



The Coronavirus, Microsoft and Stockpiling Cash

Good cash management can help you retain and build your personal wealth

Consider the companies that are sitting on stockpiles of cash. Microsoft, Berkshire Hathaway, Alphabet (Google) and Apple were each sitting on more than \$100 billion of cash as of the end of last year, according to FactSet. And Facebook and Amazon together are sitting on another \$100 billion of cash. (Of course that has likely changed over the past few weeks.)

Interesting tidbit: Microsoft has more cash on hand than a lot of countries, including Canada, Australia, Malaysia, Turkey, Norway, Denmark, Sweden, Hungary, France, Germany and Italy (according to latest IMF data and excluding gold reserves).

Cash is King and Queen

There are a lot of reasons that companies might be holding onto cash – saving for a rainy day, potential M&A activity and repurchasing their own stock.

But let's flip this conversation around and consider that many businesses fail because of bad cash management.

Sure, maybe a company's business plan is foolish or financing is inadequate, but often if a company is on solid ground, nothing can hurt more than a slow hemorrhage of cash.

Everyone hears about the boons that good cash management can bring. Remarkably, so many

businesses and individuals fail to properly implement it. Ignore cash management, and you inadvertently sabotage your efforts to grow your company and build your personal wealth.

Your Cash Flow Statement

A cash flow statement is a vital gauge for your business as well as your net worth. The profit and loss statement can mislead you, however, as it may show a (questionable) profit thanks to accounting abstractions like amortization and depreciation. But a cash flow statement brings to light your sources and uses of cash, per month, per quarter and per year. Are you profitable, but cash-poor? That can happen quite a bit.

Are you personally taking too much cash out? If you took out a loan, how much is your principal payment each month and how is that burning through your cash? How much do you spend?

Your Personal Cash Flow

Tracking your personal cash flow might even reveal that much of it is seasonal. Do you spend more around the holidays versus the dog-days of August?

Here are a few things to consider.

- First off, tackle loan and rent payments.
- Put a ceiling on your variable expenses (such as food and entertainment).

- Try to avoid reliance on credit cards. Refinance your debt, if you can.
- Online tools help you track inflows and outflows.
- Selling unwanted items is another way to help cash.
- In addition, make sure to carry a cash reserve that can carry you for six months at least, should all else fail.

Realize that without good cash management, your ambitious financial goals are a reach. Unless you realistically expect a huge windfall (which places you in the hope business) you need a positive cash flow to have the savings to invest and build your wealth.

Remember Microsoft's tagline "Be what's next."

Be like Microsoft.