Three Signs it’s Time to Seek Business Financing from Your Bank

By PATRICK DAVERN

When your growing company is meeting goals and posting profits, it’s possible that the next step could involve bank financing to continue to build your business. But navigating the world of business loans can be challenging. It’s not always clear when you’re ready for a loan, how to get a small business loan, or whether that loan will truly help your progress. Before you make a decision on financing, ask yourself these three important questions:

1. IS YOUR LOAN GOING TO BE FOR A SOUND BUSINESS PURPOSE?

Small business lenders usually won’t loan you money unless they know where that money is going. Not only that, but they also typically need to agree that the purpose for the loan is a good one. SBA loans are typically used to fund equipment and real estate purchases, construction of new facilities, working capital needs, business acquisition or partner buyout, and refinancing business debt.

2. DO YOU HAVE GOOD CREDIT?

You probably know the importance of a good credit score when obtaining loans like a mortgage or a personal loan. The same goes for small business lending. The better your score, the more likely you are to get a “yes” from a lender, and with more favorable terms.

Your personal credit score and financial history are major factors in whether a lender will agree to loan you money. To the creditor, the loan isn’t going to a faceless business: It’s going to you and any partners you have. If you, your partners or your business has a credit score that could use a boost, consider taking some steps to improve it before seeking out a loan.

3. ARE YOU GOING TO BE ABLE TO PAY BACK THE LOAN?

To a bank, small business loans inherently come with some level of risk. And since banks are investing their depositors’ money, they need to ensure the money loaned is likely to make its way back to the institution. That means if a bank isn’t confident that you can make regular payments, it probably won’t issue you a loan. To determine your ability to pay back a loan, your bank will ask for personal and business financial documents to assess your ability to make payments.

Pursuing a small business loan can be complicated and time-consuming. But by taking some time to further explore these questions, and working with a strong bank dedicated to business customers, like Torrey Pines Bank, the loan process can prove to be worthwhile.

Torrey Pines Bank offers three types of Small Business Administration (SBA) loan programs (all offers subject to credit approval):

1. The SBA 504 program provides long-term financing for major fixed asset purchases.
2. The SBA 7(a) Guaranteed Loan Program can give financial help to a small business that has special requirements, such as real estate and equipment purchases, working capital, refinancing debt, business acquisitions and partner buyouts.
3. The SBA Express Program provides a quick response to your SBA loan application.

As a division of Western Alliance Bank, Member FDIC, Torrey Pines Bank clients benefit from the financial strength, capacity and sophisticated product offerings of a large bank along with the flexibility, deep regional knowledge and local leadership of a more specialized financial institution. This year, Western Alliance ranks #4 on the Forbes 2017 “Best Banks in America” list, which lists the nation’s top 100 banks based on 10 important metrics related to growth, profitability, capital adequacy and asset quality. Learn more about how we can help your business grow and evolve with an SBA loan option that’s just right for you by contacting your local banking expert.

Patrick Davern is the Commercial Lending Team Leader at Torrey Pines Bank, focused on helping businesses and investors reach their goals. To contact your local banking expert, call the Downtown Los Angeles office at (213) 362-5200, the Beverly Hills office at (310) 623-8901, or visit torreypinesbank.com.

UPS OFFERS TEN TIPS FOR SMALL BUSINESS SUCCESS

It’s hard to believe now, but UPS started out as a small business more than a century ago. Today, as the world’s largest package delivery company, the shipping organization understands how important it is to win contracts with companies, and knows that the bottom line counts.

Here are 10 tips offered up by UPS for small businesses to consider for success:

1. Look for customers who are committed to supplier diversity.
2. Know how to sell your company by pitching what you alone can bring to the table.
3. Conduct advance planning and research about the company.
4. Understand what makes the company tick.
5. If your product or service is not a good fit for a company, know when to cut your losses and focus energy elsewhere.
6. Pick the right point-of-entry by contacting the appropriate buyer.
7. Be able to answer this question: “If I buy your product or service, how will it help my company gain a competitive advantage?”
8. Seek mentor relationships to bolster weak areas.
9. Practice the three P’s: patience, persistence, and perseverance.

Salute to Small Business

UPS OFFERS TEN TIPS FOR SMALL BUSINESS SUCCESS
Solving the Succession Puzzle: Tips to a Successful Transition for your Business

Perhaps the most significant risk to the future of any business is one that is often overlooked: What will happen when the ownership or leadership changes? Unfortunately, many business owners have put off succession planning—to the detriment of family, employees, and the business itself. According to a recent survey, 50% of business owners claim to have a succession plan, but only 10% have a discussed and documented succession plan in place.

Many businesses fail even if successful, due to an ineffective, unthought-out succession plan. One recent example is a company that had an outdated buy-sell agreement when a majority shareholder unexpectedly died. The agreement provided for the deceased shareholder's estate to receive an amount that far exceeded the actual market value of the business, which had declined due to economic conditions. The company did not have sufficient liquidity to pay off the deceased shareholder's estate and it was required to obtain a business loan just to meet the obligation.

Unfortunately, this scenario is not rare. According to the Family Business Institute, only 30% of family businesses pass successfully to the second generation. Still fewer—only 12%—survive to the third generation. With such negative potential consequences, why do business owners delay succession planning? Several common roadblocks they have identified include:

- Lack of time
- Don't want to think about leaving
- Conflict with family or employees
- Don't have a plan
- Believe it's too complex
- Don't want to think about leaving
- Conflict with family or employees

Ensuring a successful transition for your business is a critical goal for any business owner and one that can be achieved with planning and communication. When the goal is to transfer the business to family members, there is always a greater level of complexity, as issues of control, conflicting interests, compensation, ownership percentages, and personal relationships come into play.

With the guidance of an experienced wealth strategist, you and your family can begin to identify and clarify the objectives of everyone concerned. Once these objectives have been articulated, the next step is to analyze the business' current situation and devise appropriate wealth-transfer strategies as each business structure poses unique tax, operational, and legal issues. A wealth strategist can assist a business owner in the following ways:

1. Conversation from a “30 thousand foot view”: Owners are focused on the day-to-day running of their business. They've rarely ever transferred or sold a business. Wealth strategists regularly work with business owners who've gone through this process, and benefit from hearing the lessons that other owners have learned (sometimes the hard way). The benefit of this accumulation of knowledge allows them to assist business owner clients see both the good and the bad of what they might go through in their transition process.

2. Assessment of Entity Agreements including buy-sells: Buy-sell agreements and provisions should be reviewed to see if they align with the owners’ objectives, making sure that all desired “triggering events” are covered, along with the terms of a buy-out, and whether it is mandatory or a right of first refusal. In addition, it is important to evaluate loan covenants to make sure that any proposed succession planning will not adversely affect any loan covenants for loans that will stay in place after the transition.

3. Business Valuation Process: A wealth strategist can help match business owner clients with valuation experts that can help both value the company with anticipation of a sale, as well as with anticipation of transition to family. They can also help the client understand the process and understand what the valuation report really means.

Life is unpredictable. If you're passionate about your business, you should be equally passionate about protecting it in the event of your death or disability. While it may seem overwhelming, when you work with an experienced wealth strategist and break it down into manageable components, giving yourself plenty of time to work through any issues that arise, succession planning doesn't need to be daunting. Once you put a plan in place, you can enjoy the peace of mind of knowing your business objectives will be addressed, both now and in the future. It's not too late – make a plan today.

Information for this article was provided by Union Bank. For more information visit unionbank.com/theprivatbank to learn more about wealth planning options.

Note: The foregoing article is intended to provide general educational information about business succession planning and is not considered financial or tax advice from Union Bank. Whi, trusts, foundations and wealth planning strategies have legal, tax, accounting, and other implications. Clients should consult a legal or tax adviser.

BUILDING YOUR SUCCESS THROUGH RELATIONSHIP BANKING

Citizens Business Bank is dedicated to serving our customers by building long-term relationships, providing quality financial services, and creating solutions tailored to your needs. We offer a wide array of banking, lending, and investment options. Our bankers work with you to understand, build, and enhance the value of your company. Visit one of our local Centers today and discover how we can build solutions for you.
Of course you think you can, but it’s much easier to realize your dreams when you have a bank that actually champions your business. That’s what CB&T has been doing for over 60 years.

Visit us online or in person and see what makes us different.
Banking Relationships from a Small Business Perspective

It’s always a good time for small business owners to reassess their company’s financial health and their relationship with their bank. The American Bankers Association offers the following tips to help small business owners enhance their current banking relationship or choose the best bank for their needs.

Many small business owners have been wondering what it takes these days to get a bank loan. One way to influence your bank’s decision is to establish a personal relationship with your banker that shows him or her just how valuable your business is.

Banks value long-term, profitable business banking relationships. Bankers reward these firms by extending credit with the most favorable interest rates. These businesses and their bankers understand that developing a meaningful relationship is a two-way process—your banker has a role to play and so do you.

So how do you know if you have a meaningful and valued relationship with your bank? To find out, take the following “relationship test.” Respond to the seven statements below with “true” or “false.”

1) My firm has a bank relationship manager assigned to our account and we have contact (by phone or in person) at least once per quarter to update the bank on recent developments at our firm and within our industry.
2) Our bank relationship manager understands our industry, our position in the industry, our firm’s value proposition, where we are today and where we’d like to be in the future.
3) We provide our banker with updated financial information (historical and projected balance sheet, income statement, cash flow information to include projection assumptions and commentary on actual performance) regarding our progress toward achieving our goals on a timely basis.
4) Our senior management team meets annually with our relationship manager and his/her boss to discuss our firm’s financial performance and challenges and to understand the bank’s perception of our performance.
5) Our relationship manager proactively brings us ideas to help us achieve our goals.
6) We understand how the current economic crisis has affected our bank and our relationship with the bank (i.e., the availability of credit to our firm and the safety of our deposits).
7) Our firm makes sure that our banker is aware of all of our business with the bank (e.g., both business and personal) and that it makes money on our total banking relationship. In addition, our firm provides our banker with referrals to other profitable businesses.

If you answered “true” to four or fewer of these statements, you have positioned your firm well with your banker. If you were able to respond “true” to all seven of these statements, you have positioned your firm well with your banker and are putting your firm at a competitive disadvantage in terms of:

• Receiving the funds you need to grow and prosper;
• Obtaining the best rates available for the financial products and services your business needs to operate; and
• Receiving ideas and advice to help you achieve your desired business goals.

Your firm should seek a bank that rewards a relationship approach to doing business with them, and a banker who is able to give your firm the financial advice that it needs to survive and thrive in today’s ever-changing economy. In return, your firm should reward this bank with your business and loyalty.

The American Bankers Association represents banks of all sizes and charters and is the voice for the nation’s $14 trillion banking industry and its two million employees. Learn more at aba.com.
You’ve spent your life accumulating wealth. And, no doubt, that wealth now takes many forms, sits in many places, and is managed by many advisors. Unfortunately, that kind of fragmentation creates gaps that can hold your wealth back from its full potential. The Private Bank can help.

The Private Bank uses a proprietary approach called the LIFE Wealth Cycle™ to find those gaps—and help you achieve what is important to you.

To learn more, please visit unionbank.com/theprivatebank or contact:

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Wills, trusts, foundations, and wealth planning strategies have legal, tax, accounting, and other implications. Clients should consult a legal or tax advisor.

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