

## **Construction Companies Are Now Knocking Down The Brick Walls Of Cash Flow Problems And Building Up Their Profits Tremendously By Factoring**

By Brian Strugs

The construction industry is a unique industry for both small and large construction companies. It is also true that they can immensely benefit from the application of well-planned, highly effective cash-flow forecasting procedures. Sadly and detrimentally, construction industry statistics indicate that only 25 percent of construction companies earning \$10 million or less even attempt to forecast their cash flow. Leaving the way they operate business to status quo plays a part in this, but not understanding how to forecast is the predominate reason this exists and persists. In fact, there is no such thing as a construction company having a never-ending amount of working capital. Furthermore, no construction company can continuously operate in the red and expect to remain in business.

A clear understanding of the difference between profit and cash flow is essential (and required to succeed) in the areas of strategy, leverage and logistics. For example, there are two things that must be understood: 1.) Profit is the contracted dollar amount earned minus the expense of the contracted work; and 2.) Cash flow is the chronological and sequential pace of the profits received and available to spend. Additionally, it is wise and best to intentionally perceive and treat each construction project as if each is its own individual business. This, plus being extremely organized and systematic, is required to eliminate negative cash flow, which is the leading cause of bankruptcy among construction companies.

Tragically, the lack of cash flow forecasting, poor operating cash flow and incompetent management are widespread among construction companies. Many construction company failures are due to ineffective financial management systems and the ensuing cash flow problems that stem from it. A construction company that has a bill that has to be paid within 10 days but will not get paid on its accounts receivables until 30 days later, definitely has a large cash flow problem. The problem that most construction companies have is derived from the fact that their clients usually pay them 45 days after they've been billed, and simultaneously, vendors generally request to be paid within 30 days while employees need to be paid much sooner.

All kinds of businesses for hundreds of years have had the privilege of using the process of Factoring to Factor their accounts receivables. Now construction companies can also take advantage of this fabulous financial opportunity. Factoring is the process of a business selling its invoices (in this case construction receivables) to a funding source company known as a Factor. The Factor pays the construction company up to 95 percent of the face value of the construction receivable(s), minus a small fee. In many cases, the Factor can purchase an invoice in a matter of a day or two. In turn, the Factor begins to collect upon the purchased invoices from the construction company's clients who owe the invoice. Because a construction company can repeat this process over and over again, it becomes obvious to see how this can greatly effect and enhance the cash flow of their business.

If more construction companies (and other businesses) utilized the debt-free, debt-reducing, cash flow generating, profit-increasing power of Factoring, then far more construction companies (and other businesses) could be financially flourishing instead of financially failing. Just think of the positive benefits and opportunities that construction companies (and other businesses) could take advantage of if they could obtain immediate, debt-free cash from their accounts receivables (invoices) instead of having to wait 30-60-90 days or more to get paid on their invoices.

If you are wondering how you can obtain and implement this phenomenal service for your business, then wonder no more. Contact Profit Increase Funding to obtain a free, no obligation consultation. They have over 150 funding source companies (Factors) with billions of dollars to invest. You may reach them by email, telephone or visit the website as follows:

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