

GETTING CREATIVE WITH BUSINESS FINANCE

Purchasing a business at the right price is a combative process. Those that have funds in place to make the purchase are in a much stronger position than buyers who have to apply for funding, particularly where the business itself is being used for all or part security. Also it can take longer to bed down finance for a business deal, particularly where a lender need to assess business accounts and projections.

Being able to leverage your investment into the business for the least amount of your own money is a main aim. The terms of your purchase can be more critical than the actual purchase price. Obviously those can be as varied as are the number of types of business.

Cost of funding can be critical to a business. Always make sure that if the price of funding increases, such as we have at the present time, or the exchange rate moves unfavourably, that your business is insulated. Either you have a funding line in place to take care of this or preferably normal cash flow can handle this.

Four areas to explore, when seeking funding

1. **Personal Assets and Funds of Purchaser**
eg Savings, shares, private loans, bank or finance company loans against personal assets, exchanging personal assets for the business assets.
2. **Find Partners**
You might want everything to yourself, but this may not work for the purchase or ongoing development. A partner or partners could be the existing owner, someone you know and trust or existing employees, suppliers or friends. They would normally take shares in the business, while you retain majority ownership.
3. **Funders need not be Banks or Lenders**
Bank finance is usually the cheapest, but not necessarily so. Some Trust companies, finance companies or private lenders may be cheaper and sometimes more flexible. There are many areas that can be explored here. Your accountant as well as your broker can make suggestions here. Close liaison between the two is essential.
4. **It's all in the Negotiation**
Extend terms of payments with suppliers. Get partial or full vendor financing. Take on sellers personal liabilities – these may be on better terms than finance you can obtain. For tax purposes finance all costs involved in the purchase.

There are many areas where you can enhance your purchase conditions, if you are aware. This is where it pays to liaise with professionals like your accountant, solicitor and finance advisor or broker. They will also advise on minimising your personal liability through the use of limited liability companies and trusts. This should all be done before the purchase is made.

It is often a difficult and harrowing process, but if you get it right from the start, a very rewarding outcome.

Allistar Walker
Ph 0800 005 066
www.mortgagehelp.co.nz