Reserves
Create and fund a reserve account to cover cash shortfalls from seasonal fluctuations or uneven customer collections.

Why does a cash flow cushion matter?
If your business is sometimes short of cash, building a cash reserve can help you through the lean periods. Whether from seasonal changes, normal spikes in accounts receivable (AR) or unexpected expenses, many businesses experience ebbs and flows in available cash. Building a reserve account to cover expected and unexpected cash flow needs will give your business a necessary cash cushion.

61% of businesses faced financial challenges in the prior 12 months:
- Paying operating expense
- Making payments on debt
- Purchasing inventory or supplies

Resulting in:
- Used personal funds
- Made a late payment
- Took out additional debt

Key actions to take:
• Determine the amount you need in reserves: Start with cash flow statements for previous years, and look for months with negative cash flow. What are the reasons? Seasonality in revenues? Bills due for items that are paid annually or quarterly, e.g., insurance, raw materials purchases, permit fees, etc.? Unexpected items like late payments from a large customer or an unexpected repair? Build the predictable items into a monthly cash flow projection for the next year. Adjust for seasonal items and look for the cumulative gaps during the year. Note the volume of unexpected items and make an allowance to create a rainy-day fund. The rainy-day component of the cash reserves should match your tolerance for risk and your access to capital - either via injection of equity from investors or personal funds, or access to a line of credit or loan.

• Evaluate the best reserve account options: Depending on the reserve account size and needs, you can either keep the reserve in your operating account or open a separate account. You can maximize growth by depositing your reserve cash in a transactional account that pays interest. Ensure you can add and withdraw funds over time as necessary.

• Set a plan for initial funding and ongoing withdrawals: Setting aside cash from earnings each month requires careful planning and financial discipline. Your cash flow projections for the coming year(s) are the best guide to find and move excess earnings to your reserve account. Keep in mind that if your business is not generating sufficient profits to fund the reserve account, you may need to turn to an infusion of personal or investor funds. Withdrawals should also mirror your cash flow projection. You will need to revisit your assumptions at least annually to adjust for changes to the business’s finances or assumptions underlying your reserve accounts.
• **Work on managing events that cause cash flow swings**: Creating your cash flow projections will map cash flow timing so you can forecast and plan for any peaks and valleys. In addition to setting up a reserve account to fill in the cash flow gaps, you can make a conscious effort to address the underlying sources of predictable cash flow variability. For example, review your outstanding invoicing to identify slow-paying customers with a history of overdue bills and slow payment. Consider offering these customers incentives or discounts for fast payment in the future. Also, you could concentrate marketing campaigns or discounts during seasonal periods of weak sales. Further, you might be able to rework terms with suppliers to spread payments over multiple months. If you can put any of these strategies in place, be sure to update your cash flow and reserve account projections.

**How SunTrust can help**

Choosing the right products and services for your business’s cash flow helps make operations smoother and transactions more efficient. That’s a top priority — for you and for SunTrust.

A **SunTrust Business Advantage Money Market Account** offers tiered interest rates to build your reserves. All accounts offer access to a variety of online and electronic services.

Take the time and complexity out of managing your cash with a **SunTrust Business Checking Account**. SunTrust offers a variety of business checking accounts and cash management solutions to fit your business and the volume of transactions you handle. SunTrust Business Checking Accounts help you manage your finances securely and conveniently.

Gain access to your accounts and payments with **SunTrust Online Cash Manager**, a comprehensive small business cash management system. Enjoy increased visibility across your accounts balances and 18 months of downloadable, printable account history including paid check and deposit ticket and deposited item images. Easily download your account data and information for software packages at your convenience. With secure access to your financial information, you’ll always be prepared to make informed decisions to keep your business pointed in the right direction.

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**Click below for additional resources:**

- **Cash Flow 101**
  Understand the ins and outs of cash flow for your business.
- **12 Month Cash Flow Statement**
  Download a sample cash flow statement from SCORE.org.

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1 Small Business Credit Survey, Federal Reserve Banks, 2016
2 SunTrust conducted research with 397 small business owners ranging from $100,000 to $2,000,000 in annual revenue in the first quarter of 2017. The high-growth segment was derived from the fastest growing twenty percent of those companies.
3 Additional charges may apply. See the Online Cash Manager Fee Schedule for details.

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