

The Importance of Financing in a Franchise Business

Rebecca Keiller March 15, 2019



The Importance of Financing in a Franchise Business

Financing is a key factor in the success of a new franchise. Here franchise experts share their 3 most important rules to follow when considering franchise financing.

([Newswire.net](#) -- March 15, 2019) Sydney, NSW -- Buying into a franchise requires a solid net worth, significant up-front financial investment and enough cash flow to get the business through the start-up phase.

One of the most important factors to influence the success of a new franchise venture is ensuring you have made the right decisions when it comes to financing your new franchise. And, according to franchise experts All State Franchise Finders, these decisions need to be considered before you even look at what type of franchise you wish to buy into.

Derek Cafferata, CEO and President of All State Franchise Finders, believes there are three very important rules to follow when looking to finance a franchise.

Plan and Prepare

Before searching out any financing for a new franchise, it is vital to be well planned and prepared. "Having a breakdown of your net worth, a printout of your credit history and an in-depth business plan are probably the best ways to prepare," says Derek Cafferata. "Don't venture into sourcing franchise financing until you have these three things."

A business plan needs to be well thought-out, clear and accurate. It requires information about the franchise you plan to purchase, pro forma financial statements, projections, working capital estimates and a marketing plan.

Understand the Costs

According to Derek, many potential franchisees fail to factor in the additional costs of purchasing a franchise business. "Working capital for the first few months of a new franchise is what many people tend to overlook," says Derek. "Without enough working capital, establishing a new business can be a very difficult and stressful time."

In general, the costs of purchasing a franchise include the initial franchise fee, start-up costs, ongoing royalty fees, franchise advertising fees, legal fees and insurances.

The franchise fee is a one-off fee usually tens of thousands to hundreds of thousands of dollars depending on the franchise you purchase. The start-up costs can vary significantly and include equipment, shop fit-out and product costs. Franchise royalty fees are usually paid monthly to the franchisor and range between two and 10 percent on average.

Shop Around

Potential franchisees have a number of options when looking for financing a franchise business. The most common place people look to first is the franchisor. Franchisor financing is offered by many franchise companies to varying degrees. Some offer entire loan amounts, while others offer partial loan amounts, generally between 15 and 75 percent of the total loan.

Another option many choose for financing a franchise is a small business loan. This may be through a local lender who you may already have a business relationship with, an SBA ([Small Business Administration](#)) loan, or a specialist lender.

A number of companies exist to help those looking for a small business loan, such as [Lendedu](#). They specializes in financing for a wide range of situations, including small business loans specifically for franchise financing.

Other financing options include support from family and friends, savings, borrowing on a house mortgage, bank loans and independent finance companies.

Franchising Experts All State Franchise Finders

When considering becoming a franchisee, sound advice is valuable. Derek and his team at All State Franchise Finders have more than 30 years' experience in the franchising industry. They specialize in helping people through the process of franchise selection, financing and start-up.

Contact the industry experts to talk to a knowledgeable and experienced franchise advisor on 1-800-544-2161 or visit allstateff.com today. All State Franchise Finders are your franchise experts.

About NWV News

NWV News covers business and current affairs stories from our office in Sydney, Australia. The News Leader.

NWV News

65 Martin Place

Sydney, NEW SOUTH WALES 2001

Australia

61432294381

jason@newsworthyvideo.com

<https://www.newsworthyvideo.com>

Source: <http://newswire.net/newsroom/pr/00108453-the-importance-of-financing-in-a-franchise-business.html>