

# 5 WAYS TO AVOID FINANCIAL TROUBLE

As an owner-operator, managing finances is a big part of the job. Being smart with your money will set you apart and help ensure your trucking company is around for many years to come. Below are several ways to avoid getting into financial trouble. Even if you already know some of the tips, it never hurts to read them again to solidify your money management habits.

## BE MINDFUL OF CREDIT CARD INTEREST RATES

Having a business credit card can be useful but the interest charges will add up very quickly if the entire balance is not paid off each month. For example, a \$5000 purchase with an 18% interest rate turns into a \$5900 purchase—that's nearly a thousand dollars extra you'll have to pay. It can be easy to charge large purchases to a credit card and forget about them, but the accumulating interest can soon become overwhelming.



## AVOID CASH ADVANCES

If going from a company driver to an owner-operator, it can be easy to continue the habit of taking out weekly cash advances to use for expenses. Be very careful—this habit can quickly get out of hand when you're managing your own business. Why? As a company driver, taxes have already been deducted from your paycheck so you don't have to worry about the tax later on. However, taking a cash advance as an owner-operator means it is deducted from your settlement—which tax is NOT deducted from automatically. Owner-operators are responsible for managing their own taxes, so any difference between your total cash advances and the total of all your business receipts is considered income by the IRS and they will tax it as such. Use your business operating account instead of relying on cash advances.

# 5 WAYS TO AVOID FINANCIAL TROUBLE, CONTINUED:

## AVOID BECOMING OVER-LEVERAGED

This is a fancy way of saying don't get into too much debt. A large truck loan with double-digit interest is bad enough, but when you add a couple maxed-out credit cards with sky-high interest rates, you'll quickly find yourself unable to make payments while the interest keeps compounding. Successful owner-operators never take on more debt than they can manage to repay on a regular schedule.



## AVOID OVERDRAFTS

Banks are notorious for using a tiered structure when it comes to overdraft fees in the hope it'll deter you from continuing to overdraft. This means that the more you do it, the higher the fees get. Monitor your bank account as often as possible and keep a record of any paper checks you write, as the amount won't be drafted until the person or company cashes it in (which could be days or weeks later).



## USE A FACTORING COMPANY

The demand for cash as a business owner can be a challenge. Late customer payments, long billing cycles, and high fuel costs contribute heavily to cash flow issues. Consider using a factoring company to get quick access to the cash tied up in your unpaid invoices. Instead of waiting weeks or months to get paid, you can build up your cash reserves almost immediately after delivering a load by [factoring with TBS](#).

There are many additional ways to avoid financial hardship, but these common tips can make a big difference to owner-operators who are just starting out AND seasoned business owners. Being well-informed about financial best practices will keep you ahead of the competition.

Being your own boss comes with lots of upsides but presents its share of challenges too. Let [TBS Factoring](#) help you overcome some of those challenges with our cash flow solutions, truckers bookkeeping services, back-office support, DOT compliance services, insurance down payment assistance, trucking permit services, and more. That way you can focus on what's most important: building your business.