

Building Better Bank Relationships

To have a successful relationship with a bank, you should consider advising the SMB on implementing a bank strategy, including preparation of a budget and cash-flow forecast, which indicates a profitable business and the ability to repay the loan.

Prior to approaching the bank, it's a good idea to think about what the bank's questions are likely to be and formulate answers. Such questions might relate to previous discussions you've had with the bank.

Other potential questions for the SMB to consider may include:

- Are you running a profitable business?
- Do you have the cash-flow to repay the loan?
- What security are you offering?

To be able to convey to the bank that a business owner is operating a sound business, he (she) should be able to show the banker that you're doing your homework on your customers, that you have an appropriate debtors' management system, you might insure your debtors.

Questions for the business owner to ask include:

- Do your staff have adequate training?
- Are they able to make day-to-day decisions?
- What is your relationship with the ATO? Are you in arrears or are you up to date with them?

It's also a good idea to find or build a 'cash-flow buffer' within your business, so that you're able to negotiate the difficult conditions that most businesses around Australia are in at present.

Bankers and Risk

Bankers are not fools. Bankers have an excellent view of the risk-return relationship. You bring them a potential business showing a 50% return, and what they see is a 50% failure rate.

You would have to do a lot of work to convince the banker that they should risk their money!

Firstly the compliance work of Tax Returns is not going to cut it! There is no way a banker can understand your business just by looking at a Tax Return or BAS return.

Small business owners have to watch every penny they spend, however it is pointless to go seeking finance, if you are not suitably equipped.

What do bankers want to see?

Historical records:

- a. Income Tax Returns (last three years)
- b. BAS Returns (last three years)
- c. Evidence that this was prepared independently (Tax Agent & BAS Agent)
- d. Financial Statements (last three years)

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Third party records

- a. ATO (portal) reports of "Integrated tax account" last three years
- b. ATO (portal) reports of "integrated client account" for last three years
- c. ATO (portal) reports of lodgements of Tax Returns & BAS returns.

Business plan

- a. Outline of the business
- b. Cash flow projections

How does a higher level report benefit a small business operator?

- a. You will have a better chance of accessing Bank Finance.
- b. You will get a third party assessment of the risk factors in the business.
- c. You could save a lot of money by identifying unacceptable risks.
- d. You could improve your business.

Like any good planning, don't go racing towards failure (rejection), invest the time and money into preparation. The returns will flow on and on