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Top 26 Financial Tips for Entrepreneurs

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Starting and growing your own business can be exciting, but it is also extremely challenging. Your business's finances are a crucial aspect of entrepreneurship, and you need to know how to manage them well. We spoke with business leaders and industry experts to get the best financial tips for entrepreneurs to elevate their business.

Below are the top 26 financial tips entrepreneurs wish they knew earlier, straight from the pros:

1. Manage Your Inventory Efficiently

James Cassel, Co-Founder, Cassel Salpeter

As entrepreneurs, you should always check your inventory levels and make sure that they are efficiently managed. Reduce your inventory during a downturn to help free up capital, avoid obsolete products, and maybe even cut down your warehouse/holding costs.

2. Keep Your Business & Personal Finances Separate

Yoko Kawamoto, Finance Staff, Founder's Guide

Even at the early stage of your business, you should strive to keep your business and personal finances separate. Open a bank account intended solely for your business, and as soon as you can, get a business credit card as well. If you need to use your personal credit card because you are not yet eligible to open one for your business, just make sure you monitor and record your business expenses and account for them properly.

3. Provide Customers with Convenience Through Technology

Julie Pukas, Head of Commercial Product Integration, TD Bank

Entrepreneurs should look to merchant solutions providers that can keep them on top of the latest payments trends and POS systems, many of which offer features beyond just simple payment processing. By adopting technologies that parallel those of larger organizations, but at a smaller scale, entrepreneurs are able to deliver the convenient experiences consumers have come to expect. Contactless payments, for example, offer increased security and reduced transaction time, allowing businesses to focus on other important tasks while pleasing customers with a shorter checkout time. Entrepreneurs and business owners should start by identifying weak points in their current processing systems and find a merchant solutions provider that has the ability to tailor service to meet unique needs.

4. Create New Cash Flow Without More Debt

Viktor Monder, Founder, Monder Law Group, PC

Creating small amounts of cash flow through your investments early on will help push a marketing campaign that many entrepreneurs would normally not have had the budget for until years down the road. Entrepreneurs may find the journey to be difficult and getting into debt feels like the easiest option at times. But if you want to build a sustainable business, you should learn to diversify and begin a collaboration effort to bring in additional cash flow while you are building the business. Figure out ways to leverage ideas to create small streams of income to fund your business and try to stay out of debt as much as possible.

5. Be Careful Using Debt to Fund Operations

Tony Schy, Chair, Vistage International, Inc.

As a small business owner, the first time you take on debt and later work to pay it back, you are met with a rude awakening. Normal accounting rules allow you to deduct the expense that you funded with debt at the time you incur the expense. But later, you have to repay that debt with after-tax cash (profit). If you funded operations with debt, you could find that servicing that debt consumes a large portion of your after-tax cash flow. This can lead to an income statement that looks good, but a cash flow statement that looks terrible.

6. Know the Importance of Accounts Receivable

Ben Ricci, Managing Partner, Stevens & Ricci, Inc.

In setting up your business make sure you invest the time to develop a strong credit application and invoicing/payment policies – and stick to them. Accounts receivable can be used strategically to increase revenue (cash flow) and minimize bad-debts. Learn to manage, control and even profit from slow-pay and no-pay customers with incentives to pay on time and penalties for slow or no payment.

7. Budget More Time & Money for Setup

Jonathan Rosenfeld, Founder, Nursing Home Law Center

Probably the biggest bit of advice for a new entrepreneur is to budget significantly more funds and provide more time towards their initial set-up and opening. Opening and getting a business off the ground always costs more and takes longer than anticipated. The people who are willing to endure and see the projects through are the ones who will be successful in the long-term. It's important to know that things will be difficult at the start, but that's what makes the reward that much sweeter, because you earned it through a lot of hard work and risk.

8. Invest in Health Insurance

Sally Poblete, CEO, Wellthie

Entrepreneurs should invest in health insurance because it supports their employee's health and productivity. Employees who feel well directly correlate to their performance at work and the company's bottom line. Health insurance is an important benefit that employees value in seeking a job – thus, it helps with attracting and retaining good employees. Even for sole proprietors, solo entrepreneurs or freelancers, getting health insurance is an important step in securing both your health and financial security. Getting access to full coverage for preventive, routine, urgent or more serious medical conditions can be costly if you pay for it out of your own pocket, and it can even lead to bankruptcies for some.

9. Identify Your Market Before Developing a Product

Ross Cohen, Co-founder & COO, BeenVerified.com

It is important to spend time identifying your target market before getting your business up and running. Don't spend years developing a product that doesn't have a distinct customer base. Some businesses find it difficult to determine their target market. Instead, most of them just went after the broader consumer market.

10. Don't Spend Too Much on Branding

Deborah Sweeney, CEO, MyCorporation.com

Entrepreneurs should know not to spend so much money on branding without focusing on its return on investment early on in their business career. As time progressed, you'll find that many of these marketing expenditures were ROI negative. Many business owners lost money because of irrelevant or bad marketing bets when they should have been more careful to watch what was working and what wasn't for the business. Small business owners should pay attention to their company's ROI at every stage in business. Know exactly where the money you spend is going and how the investment is paying off.

11. Learn Basic Accounting

George Krueger, Co-Founder, [BIGG Success]

It's not exciting, but the most successful entrepreneurs understand the basics of accounting. Accounting is the language of business. Your financial statements have so much to say about the status of your business and you should know how to listen. They will help you understand how your performance stacks up. They will serve as a tool to pinpoint what you need to do to improve your business.

12. Maintain Majority Control

Noel Moran, CEO, [Prepaid Financial Services]

One of the biggest mistakes most entrepreneurs make is scaling a company without enough investment. It's important for business owners to keep onto as much of their company as they can, for as long as they can. If you don't go down the investor route at the start, it would be a lot easier to not dilute the shareholding or ownership of the company.

13. Diversify Your Investments

Allan Dib, Founder, [Successwise]

Once you start to see a good ROI from your business, you need to think about investing in something other than your business. Whether that is property or the stock market or whatever, it's essential that you have a portion of your money invested elsewhere. Some entrepreneurs were raking in dollars one minute and overnight lost everything because of the rise of something bigger and better.

14. Evaluate Your Breakeven Point

Walker Peek, Founder & CEO, [Commercial Acoustics]

It's important to develop a good break-even model in the beginning and use that to evaluate your business strategy. As entrepreneurs, we want to do and execute as soon and as fast as possible. But it's important to stop for a moment and look at the numbers. Has your break-even changed? If so, why? Was your original assumption about cost and COGS correct? Are things more expensive?

Can you cut costs? Overall is your model correct? and are you focusing on the activities that are going to get you past break-even?

15. Learn to Manage Invoices

Marwan Forzley, CEO, [Veem]

Although you may exchange dozens of emails detailing your order with your supplier, the invoice will tell you the exact nature of the product you are to receive. Be certain the specifics are in the invoice. That means that if the invoice doesn't specify that the product be boxed, expect it to arrive in bulk. You should request a product sample before finalizing the invoice. These can help you control the quality of the product you're importing. Be sure to find out about points of no return: once production is started, you may not be able to make changes to the product. You should also manage how your supplier will be invoicing you and when they need to get paid. For first orders, many will want the money before they release the goods. Some will need payment before production starts so they can purchase materials. If you're on the same page as your supplier in regards to payment terms, it will smooth out your entire supply chain and potentially stop costly mistakes from happening down the line.

16. Know Your Contribution Margin

Justin Tysdal, CEO & Co-Founder, [Seven Corners Inc]

Many business owners thought that each piece of new business or sale was good and added positively to the company's performance. The process of assigning workload and effort towards a revenue number was something most entrepreneurs did not take into consideration when they started the company. Make sure to determine your company's contribution margin and that it positively impacts your business.

17. Avoid the Lifestyle Creep

Mark Ortiz, Founder, [ReviewingThis]

One of the best financial tips for entrepreneurs is to avoid lifestyle creep. Some business owners experience that as their business grew, their day-to-day personal expenses increased as well. Some make unnecessary upgrades on apartments, cars, gadgets. This is a grave mistake because it meant less money to re-invest into the business. Also, if the business is on a downturn, it would be difficult to scale down your personal expenses as quickly. So, if you're an entrepreneur, and your business is growing, focus on re-investing back into it, instead of upgrading your lifestyle.

18. Learn to Screen Ideas

Shane Walker, VP & CMO, ProActive

To maintain stronger financial staying power, you absolutely must say no to some good ideas to focus on the right ideas. Not every idea drives excellence and adds to your core value. Lots of ideas will come that could help make the product or service better in some aspect but every idea costs money. Remember that and be choosy about where you spend. Chasing too many good ideas that don't add to the excellence of your core business can lead you down a financial rabbit hole and straight out of business.

19. Talk to Customers & Identify Their Needs

Sherman Lee, Founder, Good Audience

Entrepreneurs should know the value of having real revenue from real paying customers. Spend more time talking to your target customers and identify their needs. That way, you can develop a product and/or service that can cater to their needs. This helps ensure that they will buy your products and services and earn revenue from them.

20. Start Tracking Your Expenses From Day 1

Rhian Williams, Founder, Rhian's Recipes

Small business owners should start tracking their expenses from day one. Even if you don't know if your company is going to generate any income, it doesn't hurt to prepare for the future by keeping track of expenses. Use accounting software like FreshBooks or QuickBooks, which allows you to store all the necessary information as well as photographs of the receipts/invoices. It's much better to do this kind of thing as you go along rather than leave it to build up over a few months or even years, because once your business start generating income and you have to do tax returns, you'll definitely thank yourself for having kept on top of your bookkeeping from the beginning.

21. It's Not How Much You Make But How Much You Keep

Michael Brennan, Founder, Law Offices of Michael J. Brennan

As small business owners, we are always concerned about our income and the day-to-day operations of our business, that we can lose sight of the expenses and the costs of doing business. At the end of the year, we see our income went up, but our expenses also went up even more and what we think was a great year turns into a disappointing one. Keep track of your finances and ensure that your costs don't eat up your income.

22. Keep Your Burn Rate Low

David Waring, Co-Founder, Fit Small Business

One reason most people don't start a business that they are passionate about or end up failing is that they cannot afford to survive long enough for their business to be successful. With this in mind, a piece of good advice is to keep your personal burn rate low. This will allow aspiring entrepreneurs to save enough money to focus full time on their passion and provide existing entrepreneurs with a longer runway to be successful.

23. Make a Conservative Budget

Bill Baumel, Managing Director, Ohio Innovation Fund

An important tip is to budget wisely – assume expense ranges come in on the higher side and revenue ranges come in on the lower side. By doing so, the worst case scenario is you have enough money to operate your business as planned, and the best case is your revenues will be higher and/or your expenses lower. This means you'll have cash left over to invest even more in your business's expansion. You want to really map out your entire business – from the supplies you need to buy, who to hire, the space you need, your marketing costs, IT, legal, taxes and other costs – so there are no unpleasant surprises.

24. Operate in Survival Mode

Daniel Joelson, Founder, Car Loans of America

Some believe the workday starts at 9 AM and ends at 5 PM, Monday through Friday. These are the same people who often never realize their goals. Why? Because if you prefer to leave your work at the office, you probably do not want to be a successful entrepreneur. Here's one need-to- know tip if you want to be a successful entrepreneur: operate in survival mode. Meaning, work as if every day is the day your business could go under. Earn more, spend less, and always push yourself harder, motivating your team to do the same. Encourage others to show up early and stay late and do so as well. A successful entrepreneur is not made overnight but if you follow this tip, you are guaranteed results.

25. Invest in Financial Education

Tod Colbert, President & Founder, Weather Tight Corporation

When you are first starting out and trying to build a business from nothing, time is your most valuable resource. Your responsibilities include sales, marketing, accounting, maintenance, customer service, technical support, and more. You put in countless hours and work long nights to try to get everything done. Forward thinking and planning are low priorities which means that learning about how to make money work for your business is overlooked. Experienced entrepreneurs understand money concepts such as pricing, time value of money, tax planning, and investment in their businesses.

26. Hire Competent People & Establish Good Relationships with Them

Dewayne Hamilton, Director, Web Cosmo Forums

Less is more and it rings true while doing business. Entrepreneurs should take a step back and simplify their goals and strategies. You should have faith in your abilities, but also include checks and balances by introducing a diverse group of colleagues that will support and challenge one another. Listen to your employees and try to establish good professional relationships while at work.