

Why use a broker for your equipment finance?

This is a very valid question and often asked.

It is interesting to note the statistics and the most telling statistic is that over 50% of small business (with a turnover up to \$20 million) use Equipment Finance Brokers for a significant portion of their Equipment & Vehicle finance needs.

Why would they do this?

Having been in the industry for 30 years, I can tell you it's a combination of a number of factors:-

Relationship

Just as their clients are privately owned and operated businesses, so are the majority of the finance brokers. This also usually means that the client is dealing with the same person or team year in year out and often for decades. In a world where bank and account managers within banks change on average every 18 months to 2 years, this long-term relationship is often preferred by business owners as their broker knows their business and can represent them to the market without the business owner having to retell their story time and time again.

Service

In today's busy world, business owners do much of their admin work outside of normal business hours. An ability to speak to their broker or banker outside of these hours is crucial. Additionally business owners have every right to expect that their broker or banker will meet them on site, after hours and where needed on weekends. That's how small businesses work with each other and that's one of the reasons why brokers now handle such a large portion of this equipment finance area.

A good broker manages the whole project to ensure all aspects of the process is done for the client from arranging invoices, insurance and documentation to signing of documentation and ultimate settlement. Done well, the client simply sits back and has it all done for them.

Client retention

As a small business, a finance brokers client base is their lifeblood and usually they will do all they can to ensure a happy long-term client. Incidentally, repeat business for a broker is by far the best business as they already have all their information on file.

A good broker will do all in their power to secure new clients for the long-term for the reasons stated above.

To put it simply, a client who spends \$500,000 a year on machinery is in reality a \$10 million client if you do the job so well that the client wants to stay with you for the next 20 years.

It's not rocket science.

Spreading the debt

A capable broker will ensure that their client has a broad spread of debt over at least three or four supportive, competitive underwriting financiers. By doing this, the client will have a broader base from which to expand and some inbuilt competition to ensure the right interest rates and commercial conditions.

Although brokers are deriving a fee to arrange these transactions, a significant portion of those fees are obtained through volume bonus incentives and as the broker will often secure wholesale, discounted rates from their underwriters, The overall rate of interest to the client will usually be the same if not better than a client can obtain through their own efforts with the finance community.

Done well, the broker will deliver to their client a competitive facility in a pain-free manner which will feel like a breath of fresh air compared to the banks.

Advocacy

So often clients are extremely well versed on their specific businesses, however a little blindsided to what can be achieved in the financing of equipment. There are many instances where an approval provided by the banks is not ideally what the client wanted. The broker's role is to ensure that any approval is commercial, most closely aligned to what the client wants and not simply what the bank wants.



A capable broker will have the experience, knowledge, skill and influence to present the client in the best light and be able to negotiate the best outcome for the client.

The changing market

With the massive increase in behavioural lending for equipment & vehicle finance, many underwriters are now providing automatic "low doc" competitive finance approvals for additional selected equipment and vehicle finance up to \$150,000 and up to \$500,000 (for replacement equipment, trucks and trailers).

The sheer number of these varying facilities requires constant monitoring by the finance broking community however do provide some wonderful alternatives for business owners.

Selecting the right one

As in any Industry, there are good operators and ones not so good. Take the accounting profession, over many years I have heard stories from clients where one accountant has been excellent and another you wouldn't feed. It's the same in the finance broking industry, you just need to find the right one (and there are many good operators) and you want to keep them for years.

To find the right one, have a look at what their existing clients are saying. Ask another business owner who they use and why they use them. The best referral is a happy customer.

Just as the vast majority of small business owners use an insurance broker to ensure they obtain the right insurance cover every year, equipment finance brokers are being increasingly seen to provide the same function in equipment finance.