

Do many small or medium-sized businesses have bank loans? Of course

These days, most business operators couldn't function without loans, leases and overdrafts and, no doubt, all of them backed up by personal guarantees.

The bank loans and leases will have monthly commitments that dig into the cash flow... and those personal guarantees will be hanging over their heads.

They've probably been provided by the business owner, who we'll call Business #1, or maybe by the company's other directors, wives or husbands, family members, possibly friends.

Banks love to hold guarantees until you no longer owe them money, but a time will come when those guarantors will want to get them released for one reason or another. When it comes to releasing guarantees early, we know banks aren't all that accommodating.

Now take this second scenario. Perhaps, Business #2 husband and wife have been 30 years in their business and now want to retire, but they're going to need to get money out of the business they've built if they're going to have any sort of comfortable lifestyle.

Here's a final scenario. Business #3 is still relatively young and full steam ahead with their business, looking to expand by buying out a competitor or building a new factory.

How could each solve their respective funding problems?

There is now a possible solution that could solve many of small and medium-sized business owners' capital raising needs. It's called Crowd Sourced Funding Equity Raising, which became legal in Australia in October 2018.

This equity-raising concept was devised about 10 years ago and quickly adopted in the United States, Canada and the UK to give small and medium businesses the opportunity to raise capital from the public, in a similar way to public companies.

This has helped to level the playing field, because it meant that, in those original countries, small and medium-sized companies were no longer entirely at the mercy of their banks when it came to securing capital.

Now, following two years of negotiations between business groups and the Federal government, legislation has passed through Parliament and is now Law.

Crowd Sourced Funding Equity Raising may have a similar sounding name, but should not be confused with 'crowd-funding' operations, like GoFundMe.

'Crowd-funding' is often used to raise money for charitable causes on social media, but more than a few people have tried to scam that process. However Crowd Sourced Funding Equity Raising is completely legitimate.

It's government-regulated capital-raising for Australia's small and medium-sized businesses and it operates under the control of ASIC. Under this legislation, SMEs themselves can't go out and directly raise money from members of the public.

Instead, what will happen is that you appoint an Intermediary to work on your behalf, to raise the required capital from the Intermediary's pool of retail investors.

To qualify for Crowd Sourced Funding Equity Raising, small or medium-sized businesses must have an annual group turnover of less than \$25-million, group assets of less than \$25 million and not be listed on a Stock Exchange or a Financial Market. If that's peaks your interest for 2019, call Collins Hume's Grant Funding Specialists on 02 6686 3000 today.