COVID-19

5 Financial Steps to Take Now During Coronavirus

Now's a time when your goal may well be simply to ride out the next few months. That's fine. Yet riding out the next few months isn't the same as doing nothing. By being proactive, you can not only make the most of a bad time, but position yourself ...

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There's no denying a societal crisis, especially a global one is a game changer in many ways, especially in the business community. Plenty of business people – entrepreneurs and otherwise – are dealing with real pain and life- and business-threatening situations. You can only hope for the best.

Yet business owners, especially those whose current and future prospects aren't completely bad off, have the ability to take advantage of whatever opportunities have arisen in these strange times.

That's not to say you should prey on the misery of others, but there are some things you should be doing at this point that could pay off in the future.

Here are five things to consider.

1. Restructure any debt you already have

Ideally, you don't want to be taking on any more debt these days if you can help it – and that might be a big "if" for a lot of businesses. Still, there's plenty of opportunity to reduce your monthly payments.

Considering how life is always changing, your business might be viewed vastly differently now by lenders. For example, perhaps you're generating increased amounts of collateral, cash flow or credit. Even with a pandemic slowdown, maybe your products or services are still in demand.

Refinancing should be on your table. Just by shaving a percentage point or two is going to cut your monthly debt service, which will put more money in your coffers. And in these troubled times, cash is king more than ever.

2. The SBA works

Unlike in the past, you might now be eligible for a Small Business Administration-backed loan – or a better conventional bank loan.

The SBA got a lot of attention because of the CARES Act and the Payroll Protection Program, but it's the agency's regular lending programs that should interest you. Do note that in its regular programs, the SBA doesn't make the loans – it only backs them for a select group of lenders.

The flagship 7(a) program offers low rates and fees, comes with counseling and education if so desired and generous repayment terms. In addition, lower down payments, flexible requirement regarding overhead and no collateral may also figure into the equation

3. Loyalty is nice when it comes to dogs, but necessarily for lending

At the very least, you need to conduct a debt review to consider financing options as they stand now.

That said, you have to be careful. Your current lender won't want you to go, especially if the current arrangement is lucrative in their favor. They may try scare tactics, claiming you'll lose flexibility if you change lenders or that you may risk running out of money.

Resist that pressure. Think of it this way: What's more important – your business or your lender? Your lender is certainly looking out for itself first. You must, too.

And remember, it's always possible your lender could rework your deal, which could save you from awkward moments.

4. Loans (and loan restructuring) aren't always the answer

More capital isn't always the answer. Sometimes, it's better to make do with less.

Entrepreneurs generally don't want to scale back their operations because they're too worried about growth. But few businesses grow in a straight line. There are ups and downs along the way and now you might just want to minimize the damage.

Steps you might take include deferring capital expenditures or deferring or reducing lease payments and non-critical vendor payments, if possible. By reaching out proactively to landlords, vendors and other contractor holder, you might be able to craft some breathing ground.

On the unpleasant side, you could think about furloughing some employees or even pay cuts (if you choose the latter, make sure you cut your pay as well).

5. Give yourself some credit

This advice – which isn't heeded nearly often enough — applies for both when your company is doing well and when it's struggling.

You should open a line of credit.

A credit line gives you peace of mind because you have a ready reserve to tap. And it gives you a great deal of flexibility. Say you get a short-term opportunity to buy a stockpile of a key raw material at a ridiculously low price. With a credit line, you can take advance.

Remember that you only pay interest on a credit line if you borrow from it – and there's no requirement that you do that. The credit line can sit there untouched, if need be.

In summary, now's a time when your goal may well be simply to ride out the next few months. That's fine. Yet riding out the next few months isn't the same as doing nothing. By being proactive, you can not only make the most of a bad time, but position yourself for the inevitable rebound.

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