

## When Should Your Business Borrow Money?

How can you tell when your company should or is ready to borrow money?

Sooner or later, almost all businesses face cash crunches that hamper their ability to create, sell and deliver products and services to clients. Borrowing money needs to be planned for rather than be a reaction to temporary set-backs.

Debt management is an integral part of every company's business plan. While debt can aid growth if its repayment schedule outpaces cash flow, the business could become over extended, which is one of the first steps toward business failure.

So it's essential for business owners to pay close attention to current and projected cash flow whenever additional debt is considered. Aside from financial convenience, there are two key borrowing considerations:

- Potential tax benefits in net income calculations.
- The ability to hold onto cash reserves for unexpected business down-turns.

When should your business borrow money? Whether for temporary cash-flow crunches, facility expansion or product development, the answer is: only when all calculations confirm you have sufficient, realistic financial projections that indicate your firm will be able to repay debt within a specific period of time. §

### Talk With A Security Federal Business Banking Specialist Today!

If you'd like to learn more about how wise use of your company's borrowing potential can help grow your business and build your balance sheet, talk with one of our Business Banking Specialists today by calling 574/722-6261, or visiting one of our conveniently located offices.



# MoneyLetter

Ideas & Strategies for Success

## PERSONAL FINANCE: Your Personal Financial Statement And You.

**P**ersonal financial statements are often required for business or personal loans. You may be asked to provide a personal statement for yourself, your family, or for both husband and wife.

A personal financial statement is a compilation of assets and liabilities or what you own and what you owe.

The statement may be compiled by an accountant, or by an individual. If it's prepared for a business purpose, the individual requesting the document may prefer that it be prepared by an accountant to assure a degree of objectivity.

Whatever the source, the statement is similar to a balance sheet of a corporation. It is meant to measure actual wealth at a definite point in time.

A personal financial statement is often called a "Statement of Financial Condition." It should present the current fair market value of assets, liabilities, and net worth. Because items must be presented at fair market value, it may be necessary to have valuables or antiques appraised.

Personal financial statements should also be presented on the "accrual" basis, rather than the "cash" basis. This means the statement reflects actual assets and liabilities at a point in time, regardless of whether or not you have received cash for the transaction.

The accrual, rather than the cash basis, presents a more accurate picture of an individual or family's financial condition.

Whether a personal financial statement is prepared by yourself or your accountant, it should generally follow the following criteria:

Assets should be entered at current fair market value. This means if you were going to receive \$500 a quarter for the next two years for repayment of a loan, you would need to calculate the present value of these funds. Liabilities should be reported at estimated current amounts.

Your financial statement provides a great deal of confidential information on both your business and family situation. As a result, it is important to carefully protect the confidentiality of the information.

If anyone requests a copy of your statement of financial condition, you should first determine that it is absolutely necessary for the individual or the company to have that information. Sometimes more limited information, such as,

verification of income or verification of selected assets might suffice.

When providing a statement of financial condition, you might request that the copy be returned to you as soon as possible, and that no copies be made of the document. This should impress upon the user the fact that you are serious about keeping the information confidential.

One reason that you want your statement of personal finances kept confidential is that your situation will undoubtedly change. And, because your situation will change and hopefully improve, it's important that any financial decision be made with the most current information. §

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