

A Guide to Profitable Treasury Management Services for Business

► What is “treasury management”?

THERE IS ROMANCE to that word “treasury.” It invokes images of subterranean passageways to torch-lit rooms filled with precious coins and *objets d’art*. No wonder many business decision makers wonder if “treasury management” applies not to them but rather to monarchies and governments. Yet most are surprised to learn that treasury management not only applies to them, but applies in a big way.

In business today, *treasury* refers to a company’s funds. *Treasury management* refers, quite simply, to making the most of those funds.

The term may sound highfalutin, but in fact treasury management can be remarkably simple to implement and sustain. Once in place, a good suite of treasury management services can all but run itself. That means less work and, often, lower cost. “Lower cost,” of course, is another way of saying “higher profits.”

Treasury management is no longer the exclusive domain of corporate giants that can afford in-house departments. Even small to midsize companies can have easy, low-cost access to expert treasury management tools. All it takes is a bank that is forward-thinking enough to provide them.

The right mix of treasury management services can simplify and accelerate the day-to-day financial operations of a business. Here

is a look at some of the more popular treasury management services and how they work.

► Categories of Treasury Management

MOST TREASURY MANAGEMENT services fit within four basic categories: collections, disbursements, information reporting, and capital management. Some banks, aware that today’s business needs run deeper, add employee management and risk management services. A more in-depth look at specific tools for each follows this section.

Collections—A large number in the “Receivables” column is a good thing, provided that the funds represented by that number move in a timely fashion to the “Received” column. Treasury management simplifies and speeds collections by providing an innovative array of convenient ways for customers to pay, and offering collection tools that are faster, more convenient, and more reliable than paper invoices.

Besides speeding collections, the right mix of treasury management tools will automate creating, sending, and reconciling invoices. That alone lifts a substantial burden.

Disbursements—The manual payment and reconciliation of bills, salaries, and other expenses is time-consuming, and it invites human error. By automating payments and reconciliation, treasury management saves

time and labor, and virtually eliminates human error from the disbursement stage. You retain complete control while funds are distributed in an efficient, timely manner.

Information reporting—In an information age, real-time data should be readily accessible to you at all times. Day or night, you should be able to log on to review receivables, payments, balances, and more. The applications that provide this information should be, *at a glance*, easy to understand, navigate, and use. And, since questions rarely arise when it's convenient, help should be available 24/7.

Capital management—After funds are collected but before they are disbursed, it only makes sense to put them to work earning a return.

“Earning a return” may refer to placing funds in an interest-bearing account, investing them, or using them to pay down short-term credit line debt to reduce interest expense.

Employee management—Employee benefits fall squarely within the banking realm. A good treasury management suite provides options for 401(k) and other retirement and tax-deferred plans, as well as health plans and worker's compensation.

Risk management—It's important to safeguard all accounts, but the business arena calls for extra precautions and internal controls.

A good treasury management suite includes Positive Pay, which protects from costly internal and external fraud by matching cleared checks and ACH transactions with your records. A good provider should also

offer or recommend protective software applications, such as Rapport[®] by Trusteer, and regularly review insurance for proper coverage. Moreover, an experienced banker who has been around the block a few times can offer sound advice on pitfalls to avoid, and provide solutions to specific challenges.

► Popular Treasury Management Tools and How They Work

HERE ARE SOME recommended, most popular treasury management services:

- **e-Invoicing and Payments.** Manually issuing invoices is a tedious process. So is manually receiving and reconciling payments. For your customers, *paying* invoices manually is a tedious process, too.

With *e-Invoicing and payments*, one software application can create an invoice, transmit it as an email, and allow the customer to pay by clicking within the body of the email. Payment may be made from a checking account, by a credit or debit card, over the phone, and via a hosted web page. It is an ideal way to speed collections, reduce error, and drive down labor costs.

- **Account-to-account consumer, business, and government payments (ACH).** In 1972, bankers and other business leaders in California foresaw a need for a safe, secure, and reliable means of making direct account-to-account consumer, business, and government payments. The idea led to the creation of an “Automated Clearing House,” ACH for

short, designed to speed paperless transactions through the Federal Reserve System. When the idea worked, ACHs began appearing throughout the nation. In 1974, many of these were nationally networked. By 2000, over 4.8 billion payments worth over \$12 trillion were processed by ACHs through the Federal Reserve System. Today's national ACH network connects more than 12,000 financial institutions.*

You can rely on the ACH network to efficiently and securely transfer funds from your own accounts and from customers' accounts. Businesses rely on the ACH for a variety of types of funds transfers, including direct deposit, large transactions, and batches of transactions to and from large customer bases.

- **Easy account-to-account transfers.** *Anytime Payments*[™] is a desktop web application that, via the ACH or merchant services, lets you draw approved payments from a customer's checking, savings, or credit card account. It also lets you accept credit, debit and e-check payments through your website. You can draw one-time, postdated, and regularly recurring payments.

Anytime Payments is easy to use, and it's *fast*. Most transactions are processed in real time or on the next business day. There's no waiting for payments to arrive at your office, for envelopes to be opened, or for deposits to be taken to the bank for processing. Automation replaces and speeds these functions.

- **Merchant services (credit and debit card acceptance).** The near universal use of credit and debit cards makes accepting them for payment a business necessity. Credit and debit card acceptance is a popular feature of treasury management. A bank with a solid program will let you accept Visa[®], MasterCard[®], Discover[®], American Express[®], Diners Club[®], and JCB[®], and even accommodate reward and loyalty programs.

Thanks to technology, there's no longer a need to purchase and install an expensive terminal. If you have a smart phone or tablet, there's an application that will let you swipe, approve, and accept cards.

- **Automated receipt and deposit of payments (Lockbox).** Opening, recording, and depositing checks arriving daily from large customer bases can be time-consuming, unwieldy, and an invitation for human error. The solution is a lockbox service, where payments are read on high-speed, highly accurate scanners, and deposited straight to your account, where they can be available for use the next business day.

A lockbox service is far more economical and reliable than an army of clerks spending hours doing what state-of-the-art scanning equipment can do in minutes. Plus, it eliminates postal delays, speeds deposits, and virtually eliminates human error at the processing end. It is ideal for organizations that receive high-volume check payments (with or without

the use of payment coupons), such as utilities, health clubs, medical and dental practices, hospitals, insurers, charitable organizations, newspapers, homeowners associations, etc.

- **Sweep Accounts.** As noted above, it's a good idea to use funds where they can earn a return between the time they are collected and the time they are disbursed. To move funds manually consumes time and invites error. A *sweep account* is a treasury management service that automates moving idle funds to an interest-bearing or investment account, and moving them back again to a checking account when it's time to disburse them.

- **Commercial cards (corporate expense control).** Sooner or later comes the dreaded day when a company must trust one or more employees to spend on its behalf.

That much is good business, but to proceed without controls and safeguards is to invite needless risk. A better solution is to furnish a corporate card with the flexibility to handle petty cash, purchasing, travel expenses, even

fleet management; that lets you set individual spending limits *and* restrict purchases by merchandise and supplier type; and whose reporting features integrate easily with your accounting system. In fact such cards exist, and are a feature of a good treasury management suite of services.

► **For More Information**

THIS WHITE PAPER has only scratched the surface as to the myriad ways treasury management can help any business of any size. We hope we have whetted your appetite so you'll seek expert advice on how treasury management services can make your business run more smoothly and more profitably.

Regardless of where you bank, we highly recommend a serious look at treasury management services. As a leader in the field, we would be pleased to answer questions and assist in any way.

* "A brief History of ACH Transactions," <http://www.depositaccounts.com/blog/how-ach-transfers-work.html>