



Financial Traps Can Hurt Your Business

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ABOUT THE AUTHOR

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Sometimes we are surprised when we witness the closing of a business that we had known for decades and therefore expected to be around for many years to come. A business is only able to remain open, however, if income is the same as or more than the operating costs involved.

As a business owner you therefore need to be very aware of how much money is coming into the business and how much is being spent. There are a few financial traps that can hurt your business and, if you are not aware or able to develop a strategy to avoid them, you too might be facing a business closure.

1. Interest and bank charges - If you cannot afford to pay for something one month, the chances are high that you will not be able to afford it and the interest charged on borrowed money to purchase it the following month. Most banks and credit cards have high rates that result in compounded interest. Other charges such as those for overdue accounts, monthly banking and transaction fees as well as credit card annual costs can quickly add up.

The best way to purchase items is with cash but before you buy anything, it is important that you determine whether you actually need it. Even being able to wait for a couple of months might provide enough time to save the money needed or be able to shop for a less expensive alternative.

2. Shipping and Handling charges - Often you will be tempted to order an item that you think is priced appropriately, only to find that the shipping and handling costs can add up significantly. In fact, there have been times when I have noticed that these costs were almost as much as the retail price of the item that I was ordering.

Make sure that you know exactly what you will be paying before you give your final approval for purchase. Ask if there are any discounts available or if there might be a special offer that will be in effect in the near future. Sometimes if you ask for free shipping, the vendor will give this to you providing you order a specific amount of merchandise. When you do the calculations you might even find that a larger order will provide you with more merchandise with free shipping than if you ordered less with shipping charges.

If you are to avoid financial traps you will need to be sure to take the time to gather information about the products and services that you are using. Reviewing your bank and credit card statements will help you to understand all the charges you have been paying in the past. Asking good questions about shipping and handling charges before you place an order will help you to know exactly what you will be charged in addition to the product. These strategies will help you to avoid financial traps and ultimately improve your bottom line so that you will be able to remain in business for years to come.