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CCC of NY is pleased to announce our recent partnership with NOW CFO. As a leading provider of fractional CFO's, Controllers and Accounting Services, NOW CFO's services compliment the best in class, third-party collection and credit reporting solutions CCC of NY provides. We're excited to share that NOW CFO, has agreed to offer their services at a discounted rate structure to all new clients referred by CCC of NY. Thank you to, April Diemer, Market President, NOW CFO-Atlanta, for contributing the following content for our newsletter this quarter on the timely topic of Navigating Interest Rates.

~Chad Haynie, EVP Global Revenue, CCC of NY

## Navigating Interest Rates: A Strategic Approach

### Management Team

While early projections are that the Federal Reserve may decrease the federal funds rate in 2024, the business community as a whole is still experiencing higher than average interest rates that can cause business owners to face a number of challenges. While higher rates remain, it's critical to prioritize your business' approach to borrowing and financing opportunities, as well as analyze your business' capital structure as a whole. Here, I'll address some of the challenges that rising interest rates can pose to companies, as well as strategies to overcome those obstacles.

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### How Higher Interest Rates Negatively Impact Business

Higher interest rates play a significant role in the cost of doing business, which is why it's important to be aware of any fluctuations in rates. Staying ahead of changing interest rates and adjusting business models, processes, and procedures as needed is key. Some of the ways that high interest rates can negatively impact businesses include the following:

#### Increased Borrowing Costs

When interest rates are high, the cost of borrowing money typically increases, making it more expensive for businesses to be able to access financing. The amount of additional interest they pay each month for loans can reduce the amount of cash available to other business expenses, thereby dampening business' ability to fund growth, invest, or spend on other expenses, such as salaries, inventory, or new equipment. Additionally, higher borrowing costs can also make it harder for businesses to obtain financing in the first place, as lenders may be more cautious about extending loans in a higher interest rate environment. This can limit the overall capital and lending options available to businesses.



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**Congratulations to Lisa Baumlner from Croell on winning an Echo Show 5 in our drawing.**

*\*Make sure to enter this month's drawing by clicking here to fill out the Special Placement form. For every claim you place, you will be entered for a chance to win an Echo Show 5.*

#### Depreciation of Assets

While rates are high, the value of assets such as real estate, bonds, and stocks can decrease. This in turn negatively impacts businesses that hold these assets, as they may experience losses on their investments.

#### Currency Fluctuations

While interest rates remain high, currency appreciation may occur. Appreciation takes place when the value of one country's currency increases relative to others within the foreign exchange market. This ultimately can make exports more expensive and imports cheaper, which is consequently detrimental to businesses that rely on exports for their revenue or import goods to produce their products.

It's no secret, then, that these changes pose significant challenges for businesses. The best measure is to proactively monitor interest rate fluctuations and adjust processes accordingly to minimize the impact on overall financial health and performance.

### Strategies to Manage Higher Interest Rates

To avoid having business' profitability affected in times of high interest, I recommend implementing some of the strategies below. However, if you don't know where to begin, bringing in an outsourced accountant to work with your business on a fractional basis is a great place to start. An outsourced accounting consultant can help monitor the current market situation and adjust your business plan accordingly, all while saving you or your client on hiring costs.

**1** →

**Evaluate existing debt:** Start by taking a hard look at your existing debt and looking for opportunities to refinance at lower rates. This could involve negotiating with lenders, consolidating debt, or switching to a variable rate loan. A variable rate loan has an interest rate charged can fluctuate over the course of the repayment period. This is in contrast to a fixed-rate loan, where the interest rate remains constant throughout the repayment period. Variable rate loans are generally common in markets where interest rates are volatile, or when lenders are looking to manage their risk exposure.

**2** →

**Reduce debt:** When interest rates fluctuate, it's important to reduce business' reliance on debt. This can be achieved by cutting expenses, increasing revenue, or using alternative financing methods, such as equity financing or leasing. At NOW CFO we have had great success bringing in CCC of NY for our clients at this point to help reduce outstanding A/R and converting those recovered dollars to cash in this critical time.

**3** →

**Hedge against interest rate risk:** You can look at financial instruments such as interest rate swaps, options, or futures contracts to hedge against interest rate risk. This involves paying a premium to lock in a fixed rate for a certain period, which can provide protection against future rate hikes.

**4** →

**Monitor economic indicators:** Strive to stay on top of economic indicators such as inflation, GDP growth, and central bank policy. This will help you stay informed about changes in interest rates so you can adjust your business strategies accordingly. Currently, most economists agree that rates should decline somewhat at the start of the year and pull back gradually during each quarter. Some predict that rates will stay above 6.5% throughout 2024; others expect rates will decline to 6% by year-end.

**Conclusion:** Though navigating interest rates poses a number of potential challenges, you can succeed through careful planning and proactive strategies, consequently minimizing the market's impact on your business' financial performance.

April Diemer is a practicing CFO and Market President for NOW CFO, Atlanta. For more information on NOW CFO's service offerings visit:

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