



Figure 6-1. Profitable cash flow management.

### STEP 3: IMPROVE YOUR PROFITABILITY AND MANAGE YOUR RISKS

Your ultimate rehab business financial goal is to be successful and make a profit. A typical successful business financial graph will show fixed and variable expenses at their starting cost level point in numbers of dollars. Your rehab business financial management objective is to make the cash flow (income) meet the fixed and variable expenses, and to eventually exceed those amounts to show a profit (Figure 6-1). To make a profit, you will need to learn how to improve your profitability through improving your cash flow avenues and managing your risks.

#### ✦ *Improve Your Cash Flow*

There are several avenues to improving your cash flow. Closely monitoring all of your financial parameters is crucial to running a successful rehab business.

Improving your cash flow involves several objectives:

- Monitoring accounts receivables and accounts payables
- Investing in expenses (tax deductions)
- Building and maintaining a cash reserve
- Investing surplus cash into profitable returns
- Reinvesting back into your rehab business

#### Monitor Accounts Receivables and Accounts Payables

One of the first and foremost fundamental items in improving your cash flow is from conducting careful recordkeeping of all revenues and expenses. Avoid falling behind in identifying, recording, and tracking incoming money from all of your various sources and outgoing expenses.

#### Invest in Expenses (Tax Deductions)

Look for positive ways to invest in your rehab business that will cause increasing cash flow. These are generally your variable expenses (ie, those items that are tax-deductible).