

ADVICE: BUILD A BUSINESS PLAN

TIPS: HOW TO PREPARE A KILLER LOAN APPLICATION

WORDS: NAOMI BULGER

How to get a business loan

You have a vision for your business. You know how to take it to the next level, and you have the drive and expertise to make it a success. All you need now is the cash from the bank to get started. Here's what to do.

To get that much-coveted loan from your bank, you need to prove your dream for your business is just as achievable as it is admirable.

Banks look for three things in every business loan applicant.

Character: Will you pay the loan back?

Cashflow: Can you afford to pay the loan back?

Security: Do you have a back-up plan to pay off the loan?

But just how do you show the banks you've got what it takes? We approached three experts – a bank manager, an accountant and a business owner – and asked them to share what you need to do to have that 'approved' stamp on your loan application.

BUILD A BUSINESS PLAN

When Sophy Wrangell and her husband wanted to purchase their business, Bellingham Maze, in Queensland, Sophy drew on her marketing experience to build a strong business plan.

"The bank needs to know you will be able to pay the money back," Wrangell says. "In your business plan, show them that you've done the hard work and you've got the documented factual figures. Show them how your strategies are going to be successful to get cashflow into the business."

A good business plan should include a number of elements, explains Adam Beasley, chartered tax adviser at Interactive Tax Consultants.

"Outline exactly what you want the finance for - how the money will be spent and over



How to get the bank to say 'yes'

Top tips to get your loan approved.

DO

- Tell the bank everything
- Present your business in the best light: show you completely understand the implications of taking out a business loan
- Understand that it takes a little longer for banks to approve business loans compared to home loans
- Be sensible about the amount you actually need to borrow, and be able to justify both the loan amount and the repayment amounts

DON'T

- Ask to borrow more than your business needs
- Drip-feed your information to the bank
- Over-value your business' actual assets
- Finance your business debt as a home loan, as this has the potential to make things more difficult in the future. However, you can use your home as security as it may make your loan cheaper for interest rates, fees, valuation costs and application fees



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what timeframe. Explain why you are choosing to borrow money and the impact the loan will have on your forecast sales and profits," he advises.

In addition, Beasley says your business plan should include:

- Balances of accounts;
- Marketing aims and objectives (e.g. how many customers you hope to gain and the anticipated size of your customer base at the end of the loan period);
- Operational information (e.g. where your business is based, who your suppliers are and the premises and equipment needed);
- Current financial information and full financial forecasts;
- Business objectives including targets and dates, and aims and objectives for each individual area of the business;
- An exit plan;
- The skills and qualifications of those in management;
- Information about your product or service, such as how it is distinctive and where it fits in the marketplace.

BE PREPARED

Before meeting with the bank manager for the first time, make sure you have the right documents with you.

"Plan ahead and ask yourself how much – if any – equity you have in your property," advises Simon Plummer, business banking manager at Commonwealth Bank. "This will

directly relate to the term and cost of the loan. Consider how much you can afford to borrow and do your calculations before seeing the bank, as this shows you are serious.”

Give thought to what sort of loan would best suit your needs and circumstances, and discuss your options with your accountant if necessary.

Tax adviser Beasley says various finance models include an overdraft facility, a line of credit, a fully drawn advance and mortgage chattel. In selecting a loan model, consider what you need the money for and whether or not you can provide security against the loan.

Also, think about the flexibility you require for making repayments (both in terms of time and amount) and the period of time it will take to repay the loan.

CRUNCH THE NUMBERS

When reviewing the business you want to buy or expand, you will need to collect accurate financial information. These include documents from the past three years such as:

- Tax returns;
- Profit and loss statements;
- Balance sheets;
- Cash flows figures;
- Bank statements;
- Business Activity Statements;
- Balances of accounts receivable and payable.

Develop financial forecasts for the term of the loan, too. If you need help, approach your accountant or tax adviser.

“Include best and worst case scenarios and state any assumptions you have made,” says Beasley.

“New businesses will need solid cashflow forecasts, and commentary of how they will reach the numbers projected,” adds Plummer. “And make sure you have three months’ worth of statements for all other loans, credit cards and savings accounts on hand.”

DON'T STOP WORKING

With careful planning, hard work and the bank loan behind them, the Wrangells were able to purchase a rundown business and transform it into a successful tourist destination. Bellingham Maze now features a mini golf course, various activities, a gift shop and a kitchen area, in addition to its original traditional English hedge maze.

“That loan helped us buy and work in the business,” Wrangell says. “It has given us a lifestyle and income for the past ten years which were beyond what we’d been able to obtain through the previous jobs we had.”

However, receiving the business loan is just the first step to the journey of your business, Wrangell adds.

“You can’t just get the loan and get the business,” she warns. “Over the years, I’ve continually had to work on new and different strategies to get our business going and maintain our cashflow. The loan is only the beginning of the story.” ●●●



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