



## How to beat that sinking feeling

To survive the credit crunch, it is important to manage your cashflow effectively and generate new income. **Martin Murray** provides some tips to stay afloat in the current economic climate

**M**ost people have either directly or indirectly felt the effects of the credit crunch. This may be in respect of overdraft facilities or simply a feeling of depression as gloomy forecasts are increasingly announced by the media.

With the onset of inflation, increased unemployment and lack of cash, there is a large group of people in their mid-thirties and younger who have not felt the effects of a recession before. For many cosmetic doctors, this fits their own profile and certainly fits the profile of many of their patients.

What tips are there to weather the general downturn in the economy?

### Cosmetic practices

1. Review the mix of patients, recognising that older patients will have more disposable cash and that irrespective of the general state of the economy, they will still seek certain procedures. Make sure you target these patients.
2. Do not exclude younger patients with less disposable cash resources, as they are still your future. Recognise that you may be able to provide them with less costly alternatives that in the short term have the same desired effect but will meet their reduced budgets.
3. In a recession, competition becomes fierce as supply exceeds demand. Look to see what enticements can be offered to patients to retain and generate more income. This may include some loss leaders to retain existing patients and attract new ones.
4. Review expenditure and cut out non-essentials. It is important not to compromise on quality—the calibre of your service will see you through.
5. See whether your services could operate within a larger geographical area. For example, products can be sold over the internet and patients may

be attracted from further afield.

6. Ensure that you have enough capital resources to survive the downturn by preparing cash flows detailing income and expenditure. When an anticipated shortage of funds appears, go to your bank to secure either an additional overdraft or a loan—it is bad management to act only when you hit a cash flow problem. Your bank manager will look more favourably upon you if you have anticipated a shortfall in advance.
7. Suppliers of goods and services are the first to suffer in a recession as the length of time to be paid increases. However, they are a good line of credit as any delay in their payment can keep the bank balance healthier for longer. However, be careful not to upset important suppliers who may decide that it is not worth working with you.
8. The cost of premises and staff eat up the vast majority of outgoings. If a member of staff leaves, consider if they need a replacement and if they do, could you employ someone less costly in their place. If it is necessary to make someone redundant, ensure all the necessary employment procedures have been adhered to, as it can be costly if the legal procedures have not been followed.
9. It is harder to reduce costs on premises if you are tied into a lease or own the building and are paying off a loan. But you can determine whether the property is being used to its full potential: other providers of medical services could share the use of a room in the evenings.
10. Marketing of the practice is essential to keep you in the public eye, especially as most of the patients are self-payers. There is a tendency in a recession to reduce this type of expenditure, which can consequently have the opposite effect.

### Personal resources

You may be tempted to use personal resources to keep the business afloat. If any personal resources are to be utilised, make sure that you are not wearing rose-tinted glasses! However, the cosmetic business could actually be used to obtain cheaper personal finances.

If you operate through a limited company, you may have built up a “director’s loan account” in respect of a salary or dividends that have not actually been paid to you. Check with your accountant if this applies, as you will have already paid tax on this income in the past and it could now be withdrawn with no further tax payments.

If you operate as a self-employed practitioner, your financial accounts should have a balance sheet showing what you have invested in the practice by way of the capital account. Get advice from your accountant—this can be used to obtain borrowings for personal purposes upon which tax relief can be available, as if it were a business loan.

Check whether your credit cards are consuming large monthly outgoings. If so, consolidate them by way of increasing your home loan. Credit cards represent an expensive form of borrowing and there is a tendency to ignore balances. Most banks will lend up to 70%–80% of the market value of your home.

Finally, you could look at supplemental sources of income. For example, you could increase your commitment to the NHS if you are still employed, or investigate other medical activities. No matter how the economy stands, there will always be a need for doctors.

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