



---

## INVOICE DISCOUNTING : A TOOL TO FINANCE YOUR BUSINESS

Are your clients taking up to 60 days to pay their invoices? This is a very common situation and a significant cause of stress to many business owners. Unfortunately, having a profitable business does not necessarily mean that you have a reliable cash flow. Quite the opposite, many times a business may have great profits and a very unreliable cash flow.

How can this be? Simple. Your clients are paying you in 60 days, but you need to pay employees every week, rent and suppliers. Although the numbers may work in the long term, in the short term you are left with very little cash. This is unless you have a lot of money in the bank to cover the deficits.

But, what do you do if you are new, growing or just don't have a lot of funds in the bank? Get a business loan? Unlikely. Business loans are hard to get. A better option would be to use invoice discounting. Invoice discounting is a form of financing that is not offered by a bank – it's offered by a factoring company.

Invoice discounting, as its name implies, involves selling your invoices for immediate cash, at a small discount. Its value proposition is very simple. Are you willing to discount between 1.5% to 6% from your invoices to get paid now? Consider that many business owners offer a 2% discount to businesses that pay within 10 days. So, invoice discounting offers a similar proposition.

Of course, invoice discounting (or invoice factoring as it is also called) is not for every business. It works best when your profit margins are above 15% and if you use the accelerated funds to pay for business expenses or to pursue new business opportunities.

Factoring companies always purchase your invoices in two installments. The first installment, referred to as the advance, covers up to 85% of the invoice. The remaining 15% (less the discount) is rebated once the customer actually pays the invoice.

Invoice discounting is easy to obtain and can be set up in days. The biggest qualification requirement is to have invoices from reliable clients. So, if you are sitting on a whole bunch of slow paying invoices, be sure to consider invoice discounting.

<https://blog.granted.com/>