

Safeguarding your business's future

Too often South African business owners are with their backs against the wall in tough economic times, largely due to the absence of a sound saving and/or investment strategy to tide them over during the lean times, says Riana Grobler, senior marketing consultant at Old Mutual Corporate.

"Another common mistake made by business owners is to reward themselves excessively during boom times – rather than conserving the excess. The result is that when the economy enters a downward cycle such businesses may face an uphill battle for financial survival.

"However, your business doesn't have to become financially vulnerable during challenging economic times, or at worst fall prey to sequestration. All that is required is to make provision by saving and investing. However, it would need to be a disciplined approach for it to be successful.

"To achieve this, a business owner should deploy sound medium term (2 to 5 years) and long term (6 to 10 years) savings and investment strategies that run concurrently, and that has preferably been developed in conjunction with an accredited financial adviser," she suggested.

This strategy should also and most importantly make provision for an emergency fund – savings that are readily available to address possible financial shortfalls and cash flow problems during slow trading periods.

"Apart from deciding how much of your free business reserves to set aside for regular, medium and long term investing, you will also have to decide what you are going to do with your investments upon maturity – will you

plough the funds back into the business to grow and strengthen your operation or will you use it for personal goals. The choice is yours.

"Disciplined and regular saving towards your business goals will not only safeguard your business's future, but should also give you financial peace of mind during difficult times – knowing that you have sufficient liquidity to take your business forward.

"Also, bear in mind that a saving and investing strategy is not a one-size-fits-all plan – every business has its own unique financial needs. It should be treated as an ongoing process that needs to be revised, as your business grows and the economic landscape evolves.

"It is never too late to start, no matter how small the amount. You will be surprised how quickly your savings grow especially when you factor in the magic of compound interest," Grobler concluded.

Riana Grobler
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