MASCOR
CAPITAL
www.mascorcapital.ca

Using Invoice Factoring to Finance and Grow Your Small Business

Small business owners often struggle with cash flow issues due to having limited financial resources. This financial limitation is in many cases a result of their clients requiring trade credit on sales, meaning they won't pay for the services provided or product delivered for 30-to-90 days (or even longer in some cases). As a result, the company faces a cash flow shortfall as it has to pay its employees every two weeks, pay its rent or mortgage monthly, and pay its day-to-day operating expenses as they arise. Consequently, all of the funds that the business has at its disposal are drained to pay these ongoing operating expenses while waiting to collect on the work already completed. Essentially this results in a company living invoice-to-invoice (like someone who is living paycheque-to-paycheque).

If a new business opportunity arises, often times the company cannot take it on as they do not have the funding in place to purchase the necessary inventory/equipment or to hire the required personnel to deliver on the contract.

So how do you finance your business to be able to take on additional customers and grow? Traditional banks will often not finance smaller and earlier stage companies which have less than a few years of profitability or which do not have substantial assets to use as collateral to secure their loans. If you don't meet these criteria obtaining an operating line of credit from your bank will be a challenge. Invoice factoring is a sensible alternative for companies that are in these situations.

Invoice factoring is the process of selling your slow paying invoices to a specialized financing firm called a factor. You can sell your invoices to a factoring company on the day they are generated for a cash advance against the payment that your customer will make at a later date. In many cases, the factoring company will advance 75-80% of the invoice value immediately, with the remaining 20-25%, less the factoring company fees, to be paid when your client pays the invoice.

This essentially results in a company being able to speed up its accounts receivable collection period significantly, providing it with the funds necessary to operate its business and take on new opportunities as they arise, all the while providing 30-to-90 day payment terms to their clients. With this cash in hand, a business can operate more efficiently and no longer needs to turn down new growth opportunities that in the past would have gone to their bigger and better capitalized competitors.

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 invoices. Simply put, when you factor your invoices, you get paid.

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