

Title:

Guide To Small Business Factoring

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Summary:

Factoring is becoming a popular yet not so well known tool in the arena of small business. It is an important way of keeping cash flowing through the business when invoices are delayed or accounts receivable are higher than the money in hand. Basically factoring helps you get cash for your business without having that time delay from the time you issue an invoice. They also provide you with collection services and sales ledgers that can be helpful as well. If you are a small ...

Keywords:

Article Body:

Factoring is becoming a popular yet not so well known tool in the arena of small business. It is an important way of keeping cash flowing through the business when invoices are delayed or accounts receivable are higher than the money in hand. Basically factoring helps you get cash for your business without having that time delay from the time you issue an invoice. They also provide you with collection services and sales ledgers that can be helpful as well. If you are a small business owner, then you should consider this guide to small business factoring as a way to fund your business month to month.

How does factoring work? It is easy and yet complicated all at the same time. The factor will generally manage your sales ledger for you while also providing you with collection services for all outstanding invoices. Typically you will be loaned 80% to 90% of the total amount of the invoice. You will generally receive the money within 24 hours of agreeing to the services of the factor.

Factoring for a small business does cost money, though. Usually there are a couple of different costs you have to consider. A service charge will usually cover the management of your sales and collections. The other charge is a percentage of sales factored as well as an interest charge of some sort on the cash advance the factor is giving you. The interest rates, obviously, will depend on your company's credit, the credit of the invoiced companies, and the institution you factor through.

No guide to small business factoring would be complete without telling you what to look for in a factoring company. Obviously you should look for a stable financial institution that will be able to support the business. You should also look for good terms and a company you are comfortable working with since there will be plenty of interaction. Finally, you may want to consider a company that will give you internet access to your accounts. You can easily track the ledger, sales, collections, and your factored amounts that way.

It is also important to understand that no two factoring companies are completely alike. While much of what this guide to small business factoring has explained is typical, there are exceptions to most every situation. The best thing you can do for your business with regards to factoring is research the companies you are considering. Think about what you need and what you want and what everyone is offering you.

A guide to small business factoring can never be complete. There are too many ins and outs when it comes to almost any financial transaction. There are also a number of variables involved like current interest rates, your credit rating, reliability of your invoiced companies, and many other things as well. Before you ever agree to a factoring relationship, make sure you understand all terms as well as how long the contract is for and what renewal terms are. Protect yourself and do your homework and you can use factoring as a way to keep your cash flowing.