



# Choosing your business banking partner

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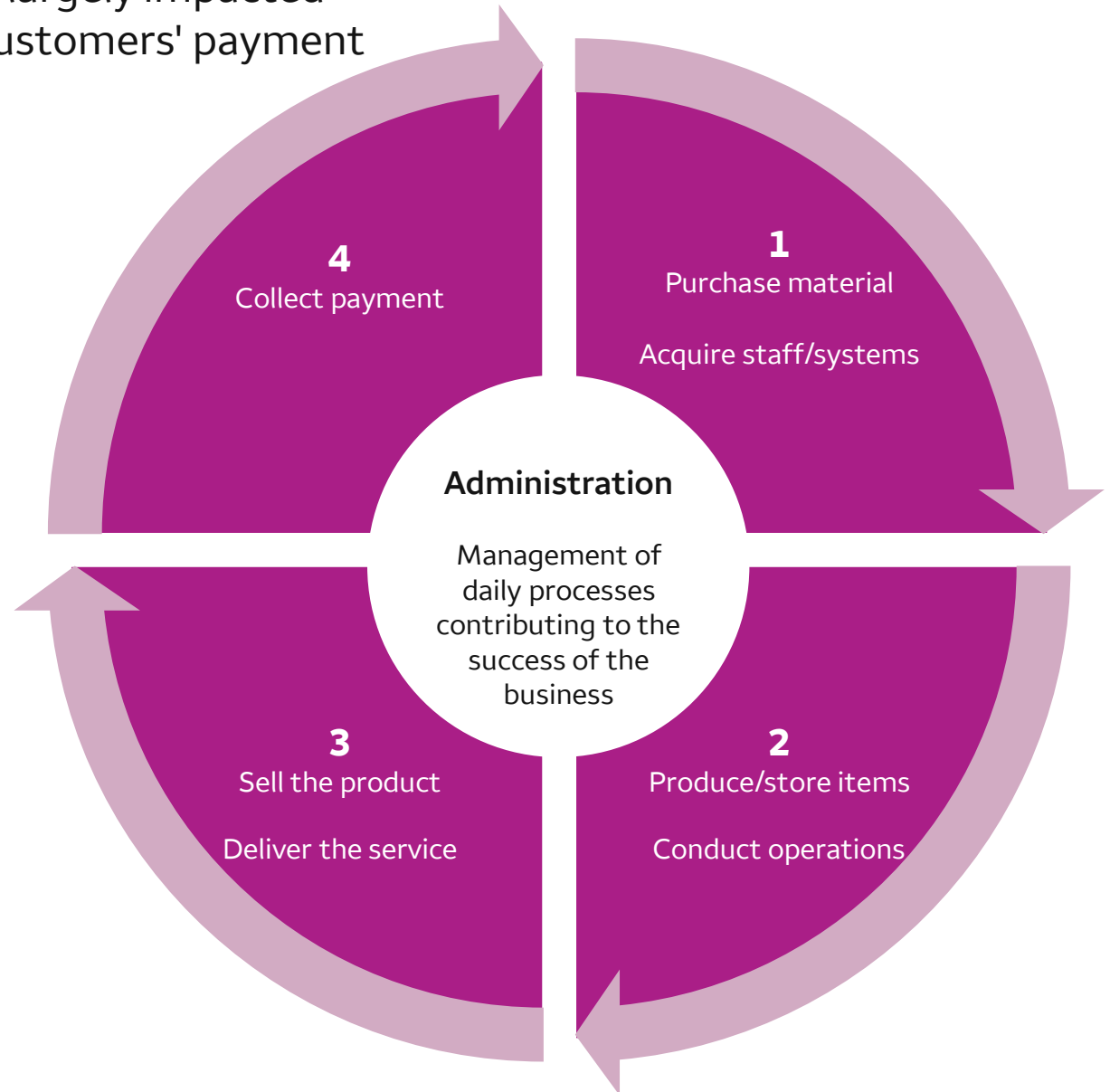


# Understanding your business's operating cycle

# Business operating cycle overview

Your operating cycle is largely impacted by your vendors' and customers' payment policies.

What does your business' operating cycle look like?



# Creating a cash flow forecast

## Key assumptions

### Receivables

How quickly you receive payment from your customers.

### Payables

When your payments are due.

# Strategies for business cash flow management



Forecast your cash flow for the next three months.



Review and update your forecasts regularly.



Monitor your burn rate carefully.



Create cash flow statements every month.



Plan ahead for cash shortages or unexpected expenses.



Incorporate useful technology.

# Managing credit

# Take control of your credit profile

A credit profile is everything a lender sees about you and your business.

## Create a sound financial footing

- Establish checking and savings accounts specifically for your business and separate from your personal accounts
- A strong payment history may strengthen your credit profile
- Review your personal credit profile yearly, and clear up any issues

## Bank strategically

- Consolidate banking relationships
- A strong banking history may support your creditworthiness
- Demonstrate a consistent flow of funds

## Cultivate the relationship

- Visit your banker regularly
- Be clear about your situation and goals



# Get to know credit reporting

Lenders may look at both your personal and business credit history.

## Credit reports

Aggregate information from many sources

- Payment history
- Credit usage
- Debt load

## Credit scores

Use information from your credit records to generate a single number

- Payment history
- Outstanding debt
- How long your credit has been established





# Know the Five C's of Credit

Each of the Five C's is important – assess your business in each area.

## Credit history

How you have handled past credit obligations may help indicate what a lender may expect in the future.

## Collateral

Personal and business assets that may offer a backup source of repayment.

## Capital

Personal investment in the business and business assets that can be turned into cash.

## Conditions

Everything that affects your ability to repay a loan, including internal and external factors.

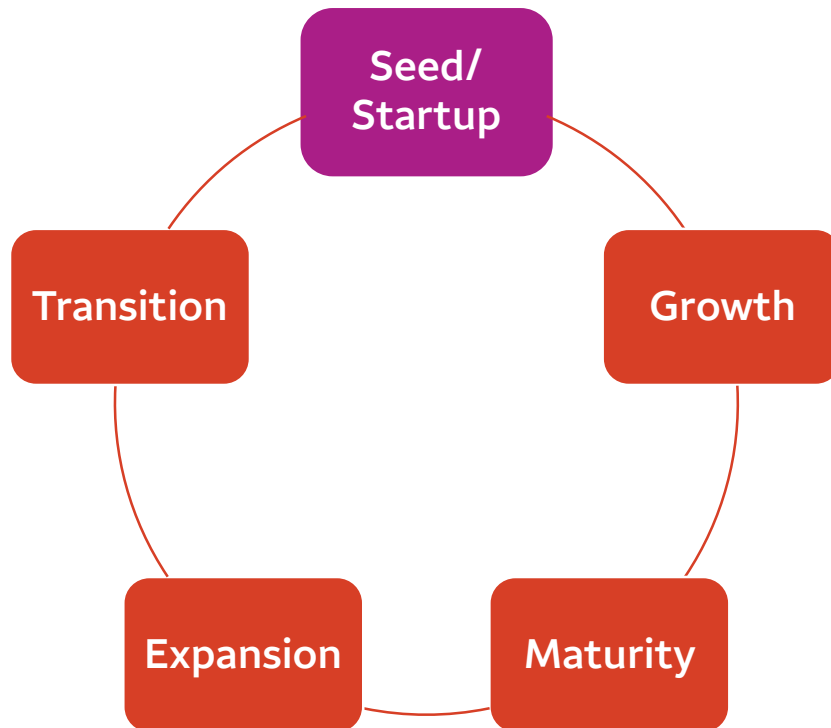
## Capacity

How your business will generate enough cash to repay the loan and any other commitments.

# Cash flow through the stages of the business lifecycle

## Match your business and cash flow stages: Seed/startup

Every business is unique, but there are some common needs and characteristics when they are at similar stages.



**Turn a great idea into a viable business**

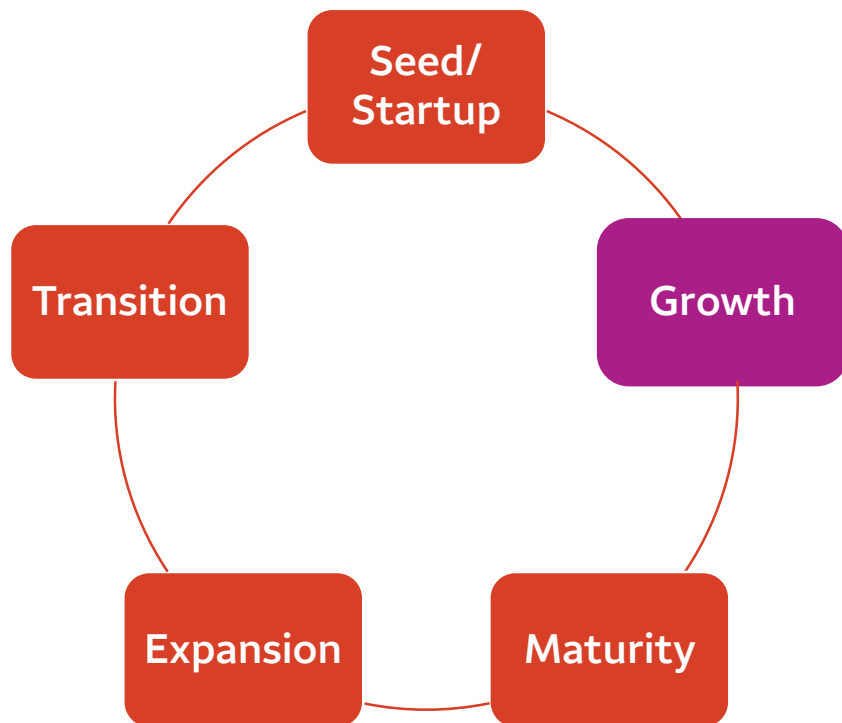
- Business plan
- Funding strategy

**Build a solid foundation for success**

- Secure funding

## Match your business and cash flow stages: Growth

Every business is unique, but there are some common needs and characteristics when they are at similar stages.

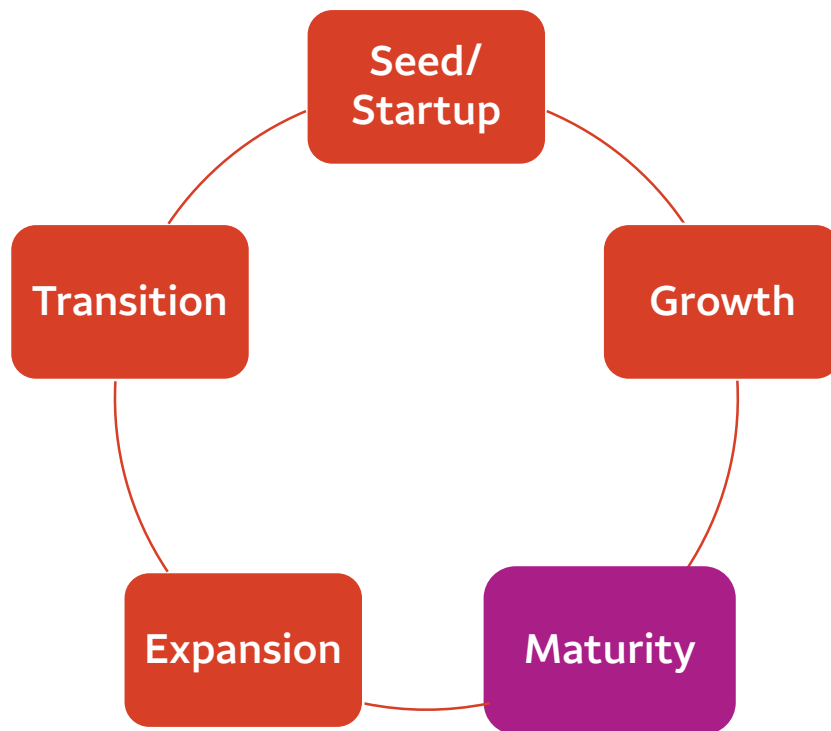


### Move a young company forward

- Save cash for emergencies or slow sales periods
- Monitor payroll expenses

## Match your business and cash flow stages: Maturity

Every business is unique, but there are some common needs and characteristics when they are at similar stages.

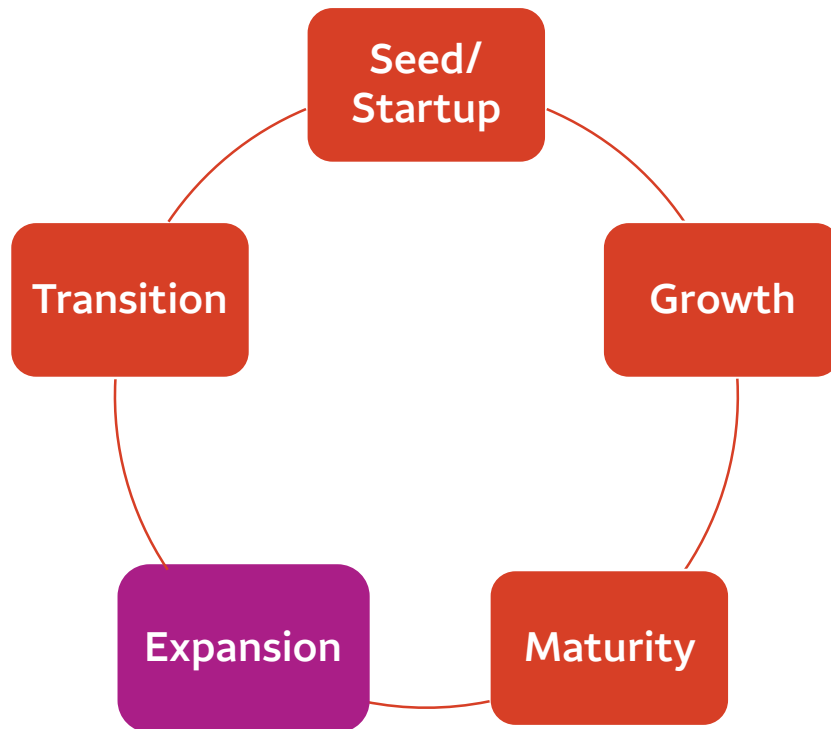


**Keep your edge as an established company**

- Monitor cash “burn rate”
- Negotiate better payment terms

## Match your business and cash flow stages: Expansion

Every business is unique, but there are some common needs and characteristics when they are at similar stages.

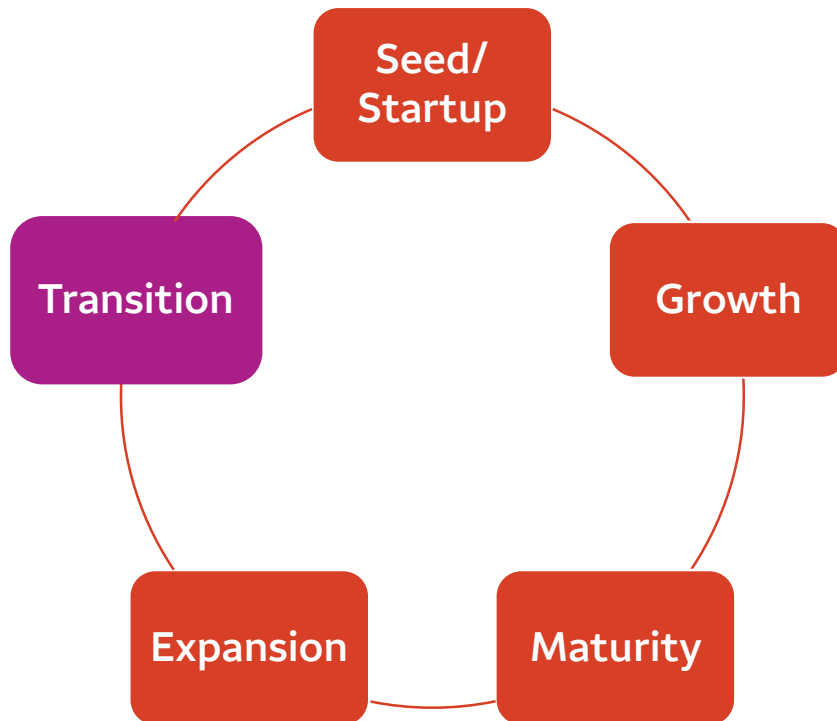


### Take a mature business to the next level

- Consider using cash available to fund expansion
- Prepare a cash flow projection if you plan to borrow money
- Negotiate trade discounts

## Match your business and cash flow stages: Transition

Every business is unique, but there are some common needs and characteristics when they are at similar stages.



### Plan beyond your involvement

- Prepare earnings projections for potential buyers
- Eliminate expenses not needed for continuing operations
- Factor tax implications of your exit and business sale into cash flow forecasts

# Making sense of financing options



## Know the language

Understanding your options begins with knowing the language.

### Secured

Backed by collateral (cash, equipment, real estate, UCC lien, etc.)

Can be personal or business

### Unsecured

Requires no collateral

Depends entirely on your credit and strong cash flow

# Find the financing that's right for you

Understanding your options begins with knowing the language.

## Credit cards

- Conveniently manage everyday business expenses
- Establish or repair business credit with a business secured credit card

## Lines of credit

- Revolving source of funds
- Unsecured

## Commercial real estate financing

- Expand your business or purchase new commercial property
- Free up cash
- Borrow against your equity

## SBA loans and lines

- May be government-guaranteed
- Variety of purposes and terms
- Fixed or adjustable interest rates

## Healthcare financing

- Support for Dentists, Optometrists, Physicians, and Veterinarians
- Line of credit and fixed rate loans with a variety of repayment options

## Think creatively to find funding

Alternative lending options may provide funding when you're just getting started and help you build credit.



# What potential lenders may look for

# Planning for credit success

Be prepared to show a lender that your company has a steady cash flow and effective business plan.

1

## **Credit purpose**

Explain how you will use the money and why the amount you are asking for is realistic.

2

## **Credit history**

Describe your credit profile accurately to ensure there are no surprises.

3

## **Company finances**

Provide cash flow projections to demonstrate your ability to repay the loan.

4

## **Application details**

Ensure your sales and income numbers match what is on the most recent tax return.

# Enhance your cash flow

Cash flow helps demonstrate your ability to repay a loan.

## 1. Accelerate your inflows

- Process invoices quickly
- Offer customers more payment options

## 2. Monitor your costs

- Track bills and inventory
- Know payroll obligations

## 3. Watch your outflows

- Manage cash flow with credit
- Take advantage of trade discounts or barter arrangements

## 4. Cover your taxes

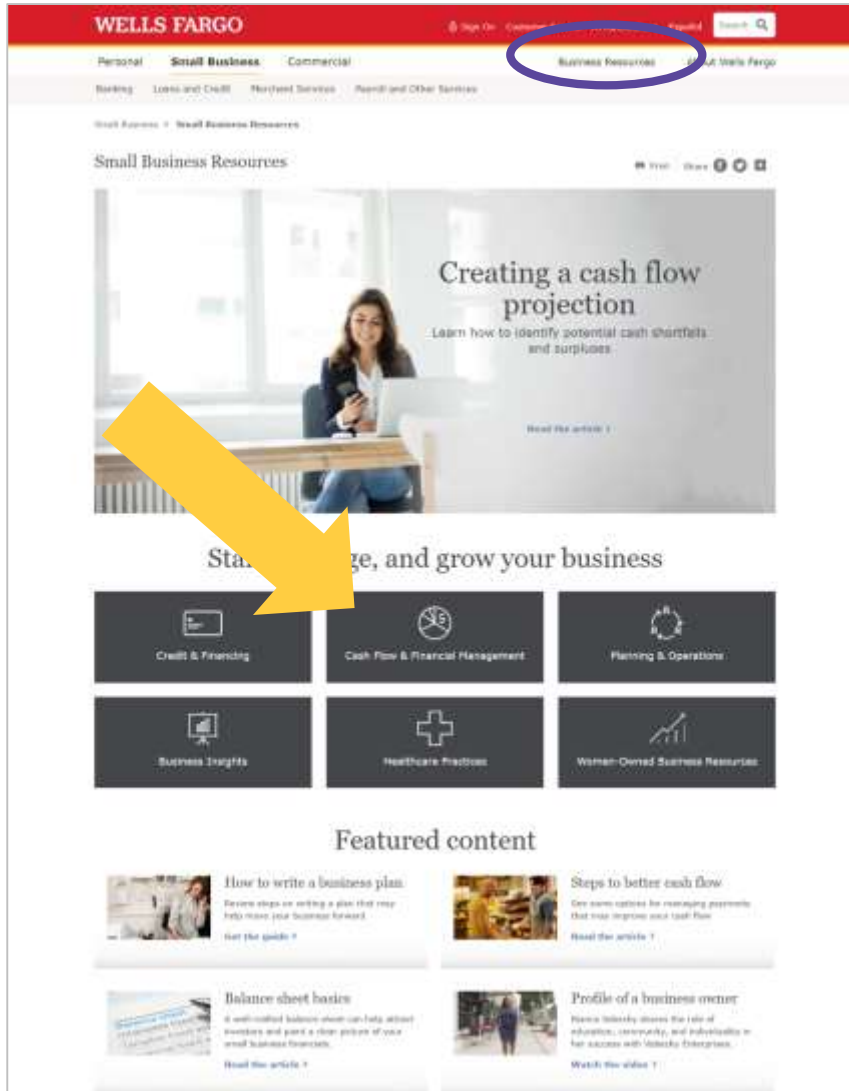
- Set aside funds to cover all your taxes

## 5. Challenge everything

- Are you getting value from every relationship?
- Can you cut expenses?

# Free educational resources

Visit the Small Business Resources Center on [wellsfargo.com/business](https://wellsfargo.com/business)  
Learn how to manage cash flow by accessing numerous articles and resources



## Cash flow and financial Management

- Managing cash flow
- Receiving and processing payments
- Taxes and finances





## How may we help?

### Call us

Telecommunications Relay Services calls accepted

- Customer service for existing accounts: 1-800-225-5935
- To apply for a new account call: 1-800-359-3557  
8:00 a.m. – 8:00 p.m. Central Time, Monday – Friday

### Go online

- [wellsfargo.com/business](https://wellsfargo.com/business)

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