

AdvanceMe's Small Business Tip: July 23, 2008

Hope For the Best But Plan For the Worst

In all likelihood, Murphy's Law was probably originated by a small business owner.

It's true that in a small business, anything that might go wrong probably will. It is also true that you can't possibly plan for everything. However, many smart small business owners know that to take a few precautionary steps early on can save you a world of heartache if when something does go wrong.



Simple Steps to Help Protect Your Small Business

- **Emergency Fund.** Every business should have an emergency fund: a safety cushion of accessible cash ready to handle the unexpected. The proper amount of money for your emergency fund would depend a lot on probable uses. This is a fund that should receive regular deposits to keep it as powerful as possible. Look into accounts that allow regular deposits but might offer benefits for infrequent withdrawals. Be diligent about contributing, and vigilant about keeping its purpose intact...though it may be tempting, don't spend it elsewhere.
- **Proper Insurance.** How healthy is your business insurance? It is a good idea to spend some time at least once a year to review your insurance plans and options with your insurance agent. Proper coverage in place can help you handle many possible problems as they arise.
- **Sleep and eat properly.** Physical and mental fatigue can certainly be made worse by a poor diet and poor sleeping habits. In taking care of yourself and your small business, sometimes it pays to start with the basics. Make sure you are sleeping well, eating balanced meals and exercising regularly. Some simple attention to the basics your body needs can help you find better focus for your small business objectives.
- **Identify new sources of help before you need them.** Know where you would go if your business was suddenly in a pinch. Play out a couple "what if" scenarios to consider your possible resources. Annually review your credit scores, and identify opportunities and credit lines available with banks or other lenders. Identify any alternative sources of working capital that might work for your needs. Look into each resource to see how much you can get and how quickly. Determine all the things that would need to come together to make each solution effective for you. If possible, have plans and contingencies at least loosely identified so you can reduce your stress in a time of true crisis management.

A small business owner should not lose a sense of optimism, but should be very realistic about what the business might have to face unexpectedly. An expensive emergency situation can quite literally kill a business. Smoothly handling problems as they arise is often the very thing that separates the businesses that survive from those that will not.

Smart business owners know to hope for the best but plan for the worst. They keep their insurance up-to-date and have an emergency fund in place. These business owners understand that to find success in a small business, many challenges will require some form of capital. By taking the time to identify many possible sources of funds to cover a variety of emergency expenditures, smart business owners make Murphy's Law less likely to impact the business' stability and growth initiatives.