

# 8 Tips | How to Manage Your Cash Inventory

Due to the low interest rate environment in the past, there was a general unawareness of currency and coin's value. This caused large amounts of **excess cash at most banks and credit unions, typically 20% - 30% in excess of need.** And, coupled with the difficulties in managing cash, financial institutions also experience ATM or device cash outages. With the continual interest rate increases, currency and coin is once again a focus. To prepare for this, check out the following tips on how to better manage your cash inventory:

# 1

## Addressing Customer Demand

- Determine your branch's usage for each cash point in a branch, including teller drawers, ATMs, devices, and vaults
- Don't use gut feelings; instead, use data
- Find out highest usage days
- Having denomination level usage is necessary

# 2

## Being Aware of Trends

- Discover the patterns of cash usage at your branch
- Know what holidays and events affect each branch or ATM
- Calculate weekly outflows, such as payday
- Calculate monthly outflows, such as Social Security
- Prepare for seasonality, such as Ballpark ATMs

# 3

## Create a Target or Limit

- Plot usage and discover your branch or ATM's cash trends
- Don't use the status quo – just because the limit has been \$500,000 in the past doesn't mean that it is a good limit to have now
- Don't use insurance limits; these are typically much higher than actual usage
- Get buy-in from your staff on limit levels so everyone's on the same page
- Adjust the branch's limits monthly (see step 6)

# 4

## Define Delivery Schedules

- Figure out the Cost to Deliver, including the Armored Car Delivery Expense for each delivery, but also consider the staff costs such as counting cash
- Figure out Cost to Hold, typically Yield on Earning Assets
- Adjust a delivery schedule that's best for your branch/ATM
- Don't order cash based on old habits, define delivery schedules based on usage and minimum/maximum limits

# 5

## Update Your Inventory Expectations Frequently

- Remember that cash is fluid, meaning Monday ≠ the following Monday or April 4, 2017 ≠ April 4, 2018
- Know some trends aren't static dates such as Thanksgiving or Christmas day

# 6

## Review Your Target & Limit Performance

- Compare Usage vs. Limits – How close is your usage to limit? Are you able to move limits up or down?
- Make sure your branch and ATM managers are adhering to the limits set forth
- Coach branches to manage cash down to usage instead of up to a limit

# 7

## Implement a Review Process

- Take time to decide if a decentralized or centralized order process works best for the bank or credit union:
  - Should each branch be ordering their own cash to money supplier?
  - Should an internal department approve cash orders?
  - Should someone centrally place all orders on behalf of all branches and ATMs?
- Schedule Monthly meetings with all departments involved in the cash ordering process to evaluate and adjust process (i.e. Branch Manager, Branch Administration, Finance, ATM Manager, Operations)

# 8

## Helpful Tools

- Software is available to help – take advantage of cost effective technology (SaaS) and analytics to align your competing cash needs and forecast accurate cash inventories based on each branch, ATM, device or vault's unique demand
- Consult with an experienced Branch Manager or Regional Manager on trends
- Compile historical data (don't expect cash to behave the same way it did in the past as there are multiple factors affecting cash flow and inventory)

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