

Engage your bank

Get your bank involved in plotting your company's growth strategy

INTERVIEWED BY MARK SCOTT

Financial projections that are objective and realistic go a long way toward earning the trust of your bank, says Kurt Kappa, Senior Vice President and Market Leader, Cuyahoga County, at Westfield Bank.

"You want to under promise and over deliver," Kappa says. "If you put together a projection that says the sky is the limit just to look good on paper for your bank and then you don't hit those numbers, it will reflect poorly on your company. Your bank will want to know where you went wrong and why you fell short of your stated goals."

A better approach is to set realistic financial projections with clear objectives. This approach will demonstrate to your bank that you have strong financial acumen and in the process, strengthen the relationship.

"Your bank will view your company as one that has its finger on the pulse of what's happening and feel confident in your leadership and decision-making process," Kappa says.

Smart Business spoke with Kappa about how to engage your bank in the growth of your business.

What are some key things to think about before you meet with your bank?

Make sure you are fully prepared when you meet with your bank. Have current financial statements, projections and a plan in place of what you want to achieve.

Have everything lined up and ready to go, along with a detailed request that you can present to your bank. If there are any issues in your financial statements, be prepared to provide an explanation. Being transparent with

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your bank will provide you with the best opportunity to achieve your goals.

Where is a good place to start when developing your growth plan?

You should have a plan set forth about six months before the end of the year that enables you to strategize for tax planning purposes. Work with your banker and CPA so they can make recommended adjustments for year-end planning and accurately forecast your needs.

When formulating a growth plan, your bank will not base its decision on where you are today, rather on where you were last year. Demonstrating cash flow with projections will allow your bank to put a deal together that is customized for your needs.

The importance of working as a team is that for every action, there is a reaction. Every time you do something on the accounting side, there is a reaction on the banking side that might otherwise get missed. You may be hitting a covenant that the bank put in place for your loan, but you're not thinking about the expansion that you're planning at the end of the quarter. What are you going to need in the way of financing from the bank to manage that expense? Forming a

team of trusted advisers will ensure that fewer things are missed and poise your company for future success.

How much value is there in having your bank visit your business?

There is more value in visiting a company than there is in looking at financial statements. You see employees and how they interact with each other. Are they happy employees? If you go to a manufacturing company on a Wednesday at 10 a.m. and there is no work going on, you know there is some kind of an issue.

A visit to the physical location provides a better sense of how the company is operating. An on-site visit provides context and valuable insight that can be factored into the discussion the bank has about the support it can offer your company.

How important is collateral?

There are some banks that only care about cash flow and don't worry about collateral. Banks that do use collateral will typically want to be in first position in order to protect their security interests. They won't look favorably at taking a second or third position on a piece of property that has already been used as collateral with another bank. ●