



# *Alliance One, LLC*

*Presents*

## *Financing Alternatives for your Business*

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**Invoice Financing**

**=**

**Working Capital**

### **Alliance One, LLC**

888 Veterans Memorial Highway Suite 204  
Hauppauge, NY 11788  
631-435-1000 Office  
631-435-1001 Fax

[www.AllianceOneLLC.com](http://www.AllianceOneLLC.com) Web  
[jdivino@allianceonellc.com](mailto:jdivino@allianceonellc.com) Email

Checking the pulse in your economic environment

# *E-Book Overview*

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In this article, we are going to discuss how small to mid-sized companies can utilize alternative financing (invoice factoring) to obtain positive cash flow / working capital. We will also review the economic pulse of the market; to help determine if factoring is the correct vehicle to propel your business to the next level.

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Here at Alliance One, LLC, we believe in providing the data, to make a well informed consumer a knowledgeable and satisfied customer. Factoring is not the only means of providing working capital, but in many situations, it's the only solution; especially for those companies that are looking to attain a larger market share, meet payroll demands, pay taxes and to take advantage of supplier discounts



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### Section 1

What is Factoring and how does it work

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### Section 2

Financing opportunities – Traditional and Alternative

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### Section 3

How factoring solved working capital issues, for our current client base

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### Section 4

Economical pulse – Approval Process

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### Section 5

Why Choose Alliance One as your factoring company

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## What is Invoice Factoring & How Does it Work?



Like all great inventions, factoring was born over 100 years ago out of necessity.

Invoice Factoring is strictly business to business, it's an alternative method of finance (opposed to a traditional line of credit).

Factoring is when a business sells its accounts receivable to a factoring company, for immediate cash. Companies factor their invoices to expedite their payments. When a company sells its invoices, they are traditionally one day away from being paid, opposed to having to wait 30, 60 or even 90 days, if they have not factored.

Most factoring companies **advance** anywhere between 80% - 90% of the invoice face amount, within 24 hours of purchasing it. The remainder of this money is placed in a reserve account, until the invoice is paid. Once the invoice is paid, the reserve money is sent back to you, less the factoring fee.

The **Factoring fee** is different between each factoring company but on average, it can be between 2% - 3%, in blocks of 30 days. If a factoring company charges you 2% with an advance of 80%, this means, on a \$100.00 invoice, you will receive \$80.00 upfront (\$20.00 goes into the reserve account until the invoice is paid), if the invoice is paid within 30 days from the purchase date, your factoring fee will be \$2.00. The factoring company will send you back the reserve money of \$18.00. In total, selling a \$100.00 invoice (using the above scenario) will cost you \$2.00; giving you a total of \$98.

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## What is Invoice Factoring & How Does it Work?

Factoring is NOT a loan, there is NO APR. Factoring is simply the purchase of your AR at a discounted rate for immediate funds. Many businesses offer a 2% discount on their invoices, to entice their customers to pay within a Net 10 Day Period; factoring works the same way.

When you factor your invoices, the factoring company pays you and your customers pay the factoring company.



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# Traditional and Non Traditional Financing?

Before you decide on which financing options is best suited for your company, you need to know all of your choices first.



Invoice Factoring	Bank Line of Credit	Merchant Cash Advance	Refinance of Assets
Credit Card Advances	Investor Financing	Crowd Funding	Government Grants

## Positives vs. Negatives

### Invoice Factoring

*Positives* 98% approval rate, personal credit is a non issue, 24-48 approval process, funding are immediate and low costs

*Negatives* – The longer it takes to get paid, the higher the cost to you.

### Bank Line of Credit

*Positives*– Low APR, only pay interest on the money used, easy to transfer money around.

*Negatives* – Very difficult to get, very time consuming process, excessive paperwork, normally approved for less than what was requested, you need a high credit score to qualify and you must sign a personal guarantee.

### Merchant Cash Advances

*Positives*– Fast turn around time, easy to qualify, loan amounts based off of average month deposits

*Negatives* – Extremely expensive (as high as 40%), automatic daily ACH withdrawals

### Refinance of Property

*Positives* – Long term loan that amortizes over 15 – 30 years, low monthly payment

*Negatives* - Very timely process (up to 3 months), need to have built in equity to qualify, demanding paperwork, personal credit and income determines approval.

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Credit Card Advances	Investor Financing	Crowd Funding	SBA Lending

## Positives vs. Negatives

### Credit Card Advances

*Positives* – If you have available credit, you can take a cash against your current line, rapid turn around to access the cash.

*Negatives* – Extremely high APR (up to 39.9%), high monthly payment, paying back only the interest portion.

### Investor Financing

*Positives* – Lower interest rates than a merchant or credit card advance, maintain full ownership of your company.

*Negatives* – Not easy to find a willing investor, can take months to receive the working capital.

### Crowd Funding / Crowd Sourcing

*Positives*– investment money comes in quickly (for small loan amounts),

*Negatives* – online only, each website operates differently, make sure you read the fine print, need to post a business plan, pitch your plan to an online audience.

### SBA Loans

*Positives* – Low rates, guarantee loan repayment to lending institutions.

*Negatives* - Time consuming, requires lots of paperwork and credit driven



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### Business is an uphill Battle



Let's face it, it's very complicated to acquire a line of credit, from a bank. The big banks only desire to lend money, when you no longer need it. If you are capable in obtaining a credit line, it will generally be for a lesser amount then you required.

With each passing month, the banks are being crippled by more government regulation, making it more difficult with each passing month to qualify for a loan.

When the housing bubble burst in 2008, the banks closed most equity lines, overnight, they needed to minimize the bleeding, this put a further hurt, on home owners. There have been speculation and water cooler conversations that there is another financial bubble that is going to burst, again in the stock market. If this were to happen, the banks will take the brunt of the responsibility. Modern day politicians blame Wall Street for many of the current financial issues that our nation faces.

If you have a business credit line and if there is another burst, is your credit line going to be safe? If you know the answer is NO, then what is your backup plan? How are you going to survive in your business? What affect will this have on your current paying customers?

If your customers are paying you on a Net 30 when the next bubble bursts, how long will it be until they pay you on a Net 60 or Net 90? What will you do and will you be prepare for the next financial crisis?

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## Alliance One, LLC – Who We Are

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**Alliance One is** a privately owned New York based company, we are NOT brokers, we are direct lenders with over 40 years in the financial market.

When you become a client of Alliance One, you receive a seasoned, professional account representative, you also have full access to our management team and ownership. We fund over 100MM in receivables every year, but we maintain a small business-centric methodology.

**Superior Customer Service** – Everyone talks about having it, some think they provide it, very few do a decent job but only a select few, exceed expectations. When you call our office, you always get a live person on the phone, you will never sit in a phone queue, waiting for the next available operator. When did this ever become acceptable?

### **Our Customers Love Us!!!**

Our sales team along with management & ownership, work closely together; we make deals happen.

We provide the lowest rates with the highest advances, in the industry.

We approve 98% of the applications we receive and those we cannot help, we assist them by putting them on the right path.

Our clients range from small to mid-sized businesses, we do not have any monthly minimums or maximums.

If your business does business with other businesses, then we want your business. Working Capital is one phone call away.



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