



Your Business Lifeline Will Soon Expire

It has been over a year since news of the first confirmed case of Coronavirus in Australia – and what a year that has been.

While Australian business owners had vastly different experiences depending on their industry and adaptability, Coronavirus has left few unaffected.

Many of our SME clients affected by the pandemic relied on Government support, as well as flexible finance options, to survive. Where to now?

Business positivity will continue to fluctuate with borders and restrictions easing and tightening as we live through this pandemic. While some fortunate businesses fared better than others, many were hit hard.

Despite Australia having Coronavirus cases under control compared to the rest of the world, businesses will still need to adapt to a new 'COVID-normal' and manage without the Government lifeline thrown to them over the past year.

JobKeeper to end this month!

The Federal Government's revised JobKeeper wage subsidy will expire on 28 March 2021¹ and this will have far reaching impacts on many businesses.

A study conducted last year found that one in 10 Australian businesses accessing the wage subsidy could be forced to shut their doors once the Federal Government stimulus measures end².

Interestingly, other studies show positivity around rates of employment and strengthening consumer sentiment³.

The future is therefore hard to predict. There are so many variables that affect each business's success – industry, essential nature of products, labour intensity, cash flow requirements, distribution channels and contracting amongst others.

What is certain is that if you have been receiving the benefit of JobKeeper you will need to be considering your current staffing with the options being:

- Resumption of full working hours and rates of pay,
- Part redundancy – leading to reduced working hours or restructure of responsibilities for some staff, or
- Unfortunately, a number of redundancies.

It is hoped that many businesses will have now recovered to an extent that they can maintain current staffing levels.

When businesses go back to paying full wages again, how will their cash flow survive?

With data showing that approximately 30% of businesses only have sufficient cash on hand to support their business for up to three months of operations, and almost one in 10 saying they had cash to last only one month, there are doubts about the survival of some businesses⁴.

Now is therefore the time to use the end of JobKeeper as an opportune time to review your business and finances to create a stronger, more profitable business.



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Read our seven business tips to survival post-stimulus here!

As to financing, asset rich SMEs may be able to borrow against the security of an asset to help improve cash flow or fund new business ventures. Lenders have more confidence to lend with the assurance of security.

Do you have 'hidden assets' to access as security for a business loan? Some include:

- Residential, commercial or rural property
- Machinery and equipment
- Business vehicles
- Inventory and accounts receivable
- Investment and business savings account

Not all businesses have assets to use as collateral for finance when they need a quick cash injection or funding for expansion.

Unsecured business loans can provide freedom to use the funds to purchase inventory, buy equipment or increase working capital without security. They can however attract higher interest rates and usually have shorter terms and smaller loan amounts.

If you are at a crossroad in your business, need some cash injection, new equipment or tools or simply want to grow your business, contact us. We can help find finance solutions to meet your needs.

As with any finance products, secured or unsecured, we will step you through the terms and conditions, interest rates, fees and charges to ensure you choose the right option to suit your business goals.

Sources

1. JobKeeper Payment | Australian Taxation Office (ato.gov.au)
2. One in 10 businesses won't survive after JobKeeper ends (news.com.au)
3. JobKeeper is ending, will your job end too? | Finder
4. How business can prepare for the end of JobKeeper (companydirectors.com.au)

Remember to contact us to read **'7 Step Guide To Business Survival Post JobKeeper'**.

