



Part One | Demystifying Debt:

Building a Solid Foundation for Small Business Success

A Free Two-Part Webinar Series
Provided by the Bermuda Economic
Development Corporation

Tues. May 30

12:30pm - 1:30pm

REGISTER TODAY AT
WWW.BEDC.BM

Presenter:
Tahkeesha Welch

Panelists:
- Sherlrina Thomas
- Donte Hunt



Introduction

- This seminar is the first of two webinars where we will explore, discuss and attempt to demystify and debunk any fears and answer questions as best we can on debt.
- Our aim is to open dialogue on debt . We will use our knowledge, experience and provide information on debt.
- Bermuda Economic Development Corporation (BEDC) is an agency that was established to guide, advise, educate and assist business owners in Bermuda. This topic is one that we feel is timely and important for the business community.

Panelist and Housekeeping

- Tahkeesha Welch is the loan portfolio management officer at BEDC and have been apart of the organization for just under a year. She has over 17yrs of banking experience and has always worked with the business community locally. Her current role with BEDC allows me to explore options for clients that are currently experiencing hardships with meeting their debt obligations.
- Sherlrina Thomas is a Bookkeeper, Business Owner, and Certified Coach. Her goal is to financially educate Business Owners as they make decisions towards success. Sherlrina possess over 10 years of diverse industry experience in Hospitality, Human Resources, Finance and Insurance, giving her a niched advantage in how she aids Business Owners in making stabilizing decisions.
- Donte Hunt is a currently a Micro Small Medium enterprise Officer at BEDC and he is also an entrepreneur and is the CEO and co founder of Mediwaste Bermuda a Medical Waste Management Service. Donte has over 25 years in operating a business that has spanned across virtually every industry locally. Done enjoys assisting entrepreneurs on their journey.
- Webinar is interactive however we will go through presentation and than answer any question that are submitted . All question should be asked via the chat and we will answer them as best we can.

What is debt? Debt is simply something typically money that is owed to another party.

- Companies and individuals often take on debt to make purchases they could not afford without it.
- Debt can be secured or unsecured, with a fixed end date or revolving.

Assessing the business

When businesses are making a decision on acquiring debt, a proper assessment of the business is required. There should be a full forensic review of the business, whether it is a start up or existing business prior to making the decision to enter into an agreement for debt. Key points to consider:

- Do I know the true financial health of my business? Am I profitable? What is my break even?
- Do I have the financial acumen to understand my business? If not do I have some that can assist and guide me?
- Understand your cash flow fully, what are you peaks and valleys. How long does it take for the business to see the revenue from the service provided or item sold. Is my cash flow seasonal.
- Is the management and staff of the business well versed in product and service offered by business?

Assessing the business cont'd

- Do I know the Industry and any economic , environmental and political influences that may affect business operations and what contingency do I have in place in the event of.
- Know your competitors, how do you differ?
- What your business strengths?
- Understand your customer base

Not all debts are equal. Good debt has the potential to increase your wealth, while bad debt costs you money with high rates and depreciating assets. Therefore, make a full assessment will enable business owners to make the right decision for their business.

Products

After you have assessed the business and you have determined you may need to acquire debt to assist, the next question is what do I need and where do I turn.

Locally you have access to loans, overdrafts (line of credit), letters of credit, and credit cards. Financing could be secured and unsecured. Each product is unique and should be considered based on need and product offering.

- When considering a **loan** look at the rate, all terms such as the tenor and repayment options. In addition most lenders will have their own terms you will have to adhere to for the life of the loan , you should determine whether these terms work for your business i.e., quarterly financial reporting. There are different types of loans. BEDC offers a debt consolidation loan that differs slightly from the micro loan we offer. Terms should be reviewed and decision should be made after full assessment is made.
- **Overdrafts** are great products and really should be used to support short falls it is still a type of loan. You have an arranged amount that is allowed on your account that you can overdraw your account by. The rates are normally higher than a typical business loan and you pay interest on the amount used.

Products cont'd

- **A Letter of Credit** is one of most under utilized products offered by the Banks and BEDC. It is simply a letter guaranteeing payment to the seller or service provider within a period of agreed time. If the payment is not made the issuer of the letter of credit is responsible for payment.
- **Business Credit Card** is offered by all Banks but comes with a very high interest rates and you should considered why a credit card and can you fully repay the card within month of usage. Paying minimum payments make it very expensive

Most lenders may ask for down a payments and security/collateral. The down payment is normally a set percentage of loan amount or based on what you are purchasing. In addition security/collateral is required this could be cash, property or loan guarantee (BEDC) .

Lenders that offer debt solutions

- HSBC Bank Bermuda Limited
- Butterfield Bank
- Clarien Bank
- Bermuda Commercial Bank
- BIU Credit Union
- BEDC
- Private lenders

Managing your Business and Debt

Over the past few years entrepreneurs have had to work harder to maintain business , establish business and even to make the adjustments to the ever changing world whether it's a pandemic or the rapid changes in technology. Business owners have to be creative about solutions and making proactive decisions for their business. The same process should be applied to making decisions when it comes to managing and acquiring any debt. There are some things that as business owners you should be consider:

- What is the benefit to my business? Will taking on this debt assist with the growth of my business and ultimately my profitability.
- Can I really afford to repay this and meet all terms that lender is requiring.
- Is this enough funding ? Many times business owners take less than what they need because they may not have qualified or because they may not meet other requirements. In addition is this too much funding.
- Is this the correct product for my business and my business operations?

Managing your Business and Debt cont'd

- Do I fully understanding your cash flow and cash conversion cycle? It is impossible to know if you can meet your debt obligations without knowing your cash flow. Cash is king.
- Are you tracking your expenses and revenue? Your business should have a program they use to track all expenses and revenue. Financial software programs such as QuickBooks and Wave are good to assist with QuickBooks. In addition if you are a retail establishment a proper POS system is equally as important.
- Have you created a budget and forecast? Business owners should revisit periodically to see if you are on track. If you find that the financials differ from hat is budgeted you should go back look at your numbers and possibly your operations to see where changes may be made if needed.
- Do you invoice promptly? If you are service provider ideally you want to receive payment for any services or product at the time of offering however this is not possible with every business but you should reduce receivables and work towards receiving funds within 30 days. You can be creative and do things like offer discounts for payment within a set period of time.
- Have you asked? You can negotiate payment terms on debts , set up payment plans. Don't be afraid to ask.

Due Diligence

There will be a certain level of due diligence that will be required and this becomes a point on contention many times between lenders and borrowers.

- Business plan is required showing the 3 to 5 year plan of business including projected income for same period.
- In every instance you will be required to provide financial information. For existing businesses you will need actual numbers and in the case of new business projections and supporting information.
- Owners of the business will be asked about their personal financial health.
- What other obligations they have that may be a competing priority for the debt being acquired. It is important to disclose all payables.
- You will have to provide supporting information on what you are purchasing i.e., invoices
- Incorporated businesses will be required to provide all corporate documents including a resolution saying that you can enter into debt.

Due Diligence cont'd

- If you are looking at a brick-and-mortar location, you will need to provide lease information
- Information on Government taxes i.e. social insurance and payroll tax information.

These items are requirement in the beginning and throughout the life of the debt.

Q & A

- If you have not yet please submit your questions via the chat and we will read and answer as best we can.

Conclusion

- We hope this webinar has assisted in some way today.
- It is important to continue these conversations and for business owners and operators to feel comfortable in asking questions to Banks, BEDC and other business owners.
- In the next webinar we will provide actual tangible strategies that can be used while maneuvering managing debt .