is passionate about building and strengthening business relationships through non-lending opportunities by implementing efficient processes and providing customized support. Tori will receive her BS in Banking and Finance from Cambridge College in February and is continuing her education with Cambridge College to receive her Masters in Operational Management. She currently resides in Charlestown, NH.



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74 South Main Street
Concord, NH 03301
(603) 513-4100
www.ledyardbank.com

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