

# 5 Tips to get a **BUSINESS LOAN**

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 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 discovery call](#) with **Clear Options Finance** call 0478 732 343 or email [info@clearoptionsfinance.com.au](mailto:info@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.*



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