TIPS&TRICKS

Financing options?

While traditional borrowing is harder to come by in this market, there are still options for financing. One of the most effective is factoring, whereby you sell your accounts receivable at a discount. Companies selling their receivables claim, on average, 80-90 percent of their outstanding accounts receivable invoices. A smaller working cash flow can be obtained through selling off portions of the outstanding receivables as needed. Factoring is an alternative source of financing for new companies, as well as those experiencing high growth, seasonal fluctuations in sales or cash flow difficulties due to slow-paying accounts receivable.

It may be a more expensive alternative, but one where the benefits can be great and the flexibility quite attractive. A company can use factoring for a short period to increase cash flow to catch up on payables, purchase new products or inventory, pay employees or take advantage of a cash discount from suppliers. A factoring company can provide other benefits as well, including services such as receivables management, credit information on your customers and access to more capital as you take on more orders. Often a new account can be set up in one to two weeks and can be structured using the receivables as collateral so that you never have to give up equity.

Whenever you can increase your sales and profits and keep your structure flexible you gain a strategic advantage. Knowing your options and finding those partners can make the all the difference in this challenging economy.

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