

reducing debt

With stocks tumbling and an uncertain government tax environment ahead, everyone is trying to increase the bottom line. One way to do this is to look at ways of reducing your business debt.

Simon Allsop, Managing Director of *my accounts*, said that it's time to reduce good as well as bad business debt. "At the moment, with the ATO and banks putting more pressure on SME's, cash is king. It's time to really make sure your expenses are realistic and can be realistically covered."

Be accountable with your business spending

"Find a way to be accountable for your spending," said Simon Allsop. "Discussing your budget and business expenditure with a partner, business coach, or accountant can be an invaluable business strategy."

Reduce costs by planning your expenditures

Concentrate on making large savings first (such as on big costs like rent or staff), and by setting a savings target of at least 10% in all areas.

Look for ways to have any product or service you need without spending money. Can you have a meeting with an interstate client by Skype instead of travelling? Can you hire a piece of equipment instead of buying it outright? "Scrutinising every single cost can sound off-putting, but learning to spend wisely is like developing a muscle – it gets easier with practice," said Simon. "Be creative and have fun with it but don't get so obsessed you're not growing your business."

Bring more cash into your business

This may be the time to raise your prices, increase your marketing efforts, offer special deals, get referrals from other organisations, and cross sell to existing customers. Think outside the box, too. Could you rent out unused office space? Or sell advertising space on your website?

Sell unnecessary assets

If ever there was a time to sell old equipment, it is now. You can convert the assets you need (such as cars) into liabilities by selling them to a finance company and leasing them back. Get rid of obsolete stock by using a trading company that takes stock at its depleted value and gives you a credit for it. You should also consider cashing in investments and factoring invoices.

Restructuring your liabilities

Looking closely at the way you structure the amounts of money you owe can take the pressure off lateral debt, free up cash and give you more working capital. Agree on longer or scheduled payment terms with your suppliers, and replace existing loans with loans with better interest rates or repayment periods. You may also be able to defer major tax liabilities with the help of your *my accounts* accountant.