

# WHY IS TREASURY MANAGEMENT IMPORTANT TO MY BUSINESS?

Treasury management is the process of managing an organization's financial resources to achieve its strategic and operational objectives. It encompasses a wide range of activities, including cash management, funding and investment management, trade finance, risk management and working capital management. Treasury management involves all the activities and processes in managing your organization's money, including cash flow forecasting, investing, risk assessment and day-to-day operations (i.e. banking and invoicing). Treasury management is an essential part of any business and is vital for a business to understand what it is and what it can do for your business.

## Why Is It Important?

Treasury management is important because it helps your organization optimize financial resources and manage financial risks. Your organization must carefully manage treasury operations to ensure sufficient funds are available to meet short-term obligations and invest in long-term growth opportunities.

## Key Benefits

- Improved cash flow
- Reduced risk
- Increased profitability
- Enhanced decision-making
- Increased efficiency and cost savings

## Treasury Management Questions to Ask About Your Business

Business management processes should help achieve overarching business goals while fulfilling specific functions. Does your business treasury management process satisfy these basic objectives?

1. Does it save time and money? You want to run your business in the most efficient way possible and your financial institution should make that easier.
2. Does it add convenience and security? Your financial institution should be equipped to provide cutting-edge technology and security (i.e., secured online banking).
3. Does it increase efficiency and productivity? Employees should not be taking time out of their day figuring out how to deposit checks, update financial institution information or process administration paperwork. An effective treasury management system ensures these processes are seamless.
4. Does it maximize cash flow and liquidity? For your business to grow, you need to know exactly where your cash flow stands in real-time. Having a financial institution that can process your payables/receivables quickly can free up time for your business to identify what areas for investment in your business.
5. Does it minimize risk? Banking should be reliable, stable and accountable to your business. Having a personal relationship with a well-equipped financial institution can go a long way since every action your business takes should tie you back to your mission.

## Financial Institution Resources

Your financial institution may have treasury management products available to aid in your business treasury management practices:

Treasury Management Product	Description
ACH Origination	Enables your business to collect payments, disburse payments and control your cash flow efficiently and securely in a variety of consumer and commercial payment types. Payments sent through the ACH Network can settle as quickly as same day. Check with your financial institution for available options.
ACH Positive Pay	This service allows businesses to review all incoming debits before they post to your account. With custom filters, you can choose to block suspicious ACH debits and credits until you've had a chance to authorize them.
Commercial Cards	Commercial cards are specialized, often high-limit credit or charge cards issued to businesses for employee expenses, covering travel, entertainment, and purchasing (B2B) needs. They streamline expense management, improve cash flow through extended payment terms, and may offer rewards or rebates.
Lockbox	Lockbox is a service provided by financial institutions to companies for the receipt of payment from customers. Payments made by customers are directed to a post office box. The financial institution retrieves the payments, processes them and deposits the funds directly into the company's bank account. Reports provided with details for each record, total amount and number of receipts in each lockbox transmission.
Instant Payments	The Clearing House's RTP® network and the Federal Reserve's FedNow® Service are real-time payment systems that enable immediate, 24/7/365 clearing and settlement of funds between parties in seconds, rather than days. These systems improve cash flow for businesses, enhance security, and allow for instant, irreversible transactions.
Integrated Payables	This service streamlines payment processing by allowing businesses to send all vendor payments as one secure, online payment file to their financial institution. The financial institution then processes and distributes the payments based on the instructions provided by the business.
Integrated Receivables	This is a Treasury Management solution that consolidates, automates, and manages all incoming payment methods, including checks, ACH, wires, and credit cards; into a single, unified platform. It streamlines the entire order-to-cash process by automatically matching remittance data with invoices and posting directly to a centralized software platform, reducing manual intervention, errors, and days sales outstanding.
Check Positive Pay	This service helps businesses detect fraudulent checks. An automated system compares the check number and issued amount on checks presented to the financial institution for payment to a list of checks written provided by the business. Payee Name Verification goes one step further in matching the issued payee name to the presented payee name.
Merchant Services	Merchant services is a broad term used to describe a range of financial services that businesses use to accept and process payments. These services may encompass the behind-the-scenes process by which a business accepts payments, the companies businesses work with for this purpose, as well as the hardware or software involved with taking and processing payments.
Remote Deposit Capture (RDC)	RDC allows businesses to deposit checks electronically at remote locations, usually in the business's office, for credit to their account. Paper checks are digitally scanned, and an image of the check is electronically transmitted to the financial institution.
Sweep Account Service	Sweep accounts are bank/brokerage accounts that move excess money between a client's cash account and an investment account. When the monetary level in the cash account exceeds the required amount, the excess is moved into the higher interest-bearing investment account automatically.  A credit sweep (automated credit sweep) transfers excess funds in a deposit account to pay down short-term debt under a line of credit.
Wire Transfer Services	Wire transfers move money electronically from one bank account to another. They can be domestic (between two U.S. accounts) or between a U.S. and international account. A wire transfer is a common way to electronically move money from one entity to another.  Benefits of wire transfers include the speed of receipt of wire transfer funds vs. sending checks and sending/receiving network security. For large money transfers, wire transfer limits may be higher than other payment types, making them ideal for significant business and real estate transactions.

**Note: Inquire with your financial institution for information regarding the treasury management products available to your business.**