

My Top 5 Tips to get a **BUSINESS LOAN**

As the Corona Virus bears down on the planet, it's a good time to focus & plan for a brighter future. Contrary to popular belief, banks want to lend you money & they want you to succeed. Because when you succeed, they succeed!

So let's get ready for the day that the world comes out of hibernation ready for business.

Here are my Top 5 Tips on how you should prepare to borrow money from a bank or other lender to buy a business.

Banks & lenders in general, have 2 main criteria when they lend money; can the borrower pay me back & will the borrower pay me back. We're going to focus on the "can". That is, can you be successful in generating enough revenue to be successful in business & therefore able to make the regular repayments on the money the bank will lend you?

When you are preparing, keep in mind that it's very important to a lender to know that you understand the business that you are purchasing & the market in which you will be trading; both your competitors & your customers.



Tip no. 1: Know your industry . . . thoroughly!

It sounds like a great idea to leave your stressful job & create the next-big-thing tech start-up. Or perhaps you are over living in an expensive capital city & dreaming of a sea/tree change where you can buy a local restaurant & build a fabulous business with friendly locals & happy relaxed holiday makers as customers.

- But do you know the industry, thoroughly? If you're buying a cafe, do you have any idea how to make a great piccolo. How many sandwiches will you actually sell on a Thursday? What is BAS?
- If the local hairdresser is more your speed & you've worked as a hairdresser for 10 years in a trendy inner city suburb, do you know how to do a wash & set for all the grey nomads settling in your town over the summer months? Do you know how to deal with suppliers? Where do I start with modernising the booking system?

Tip no. 2 tip: Research, Research, Research!

If you want to buy a cafe, hairdresser, mechanic, bed & breakfast etc anywhere but particularly in a coastal or regional town you should research the area over at least 6-12 months.

- Get a sense of the traffic flow, the seasonal changes with tourists, are the locals loyal, will the peak season carry you through the off season.
- Visit & stay in the area at least 3-4 times, use the local facilities, eat at the cafe, use the mechanic, stay at the B&B. Get a feel for the people, get a feel for the business. Does it feel successful?
- Research the local council planning & environment proposals. Is there anything planned that would impact your proposed business either positively or negatively.

Tip no. 3: Know exactly what you are buying

- Invest in a good lawyer & a good accountant to review all contracts & existing finance arrangements.
- Are the current owners retiring, sad to be selling or are they an exhausted young couple who can't keep up with the hours required to keep their small business buoyant?
- Is your differentiator that you will bring something special that the previous owners had not considered.
- It's very important that you know what is included & excluded in the sale together with the condition of any machinery or equipment.
- Is the equipment leased or owned outright? When does the lease expire? Does it have a balloon clause that you will need to honour?
- If you're buying a "bricks & mortar" business, who owns the premises? What are they like? Are they quick to resolve issues or do they fight for every penny?
- Are you taking on any additional debt or liabilities?

Tip no. 4: Cash flow is king!

Make sure you know the numbers; revenue, profit, cashflow thoroughly. Again, invest in a good accountant. The business may look all shiny & profitable on the outside, but why is it being sold?

- Look at the books for the past 5 years. Is the business steady & growing? Is it seasonal? Does it have spikes & troughs; why?
- The no. 1 rule of any business is cashflow. You may be very profitable in some months & struggling in others. If you're booming in the holiday season from December through February, this won't help if you run out of money in November.
- Are your suppliers reliable? What is your distribution channel? Is it diversified?

- Make sure you can manage that cashflow. Plan with cash projections, arrange for offset & overdraft facilities but make sure that you can pay your staff & your bills through the seasons without needing to live on bread & water to do so.

Tip no. 5 - Write an awesome business case

Buying a business is not something that you should rush into. It should be a well thought out & considered decision. It should be a tad overwhelming with a large dose of excitement at the challenge ahead.

You should have your a-team. I cannot stress enough, surround yourself with specialists; an accountant, lawyer, business consultant & finance broker, who can support you along the journey. Make sure that they are not only capable, but that they also have the time & desire to support your business enthusiastically.

Finally & most importantly, your business plan is the bedrock of your loan application. It is the story that will engage the bank in your vision & reassure them that you know what you are doing, that you have a plan & you have considered all the hurdles. This is where an awesome consulting team steps out from the crowd.

A Business Consultant is a priceless asset to help you with strategy & planning. They will brainstorm with you through ideas to land on that "just right" plan.

At Clear Options Finance we will take all your research, review your financials & liaise with your accountant to put together a detailed business plan to be submitted to the lender. This is the story that will give the lender comfort that you have researched your project thoroughly, that you are capable & that you know what you are doing!

To arrange a [free 30 minute consultation](#) with [Clear Options Finance](#) call 0478 732 343 or email mary@clearoptionsfinance.com.au

Clear Options Finance was created to provide a personal service for people and companies looking to acquire, expand or streamline their business.

With a career spanning more than 25 years in banking, finance & business our Principal, Mary Grant is well equipped to guide you through your business finance & planning needs.

Preparing for a business loan can be overwhelming with so many choices & institutions, we simplify this by looking at your unique situation, researching your industry & finding the best lenders to support your business & then showing you only what's important to you at the best interest rate & terms available for you.



Mary Grant
Principal
p: 0478 732 343
mary@clearoptionsfinance.com.au
www.clearoptionsfinance.com.au



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