

When Borrowing Money IS Appropriate AND Beneficial

In the course of serving the Rent-To-Own (RTO) industry Lynnray Financial Corporation (LFC) fields a number of questions concerning what conditions constitute appropriate and beneficial times to borrow funds to expand existing business. One common scenario is that of an RTO storeowner who has grown the business in a very conservative manner. An initial personal investment coupled with a SBA loan created a store with good growth potential, but by year three profits were flat against the previous year. The storeowner is puzzled by his store's lack of success; the showroom is in a high-traffic area, market trends are good, and the RTO industry is doing exceptionally well. When contacted by a storeowner such as this, LFC asks the following questions:

- How are competitors (national/local) in the area doing?
- Was the initial capital investment return funneled back into the business or is it eroding?
- Are cash flow problems preventing the purchase of exciting new products to attract customers?
- Is floor traffic down? For what reason(s)?
- Is the ratio of returned and new products on the showroom floor in balance?
- Is the store losing customers to national competitors who are better capitalized?

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- Is the average agreement income trending down? Why?
- Are the average lengths of agreements trending down? Why?
- Are pick-ups trending up? Why?

After listening to these answers, in many cases, LFC advises that the best course of action is to expand existing inventory by financing with a long-term debt structure. Borrowing these monies has the following beneficial effects: higher profit margins and longer

agreements; longer average agreements; higher average agreement income; lower monthly obligations; and a positive cash flow. Additionally, having an injection of funds to purchase necessary inventory allows the store to use current cash flow to pay any other accounts that may be in

arrears and/or to augment cash reserves.

A business may have all the necessary ingredients that contribute to successful growth and development, but without the necessary funds no plan may be implemented. *LFC can help you determine whether or not a long-term loan is the first step to revitalizing and growing your RTO business. Please call us at 800-535-4138.*



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