

Is the Bank With You or Against You?

Many business owners have mixed feelings about their banks and their banking representatives. They are unsure about whether they can be completely honest about their business without a negative impact on the bank relationship.

On a daily basis, you do not spend much time thinking about your banking relationship. When the time comes to tell the bank you're planning to exit your business, or when you need money, however, you may experience feelings ranging from mild anxiety to outright dread.

Why? We've been conditioned to believe that bankers say "no" far more often than they say yes. That may or may not be true but bankers make money by saying yes. When they turn down a lending opportunity, they just don't lose money.

Like all other businesses, banks are eager to continue mutually beneficial relationships. If the sale or transfer of your business is unlikely to disturb that relationship, your banker is (or should be) vested in helping you execute that transfer. It should come as no surprise that smart banks value the relationship even if you are no longer part of it.

How to Answer the Question

Two sale scenarios clarify our point.

The first is a sale to a third party in which the entire purchase price is paid in cash. In this scenario, your banker is an excellent source of financing for your buyer. If loans are hard to come by, you may wish to help out the buyer by introducing them to your banker. Banks have certain criteria they need to see and restrictions that must be imposed on the buyer, but in the end this may help you vet potential buyers and choose the best one.

In the second scenario, you are transferring your company to insiders (children or employees). The buyer(s) may not have much money so there's a real need to strategize with your banker to enlist bank support. In



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this case your banker may be able to support the transaction (which benefits you) and retain the banking relationship with your company (which benefits them).

Again, the bank needs the business and the buyer(s) to meet certain standards, but this will likely help you ensure a more stable, successful transition of ownership of your most precious asset, your business.

Where to Go Next?

Don't be intimidated by the bank. Let us work with you to identify all of the steps that will help you secure bank financing successfully and without stress or anxiety. Your banker is ultimately a member of your team of trusted advisors, when the relationship is working well.

For more information about the role of bank financing in your plans for the future, and what the bank will require or request, contact us and we are ready to help you today.

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