

5 rules for your business plan when looking for funding

Preparing a detailed business plan will inform the lender about your business proposal so that it can assess your application as favourably as possible.

1. Know your numbers. In order to inspire confidence in you as a borrower, it's important you are familiar with your key financial figures, even if you don't prepare your own financial statements. This includes current income, net profit and expenditure.

Include a profit and loss budget, and, if your business is new or you are starting a new business, prepare your personal credit history.

2. Estimate how much funding you need. Are you looking for funds to help with cash flow and operations on a regular basis, with a larger overdraft limit for occasional use? Or do you need one-off funds to open a new factory or purchase additional equipment?

Prepare an updated business plan to establish all of the factors in your application, including any partners and strategies.

3. Project your cash flow. You can use this to prepare pro-forma statements, or projections of what your business will make going forward, making adjustments based on past trends.

4. Provide proof of loan security. A lender will evaluate your risk factors to determine if you and your business are a good investment. Consider the maximum payment you can afford before meeting with your Chocolate Money finance broker, who can advise you on whether you should offer collateral (assets such as property to secure your loan) or a third party willing to guarantee the loan on your behalf.

5. Know your clients. Having a clear strategy, reflecting in a marketing strategy is essential. At the very least, have a professional website reflecting the fundamentals of what is written in your business plan so there's consistency when the lender 'checks you out' on line.

Ask questions. Your finance broker will already know what products are on offer. If you're already a customer with one lender, discounts may be available. If one option is much cheaper, your finance broker will be able to tell you whether it carries higher fees or a likelihood of the interest rate changing.

Talk to Chocolate Money for all your business funding options by calling 1300 137 539.