

Financial security is very important for small business



By Miranda Lusiba

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Last year, during our regular administration meetings with my business associates we had a look at what kind of financial products we would need to cover ourselves and create security for our businesses. We had to look at business expenses as a whole to make sure that we haven't left anything out that would leave us and our businesses financially unprotected.



Source: www.pexels.com

As SMME owners, we always worry about a lot of things – any chance of immobility that could cause us to not be able to service our clients, earn an income or pay for our fixed expenses.

There are several issues that we have experienced over the years which include contractual issues, non-payment for our services by clients after the work has been done or unprecedented delays that could potentially paralyse a small business. We also thought about labour issues that we've experienced in the past without any legal support. So, we decided then that it was important for us to have some kind of a "Law on Call" kind of service for these kinds of eventualities.

Business protection

We also thought about general business protection that includes basic business and household insurance to protect the company premises and its assets from theft, fires, water damage or any other natural causes that could affect the normal day-to-day operations. We also worry about being hospitalised and not being able to generate any income while we're

incapacitated, so we deduced that a hospital plan that pays out some money for the days in hospital would be an ideal solution.

For some of us that are one-man-shows and are not able to employ any employees at the moment – we worry about leaving our clients on a lurch, especially in the middle of a big project. We are always thinking about how we would like to make sure that there's business continuity while we are still recuperating from a hospital for instance. This is why as business associates, we decided to collaborate on client projects whenever we can. Collaborating would not only mean that we are able to continue servicing the clients, but also that we can continue to generate an income for the business.



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Financial expenses

We looked at other financial expenses that an SMME is not able to get away from that include policies to protect the business owner – these included personal insurance such as funeral and life policies, retirement annuities, and a will to ensure that everything around personal or business assets is articulated well. When I think about the importance of a will, I think about the business agreements that we get into with other business associates/partners and how important it is to make sure that it is clear what the deceased is owed and vice versa.

The problem is that if this is not spelt out well, it is easy for the family that is left behind to be swindled by either the other business partners or suppliers when the business owner is now not there to clarify the terms of the initial agreement.

Other business expenses include telephone and data costs – the question for us was whether we should go the prepaid route or commit ourselves to taking cell phone contracts or even get into unlimited Wi-Fi agreements because these are essential tools in ensuring that there are no interruptions to the daily operations. Also, because we use our cars mostly for business purposes – it is also important to make sure that there's car insurance that covers both personal and business travel.

And then there's the savings and investments that we also needed to think about. It's unfortunately important to have an emergency fund to cover the business when there's a lack of income due to either slow business periods; where it is difficult to secure lucrative contracts. Also, the emergency fund helps us in the cases that I mentioned before where there are delays in client payments or non-payment for services rendered. I know that it sounds like a lot to think about, but this is unfortunately not a conversation that we felt we couldn't avoid.

It is therefore crucial for those that aspire to become entrepreneurs to know what they are getting themselves into and to go into business with all of this in mind.

ABOUT MIRANDA LUSIBA

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