

## **BENEFITS OF RECEIVABLE FINANCING**

- *Monetizes a dormant asset on your Balance Sheet*
- *It's NOT a Loan*
- *You are NEVER out of pocket Cash*
- *Principal and Interest is paid back by Receivable collection*
- *Never worry about having cash available for Payroll or Bills again*
- *It is the cheapest Short Term Financing available for a Business*
- *80% Today, 20% less interest when Receivable is paid- Great for Cash Flow of a Business*
- *Do not Annualize Interest Rate, you are only paying Interest on the cycle of the particular receivable you financed*
- *Reduce your Interest by using your cash flow to pay down outstanding receivables financed if you do not need the cash flow*
- *Very flexible tool- finance only what you need to*
- *You can keep control over collections if you like or outsource the administration of collections- it's your choice*
- *You are providing liquidity to your clients also as they do not need to pay you immediately and as such, you can increase your pricing*
- *Pay your suppliers quicker and negotiate down the cost by doing such*
- *The Interest is Tax Deductible!!!!*

## **RECEIVABLE FINANCING EXAMPLE**

### Assumptions:

*\$100,000 Invoice paid in 60 Days*

*Assuming it is paid in 60 Days*

*The business has a 7% annual Growth (Return on Investment-ROI)*

*The Present Value of this is \$98,844 ( $\$100,000/(1+2.25)^{.16}$ )*

*(.16= 2 month's collection period)*

*Present value = Future value /  $(1+r)^n$*

*If you can get an 80% advance rate with 7% return to your business, you get \$80,000 **Now**, plus 7% return = \$5,600 Annual Return (\$933 for 2 months)*

*You pay 2.25% on the \$100,000= \$2250*

*And you still get \$17,750 in 60 days*

*So for paying \$2250 (which is tax deductible), you get \$933 ( $\$5600/12 * 2$  months)- Real cost of \$1317 -The effective interest you paid now is only 1.3% and you got use of the cash immediately.*

*The higher the rate of return on your business investment, the better this formula works in your favor!*

### Help your clients with Liquidity:

*Most clients are struggling with Cash Flow as well and would be willing to pay a little bit more for products or services if you offer payment terms rather than cash on delivery. Taking the above example, if you charge 2% more -- I.E. \$102,000, you have just covered that \$1317 cost and made \$683!! Your Profit Margin just increased.*

### For Manufacturing:

*Pay your suppliers quicker and request a discount on the cost of your goods. So if your cost of goods was \$60,000, imagine reducing it by 1% or \$600, combined with the other changes, you now increased your profit to \$1633.*