

8 Benefits of Factoring to Consider for Your Business

Cash flow challenges are one of the most common hurdles for early stage and fast growing businesses to overcome. This financial limitation is in many cases a result of clients requiring trade credit on sales, meaning they won't pay for the services provided or product delivered for 30-to-90 days after the company completes its work or delivers its product (or even longer in some cases). Invoice factoring provides business owners an opportunity to free up the cash that is tied up in their accounts receivable so they can focus on running and growing their business without the uncertainty and stress of not knowing when they will receive payment on their slow paying receivables. In this article we highlight some of the benefits of invoice factoring.

Improve Cash Flow

The number one reason companies factor is because they are having cash flow challenges. Factoring provides an immediate solution to this problem as companies can quickly raise funds through factoring when and as necessary. This enables a company to focus on its core business and to take on growth opportunities which in the past would have been turned away due to inadequate funding.

Quick Funding

Factoring is one of the quickest ways a company can raise cash for its business. The initial set up and approval with a factoring company can take approximately a week to put in place. Thereafter, a company can submit the invoices it wishes to factor and typically be funded within 24-to-48 hours of doing so, providing access to capital on demand.

Free up Cash without Taking on Debt

One of the advantages of factoring is that the business does not take on any debt when it factors its invoices. Factoring is basically a means to speed up your accounts receivable collection process without taking on debt – you are simply selling your accounts receivable for cash today.

Benefit from Cost Savings

The ability to convert your outstanding accounts receivable into cash enables a business to take advantage of early payment discounts/terms on supplier purchases and sub-contractor costs. These savings can be substantial and in some cases can fully offset the costs of the factoring transactions.

No Cash Use Restriction

When a company factors its accounts receivable, it can use the funds for the business in the manner it sees fit. Companies can fund new projects, equipment purchases, payroll and other day-to-day expenses to keep the business on track and growing.

Flexibility

Factoring provides the business owner with tremendous flexibility as he/she can decide when, how much and which invoices to factor. There are no minimum amounts that a company has to factor every month or long term contracts to restrict a company's future options.

Reduce Payment Timing Uncertainty

Factoring eliminates the uncertainty of when a company collects on its slow paying invoices. When a company decides to factor its invoices it receives payment immediately – it is that simple. This enables a business owner to plan around its work in progress, instead of trying to anticipate when its clients will pay their invoices for prior work and products delivered.

Outsource your Accounts Receivable Collection Function

Companies often find that they can outsource their internal accounts receivable collection process to their factoring company. This can save on costs if a company would otherwise need to hire internal personnel to manage this function. This also enables a business owner to focus on their core business and not have to worry about paying attention to the collection of unpaid invoices as the factoring company will take on this function.

As invoice factoring becomes more popular and mainstream, business owners are realizing the tremendous benefit that this form of financing provides. We invite you to review our other articles on the factoring process, explore our website and to give us a call with any questions you may have about our invoice and accounts receivable factoring services.

For further information, please contact:

Matt Sobolewski, President

Mascor Capital

Phone: (403) 827-7148

Email: matt@mascorcapital.ca

Website: www.mascorcapital.ca