

How to Cope With Hard Times

Paul B. Brown

For small businesses that are trying to ride out an uncertain economy, all solid suggestions about cutting costs, reducing the amount of time it takes to collect a receivable, or finding forgotten tax breaks are much needed.

Here are a handful of ideas that may help.

PAY UP, PLEASE Ryon Gambill, a professional collection agent, who has created the software program BillCollectorInABox, says: "The most important aspect of getting paid on time is being clear about what work was done, how much should be paid, and by when. It's surprising how many smaller companies don't have this process adequately defined."

He suggests these steps:

Adding a bold due date to your invoice.

Calling to make sure the customer got the invoice.

Not waiting until the payment is overdue. "Start collection efforts immediately."

He adds, "Make certain that all customer service issues are addressed immediately so that they cannot later be used as an excuse for withholding payment."

YOUR FRIEND, UNCLE SAM Maureen McGetrick, a partner at BDO Seidman, a tax and business consulting firm, says many entrepreneurs and small businesspeople are forgetting about tax breaks that could ease the pain.

Entrepreneurs, for example, should remember that they can deduct up to \$250,000 in major equipment purchases made in 2008.

"Included in the definition of equipment are computers, noncustomized computer software, office furniture and machinery," she says.

If business this year is truly bad, and you are going to lose money, "consider carrying back this loss in order to get a refund of taxes paid in prior years," she says. "A net operating loss deduction can generally be carried back to each of the two preceding tax years to offset taxable income in those years."

Remember, she adds, to take care of your health in these trying times.

"The tax law continues to provide generous incentives for small business owners to deduct the cost of their health insurance," she says. "Self-employed individuals can generally deduct 100 percent of the cost of their health insurance (up to the amount of their earned income)."

TIPS 101 Entrepreneur, in the current issue, features two companies that took advantage of cost savings basics.

David Letterman saved \$3,000 a month by refinancing the loans on his Bonfatto's sandwich shop in Pennsylvania at a lower rate, Crystal Detamore-Rodman reports.

C. J. Prince says entrepreneurs should not be so focused on cutting costs that they forget about trying to increase sales — while keeping costs the same.

These are among her suggestions: charging for products or services that are currently being given away; raising prices; and trying to sell more to existing customers, instead of prospecting for new ones.

TIPS 102 Writing on his blog, calacanis.com, Jason McCabe Calacanis, chief executive of Mahalo.com, a human-powered search engine, offers a number of money saving/efficiency ideas.

Here are our two favorites:

"Buy cheap tables and expensive chairs. Tables are a complete rip off. We buy stainless steel restaurant tables that are \$100 and \$600 Aeron chairs. Total cost per workstation? \$700. Compare that to buying a \$500 to \$1,500 cube/designer workstation. The chair is the only thing that matters. Invest in it."

And Mr. Calacanis suggests purchasing "an expensive, automatic espresso machine for the office. Going to Starbucks twice a day cost \$4 each time, but more importantly, it costs 20 minutes."

For the noncoffee drinkers he suggests stocking the company refrigerators with sodas.

LAST CALL Those who are leaders, may want to set a good example when it comes to saving company money. One way is to bring in your lunch to show you are serious about savings.

But why stop there?

Jeff Yeager, who bills himself as the ultimate cheapskate, suggests on his blog that you pack your lunch every day in an empty Domino Sugar bag, "with its multiple layers of industrial strength, indestructible paper."

One of his readers who has done just that reports that the bag has "served him faithfully, day in and day out, for six long years."

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