RISING TIDE

MASTERMIND RECAP

JULY 2021

LOW INTEREST RATES AND THE EFFECT ON GROWTH STRATEGY

Many business owners used the expectation of a down year in 2020 to clean up their balance sheet and taking any write downs that they had previously been holding off on. A second step in this balance sheet cleanup is often to refinance higher interest debt to capitalize on the current lower rates. And finally, an assessment of your current overall leverage position will expose the opportunities to consider debt to fund CapEx and growth initiatives.

LOW INTEREST DOESN'T MEAN EASY MONEY

The recent business and economic climate has put banks on high alert. Before they lend money they will be doubly cautious to protect against their own exposure to losses. What does this mean for business owner?

Being held to a higher scrutiny:

- *Cash flow*
- *Strategic Plan*
- *Resource Viability*

Banks are being flooded with requests, creating competition and bandwidth limits

NOT ALL DEBT IS BAD

The key to understanding when to pay cash, consider leverage, or utilize alternative funding vehicles lies largely in how quickly you can turn that capital into cash and how much risk that growth is subject to.

How do you know what is right for your business?

- *Can current cash flow cover debt service?*
- *What is the timing for your capital strategy to increase cash flow and at what rate?*
- *What would your debt/equity ratio be after funding?*

Talk to your Trusted Advisors who specialize in this area. Your CPA and lender are great people to start the conversation with, as well as your business lifecycle advisor.

DEBT IS NOT A STAND ALONE CONSIDERATION

It is becoming increasingly important to consider the strategic plan and overall resource impact considerations before contemplating debt. Over the last decade, we have seen a significant uptick in human capital scarcity and threats to the global supply chain. These are just two of the myriad factors that are now essential in developing a bankable funding strategy.