



The Benefits of Bank Treasury Management Tools

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Owners and CEOs of small and mid-sized firms rely on a variety of different tools to help them run their companies effectively. This includes both internal tools, like the latest financial and accounting software programs, and external tools provided by vendors and partners.

Among the external tools that are commonly underutilized by small and mid-sized firms are treasury management products and services from their bank. Often, when they hear “treasury management,” these owners and CEOs don’t think such tools apply to them. However, there are many treasury management products and services that can benefit small and mid-sized firms.

You could enjoy a wide range of benefits by utilizing bank treasury management tools, including the following:

- Improved cash flow and forecasting
- Increased operational efficiency
- Enhanced integration of financial data stored internally with data stored at your bank
- Automation of processes that are currently performed manually
- Reduced risk of fraud

Top Six Treasury Management Tools

Following are six bank treasury management tools that many small and mid-sized businesses can cost-effectively implement to realize benefits like these:

1. Automated Clearing House (ACH) payments — The ACH is a nationwide clearing network that enables the sending and receiving of electronic payments — both business-to-business and consumer-to-business payments. According to the National Automated Clearing House Association (NACHA), 25 billion ACH transactions totaling almost \$43 trillion are processed each year.¹

The main types of ACH electronic funds transfers used by small and mid-sized firms are payroll direct deposit, federal and state tax payments, and electronic debits and credits. The main benefits of using the ACH to make funds transfers are increased efficiency and lower costs. The average cost of processing a paper check is \$1.22, but this cost can be cut in half by using the ACH.²

2. Lockbox services — Bank lockbox services can be used on both the receivables and payables sides of your business. With receivables lockbox, your customers send their checks to a special post office box monitored by the bank, instead of to your business location. The bank immediately deposits the checks, which will accelerate receivables posting significantly, thus boosting your cash flow.

With payables lockbox, your vendors will send invoices to a designated post office box or email them to the bank, instead of sending them to you. The bank will then scan the invoices and send images to you electronically so you can approve or deny payment. If you approve the payment, it will be made by the bank

either electronically or by check and the payment files will be integrated into your accounting system, making it easy for you to update your records.

3. Remote Deposit Capture (RDC) — This has become an especially popular treasury management tool among small and mid-sized businesses. It enables you to deposit checks electronically right from your office using a scanner and software provided by your bank. Using RDC will eliminate the need for employees to drive to the bank to deposit checks while also accelerating check posting, again boosting cash flow.

4. Merchant services — Most small to mid-sized retail businesses learned a long time ago that they need to accept credit and debit cards from customers to remain competitive. Today, many B2B companies are also accepting plastic for payment of vendor invoices. Doing so helps streamline the procurement process while offering customers an additional (and often easier) payment option.

5. Positive Pay — This has become an almost essential fraud prevention tool for small and mid-sized firms. Your company will provide a check-issued file to the bank, which will compare all checks presented for payment against this file. If any checks are presented that don't match the check-issued file exactly, the bank will flag them as suspect and forward them to you for a payment decision.

ACH Positive Pay does the same thing with electronic payments: You provide the bank with a list of all vendors who are paid electronically. If an ACH payment is initiated that doesn't match the pre-approved vendor list, you will receive an alert and can approve or deny the payment.

6. Procurement or purchasing card (P-card) — P-cards are often a better way to pay for goods and services like office supplies and travel and entertainment expenses, as well as office utility bills and your mortgage or rent. They can also be used to pay for inventory and raw materials that are used that are used in the manufacture of your company's products. Using P-cards can significantly reduce your payment processing costs while improving cash flow management through optimized working capital.

Concluding Thoughts

Among the tools that are commonly underutilized by small and mid-sized firms are bank treasury management products and services. You could enjoy a wide range of benefits by utilizing treasury management tools, including Improved cash flow and forecasting, increased operational efficiency and reduced risk of fraud. An outsourced CFO services provider can help you determine which treasury management tools could be most beneficial for your business.

*1 ACH Volume Grows to More Than 25 Billion Payments and \$43 Trillion in Value in 2016; NACHA; April 12, 2017
www.nacha.org/news/ach-volume-grows-more-25-billion-payments-and-43-trillion-value-2016*

2 electronicpayments.org

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