

How a financial proposal and debt can support your business

Banks can provide valuable financial services to help your business develop and succeed. The most accessible of these are debt financing and business credit cards. When a company requires a significant infusion of cash or a quick and convenient way to fulfill short-term financial needs, a loan or business credit card can provide useful financial support.

How credit is used depends on where your company is in the business life cycle.

1 At the start-up stage

New businesses often do not have established credit, so qualifying for a loan is more challenging. Credit is a great resource that can be leveraged for additional financing.

2 During the growth stage

Credit is an important part of the growth stage. Spontaneous opportunities and barriers often come up and require short-term financing. As a business grows, banks can more clearly see its strengths and short-term loans and business lines of credit may become easier to access.

3 In the maturity stage

Established businesses are more likely to qualify for long-term loans, lines of credit, commercial mortgages and other financial services. Credit continues to play a big part in this stage as more employees join the business and financial responsibilities expand.

4 At the exit stage

Businesses often rely on term loans, lines of credit and business credit cards during the transition period to fulfill capital requirements for the sale or transfer of the business.

Most financial institutions will issue a business credit card based on a routine credit check and application. To access a significant amount of debt financing, a written financial proposal is usually required by your banking professional to acquire a loan or financing. A financial proposal contains details of how you intend to achieve your business plan:

- The amount of money you need?
- How that money will be used?
- The returns that can be expected?
- What security will be provided?

The preparation of a financial proposal can also be beneficial to the operation of your business. As a fundamental management tool, your proposal provides additional benefits:

- Forces you to write down facts clearly and objectively.
- Helps you to identify and clearly define products, markets and suppliers.
- Provides you with a guideline against which to measure results.
- Conveys a lasting impression of you and your company, and allows others to assess your chances of success.

Your financial proposal should be based on your business plan. It should be written clearly and to the point. While it should emphasize your strengths and the upside, it's important to acknowledge the risks and the downside. This allows you to demonstrate that you understand risk and know how to cope with it.

Speak to your BMO financial professional to learn more about maximizing the potential of your business when credit or debt financing is needed to develop and grow your business.



We're here to help.™

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