

6 Golden Rules for Securing Your Company's Financial Future



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Simple Solutions to Help You Acquire Capital

Businesses that are ready for expansion may find it difficult to secure capital funding. While they are primed for growth, their debt to income ratio may not look as good on paper to traditional financial institutions that tend to be cautious when lending to a growing business. In fact, even small businesses with 40% annual growth may be declined by these lenders.

Difficulty securing funding from conventional financial institutions can put you on the hunt for non-traditional financing options. Business owners and managers are prone to applying for credit at the wrong time, often creating high risk and outrageous costs. Using effective methods to make your business more attractive to banks in the short-term will allow you to boost the amount of capital you are able to secure to reach your long-term goals.

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We will outline six rules that provide simple solutions to help you acquire capital that you can use to reach higher production goals and profitability. These rules will also help increase your appeal to traditional lenders without damaging your credit or incurring more debt for the business.

Rule 1: Research, Research, and More Research

It is highly likely that your business grew by making informed, calculated decisions to get where you are. Our first recommendation is to do your homework and start researching non-traditional financing companies that specialize in working with your industry. Finding a financing company that is familiar with the challenges you face, seasonal influences, and typical returns on investment, puts you in front of an audience that sees your company as less of a risk and more as an opportunity.

Find a company that knows the challenges facing your industry, seasonal influences, and typical returns on investment.

Never be afraid to ask questions. Tap into the unlimited amount of free information available, even months before you are ready, by making phone calls, emailing, and signing up for newsletters. Determine the lenders' fees, processes, level of customer service, and the ease of scalability for growth.

In doing your research for non-traditional financing companies, chances are you will see factoring companies in your search. If you are looking for a fast funding solution that doesn't involve a large amount of paperwork and bureaucratic processes, then **invoice factoring** may be a good option for you. Invoice factoring companies are going to be the most willing to work with you because they look at the services and products you have already sold to your customers rather than your credit or outstanding debt.

We recommend that you call a few **factoring companies** to decide whose service best fits your needs. This will help you get a good feeling about who you want to build a relationship with for your financial future. The best factoring companies will want you to answer some questions and get you funded faster than you think possible. Always ask for advice, listen closely, and take notes. Form a relationship with a factoring specialist at the factoring company and get their recommendations so you have the proper documents to determine how much funding you can be approved for.

There is no better way to quickly gain access to cash flow than utilizing your assets and factoring invoices. The next rules will show you how you can use your assets and safely secure funding without incurring debt or damaging your credit.

Rule 2: Maximize Sales. Go Out & Prosper

Before inquiring about financing programs, you should always increase your sales as much as possible. You will look more attractive to financing companies if you have a large monthly sales volume and no shortage of work. Exhaust your traditional pipeline leads. Look at the 80/20 rule; 80% of your business is from 20% of your clients. Know who is ready to expand and increase orders and let them know you are ready to take on their needs. If you're not already using a variety of social media platforms to promote your products and services, jump on the bandwagon. It is a free resource for self-promotion and word of mouth referrals.

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While pursuing sales, take every precaution not to harm your credit along the way. Do not overextend your business using credit cards to the point that you are not able to make your minimum monthly payments. As you will see later in this white paper, credit cards are improper methods of financing a business, due to increasing payments and their ability to have payment schedules that double or triple when introductory offers cease.

Boosting sales without increasing the advertising budget will teach your business how to be highly creative in its marketing efforts while conserving money. Again, this will help you be an attractive prospect to financial institutions in the future.

We suggest you follow the actions for Rules 1 & 2 simultaneously. This way, when you are ready for a funding program, you know which factoring company you want to work with and you have the sales and resources to garner quick approval.

Rule 3: Timing Is Everything

After following Rule #2, your sales should be as high as you can get them without damaging your credit or incurring additional debt. Call your contact at the factoring company you established a relationship with in your research phase, tell the representative that you are ready to begin factoring and that you should be highly fundable according to the guidelines they gave you.

Does your company see income that adjusts with seasonal changes like the availability of raw materials? Perhaps you are affected by transportation logistics that have seasonal demands too. Most companies are, and it leaves them with cash flow problems.

Unfortunately, most companies wait too long to lock in effective financing options with low costs. During peak periods of growth, you may not see the need to seek out funding sources. Yet, when business is booming it is the ideal time to secure access to capital to cushion against cash flow shortages in the future.

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Rule 4: Minimize Cost & Debt

If the saying is true that it takes money to make money, then borrowing capital to make a larger profit is something to consider. Without borrowed capital, many businesses would not have the adequate financial backing to survive or gain market share. They would lack the ability to increase their sales and handle an increase in production. We want to show you how to get access to financing without incurring debt or having to make any payments.

Once increased funds are available, you have the potential to hire more support staff, take on larger projects, enlarge your sales force, increase your advertising budget, and increase production. Profits from increased sales and production should offset any costs that are associated with borrowing capital--allowing you to position your business to grow at an accelerated rate.

A typical business line of capital requires a payment schedule that may quickly increase on a monthly basis if it is not paid off. Business credit cards offer appealing introductory rates, but ultimately leave you with increased rates and fees resulting in higher payments.

A good way to find business capital, while removing all worry regarding increasing payments, is to utilize a type of capital funding called invoice factoring. Invoice factoring solves cash flow shortages by using your accounts receivable as assets. As a result, monthly payments are completely eliminated. Invoice factoring protects you from having to make large payments, and/or increasing payments on a simple line of capital, credit cards, or a business loan.

Rather than pledging assets as collateral for a loan that you must repay with interest, a factor purchases the asset (accounts receivable invoices) at a discounted rate, thus no debt is incurred.

We know that to be competitive in today's market, you often have to agree to invoice terms that extend payment beyond 30 days. Sometimes you wait 60, 90, or even 120 days before you see payment. This means your cash flow is tied up for months, leaving you with fewer dollars to put back into your company that could be used to buy raw materials, invest in equipment, hire and train personnel, or pursue marketing efforts to sell more of your products.

Invoice factoring solves cash flow shortages, uses your A/R as assets, and eliminates monthly payments.

The factor will purchase your invoices for the goods and services you have already sold to your customers. You will receive a cash advance worth 80-95% of the total value of the invoices you sell. The factor will wait to receive payment from your customer, while you are free to move forward with your business operations. Once your client has paid the invoice in full, the factor will pay you the remaining amount minus their factoring fee.

This is where not all factoring companies are alike. Some will charge an upfront fee to set-up your account. Others have escalating monthly rates that diminish the remaining refund you would receive. At Universal Funding, our services **fees start as low as 0.55%** and there are no upfront or hidden fees.

Rule 5: Delegate

Once you've made the decision to work with a factoring company, let the professionals do what they do best, invoice management. This will free up your valuable time to focus on profit-generating business activities. A good factoring company should provide an entire accounts receivable management program where you will be able to submit your invoices electronically and be able to review reports securely online.

You should never have to wonder about how your money is being processed and how your customers are being treated.

You should never have to wonder about how your money is being processed and how your customers are being treated. Again, this is one area where not all factoring companies provide the same level of service and care. In doing your research, you are likely to determine those who go above and beyond.

At Universal Funding, you can access your accounts at any time online via eFactor, the industry-leading invoice management software. But, we do more than offer you online access. We offer personalized service and a promise that when you work with us, you will have an individual dedicated to your account who will personally know you, your accounts, and your customers.

Finding a customer-conscious invoice factoring company that makes your clients feel comfortable is an important consideration when choosing a factoring company. If your clients stay happy, there is a higher chance they will become long-term customers and potentially begin referring other businesses to use your products and services.

Rule 6: Diversify

Once you have been factoring your invoices for 3-9 months, you will see additional benefits. Having faster access to your company's profits, you will be able to pay down debt, pay your vendors more quickly, which usually results in a discount of their fees, and invest in moneymaking activities. You will also have the ability to enhance your credit score by simply using your accounts receivable funding or invoice factoring responsibly.

In 6-12 months you can have a stronger credit score, less debt, increased production and sales, and less worry. In just a year's time, you have made your company more appealing to traditional lenders. When your accounts receivable are well managed, you demonstrate that you know how to make smart business decisions.

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Now is the time to diversify your financial resources. Many traditional lending institutions, like banks and credit unions, will have a sense of security when you choose to invest in your financial growth with their institutions. With cash flow issues solved, revenues increased, and debt lowered, your business will be more appealing and have a higher rate of approval when seeking traditional lending venues.

A Recap of the 6 Golden Rules

Using these 6 simple solutions can help you acquire the capital you need to reach higher production goals and profitability. Proper implementation can also help increase your appeal to traditional lenders without damaging your credit or incurring more debt for the business.

Rule 1: Research, Research, and More Research

Rule 2: Maximize Sales. Go Out & Prosper

Rule 3: Timing Is Everything

Rule 4: Minimize Cost & Debt

Rule 5: Delegate

Rule 6: Diversify

We know you put a lot of thought into maintaining your company's financial solvency so we hope these rules will be helpful in building a strategy to solve cash flow problems before they impact the growth of your business. Ultimately, putting the effort into a solid plan will help you look good in front of business prospects, customers, and traditional lending companies, all while giving you peace of mind when looking at your company's future.

We recommend calling **Universal Funding Corporation's** knowledgeable team to ask questions about debtless capital financing through factoring your accounts receivable. Call 1-800-405-6035 or **email us** to connect with one of our factoring specialists and get started today.