RISK PROTECTOR

Your First Line of Defence Against Director Liability, ATO Enforcement and Asset Exposure

BUSINESS & DIRECTOR RISK IDENTIFIER TOOL — NO. 14

Cash Flow Crisis First Response Plan

Immediate triage steps when cash runs out or is about to

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BEFORE YOU BEGIN — READ THIS FIRST

A cash flow crisis is the point at which a business can no longer pay its debts as and when they fall due from available resources. This is the legal definition of insolvency — and from the moment a business crosses that line, a director's personal liability obligations change dramatically. What was a company problem becomes a personal problem. What was a management challenge becomes a legal exposure.

The most dangerous thing a director can do in a cash flow crisis is continue trading while insolvent.

The second most dangerous thing is to manage the crisis by prioritising the wrong payments — paying some creditors and not others, deferring statutory obligations or injecting personal funds without understanding the consequences.

This plan does not tell you how to resolve a cash flow crisis. It tells you what to do immediately to stabilise your position, understand your exposure and stop making it worse before you get the right help.

HOW TO USE THIS PLAN

Work through every step in order. Tick each one when complete and record the date and time. This plan is for use the moment you recognise that your business cannot meet its current obligations — not after the crisis has been running for weeks. The earlier these steps are taken, the more options remain available to you.

PHASE 1 — Stop & Assess — Understand Exactly Where You Are

Hours 0 to 4 — Before making any payments or decisions

STEP	Action Required	Done	Completed
1 CRITICAL	**Stop all non-essential payments from the company immediately** Until you have a clear picture of your position, halt all discretionary payments — owner drawings, supplier payments above ordinary terms, loan repayments that are not yet due and any inter-entity transfers. Only continue payments that are legally required or that are ordinary course trading obligations.	☐ DONE	Date / Time
2 CRITICAL	**Determine the company's current cash position to the dollar** Check every bank account, every facility and every receivable that is likely to be collected in the next 14 days. Write down the exact available cash position right now — not an estimate, not a hope. The exact number you can actually access today.	☐ DONE	Date / Time
3 CRITICAL	**List every creditor, every amount and every due date in the next 30 days** Write out every obligation due in the next 30 days: ATO payments, superannuation, wages, rent, supplier invoices, finance repayments and any other contractual payment. Total the amount. Compare it to available cash. This gap is your immediate crisis number.	☐ DONE	Date / Time
4 CRITICAL	**Determine whether the company is currently solvent or insolvent**	☐ DONE	Date / Time

	If the company cannot pay all debts listed above from available resources without additional funding, it is insolvent. Write down your answer clearly: SOLVENT or INSOLVENT. This is not a judgement — it is a legal fact that determines your director obligations from this moment forward.		
5 CRITICAL	**Do NOT inject personal funds into the company without advice** Injecting personal cash into a company that may be insolvent can become a loan that a liquidator later recovers from you, or a preference payment to other creditors. Do not transfer personal money to the company until you understand the structural and legal consequences.	☐ DONE	Date / Time

Available cash today: $____________ | Total obligations due in 30 days: $____________ | Cash gap: $____________ | Solvent / Insolvent: ____________

PHASE 2 — Protect Your Personal Position

Hours 4 to 24 — Your personal liability changes the moment insolvency begins

STEP	Action Required	Done	Completed
6 CRITICAL	**Identify which obligations create personal director liability if unpaid** PAYG withholding and superannuation guarantee charge are the two obligations that directly create Director Penalty Notice exposure. If these are in the unpaid list, they are your highest personal priority — not because the business needs them paid first but because your personal liability depends on them.	☐ DONE	Date / Time
7 CRITICAL	**Do NOT prioritise payments to related parties, family or yourself** Paying yourself, a related entity or family members while other creditors go unpaid is a preferential payment. A liquidator can recover these payments and you can be held personally liable for the loss caused to other creditors. Stop all such payments immediately.	☐ DONE	Date / Time
8 CRITICAL	**Check whether your personal assets are protected from company creditor claims** Is your family home in a protected structure? Are your savings and investments quarantined from business creditor exposure? If a personal guarantee exists on any facility, that creditor can pursue you personally regardless of what happens to the company. Know which of your personal assets are at risk right now.	☐ DONE	Date / Time
9 CRITICAL	**Contact Risk Protector before instructing anyone to act** Before your accountant or solicitor takes any action on your behalf, contact Risk Protector for a free A13 Structural Exposure Assessment. Understanding your full structural position — your entity structure, your personal guarantees, your trust and your ATO obligations — is the most important thing you can do before spending money on advice that may not be targeted to your actual exposure.	☐ DONE	Date / Time
10 IMPORTANT	**Document every decision made and every action taken from this point forward** A director who acts promptly, records their decisions and seeks advice can demonstrate good faith if the matter later goes to a liquidator or court. A director who does not have records of their decisions and actions has no such protection. Start your log now.	☐ DONE	Date / Time

DPN-exposed obligations (PAYG/SGC): $____________ | Personal guarantees on facilities: YES / NO | Personal assets protected: YES / NO / UNSURE | A13 requested: YES / NO

PHASE 3 — Triage Your Obligations

Hours 24 to 72 — Know which obligations to address first and why

STEP	Action Required	Done	Completed
11 CRITICAL	**Prioritise statutory obligations that create personal director liability** PAYG withholding and superannuation guarantee must be addressed before ordinary trade creditors. These obligations create automatic personal liability through Director Penalty Notices. Contact your accountant to confirm the exact amounts outstanding and the lodgement status for each period.	☐ DONE	Date / Time
12 CRITICAL	**Identify which creditors have formal legal tools available to them** Some creditors can move faster than others. Identify any creditor who: has already issued a demand, holds a personal guarantee, is the ATO, or has previously threatened legal action. These are your highest risk creditors in terms of speed of enforcement.	☐ DONE	Date / Time
13 IMPORTANT	**Contact your accountant for financial position confirmation only — not to act** Ask these specific questions only: What is the exact PAYG withholding outstanding and for which periods? What is the exact SGC outstanding and for which quarters? Are there any ATO arrangements in place or at risk of default? Do NOT ask them to contact creditors or negotiate on your behalf at this stage.	☐ DONE	Date / Time
14 CRITICAL	**Assess whether the business is viable or whether formal insolvency is inevitable** Be honest with yourself: Is there a realistic path to solvency within 30 days with actions you can actually take? Or is the gap too large? If the business is not viable, continuing to trade while insolvent creates personal liability for every debt incurred from this point. This is a decision that requires specialist input — not accountant or solicitor input alone.	☐ DONE	Date / Time
15 IMPORTANT	**Identify every asset the company holds and its approximate value** List all company assets — cash, debtors, stock, equipment, IP, property and any other items of value. This is the pool from which creditors will ultimately be paid. Knowing what exists helps you and your advisers assess options and protect your personal position.	☐ DONE	Date / Time

PAYG outstanding: $____________ | SGC outstanding: $____________ | Business viable: YES / NO / UNSURE | Company assets total (approx): $____________

WHAT NOT TO DO — ACTIONS THAT WILL MAKE YOUR SITUATION WORSE

✕ Do NOT continue trading while insolvent without taking advice. Incurring new debts while the company cannot pay existing ones is insolvent trading — a personal liability offence under the Corporations Act. Every new obligation incurred from the point of insolvency adds to your personal exposure.

✕ **Do NOT pay yourself, family members or related entities while other creditors go unpaid.** These are preferential payments. A liquidator can recover them and pursue you personally for the amount. This includes wages above ordinary amounts, loan repayments and any inter-entity transfers.

✕ **Do NOT defer ATO obligations to free up cash for other creditors.** PAYG withholding and SGC that are deferred create lockdown DPN exposure — personal liability you cannot escape even by placing the company into administration after the fact.

✕ **Do NOT make major asset transfers or structural changes during a cash crisis.** Any transfer of assets while the company is under financial stress — even for legitimate reasons — can be challenged by a liquidator as an insolvent transaction or preferential payment.

✕ **Do NOT delay getting the right advice because you hope it will resolve itself.** Cash flow crises that are not addressed structurally do not resolve themselves. They escalate. Every day of delay reduces the options available and increases the personal liability accumulated.

YOUR MOST IMPORTANT NEXT STEP

A cash flow crisis is not just a financial management problem — it is a structural problem. How your entities are designed, what personal guarantees you hold, how your assets are protected and what your ATO obligations look like collectively determine whether this crisis reaches your personal assets or stays contained to the business. You cannot know how exposed you are without a complete structural picture.

The Risk Protector A13 Structural Exposure Assessment

Free. Confidential. The only forensic structural assessment of its kind available to Australian directors.

Visit **www.riskprotector.com.au** and click the **GET MY FREE A13 ASSESSMENT** button.

No obligation. No cost. Absolute discretion.

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This tool is a self-awareness resource only. It is not legal or financial advice and does not replace professional advice. Seek qualified assistance when managing a cash flow crisis.

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