



## How to Build a Strong Relationship with Your Banker

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Successful business owners and CEOs know that it's important to cultivate a number of key relationships in the course of running their businesses. These include relationships with their attorney, accountant, financial advisor and outsourced CFO services provider.

Another important relationship that should be carefully nurtured is the relationship with your business banker. In fact, along with an attorney and CPA, a business banker typically is the third member of what's often referred to as a business owner's "triad of advisors."

### An Invaluable Resource

Your banker can be an invaluable resource for you and your top managers and executives — a go-to person who can provide not only financing when you need it, but also advice and assistance to help you improve both financial and operational performance. Your business banker has worked with many companies like yours that have faced similar financial and operational challenges, so he or she will bring vast experience and a unique perspective to your situation.

However, many owners and CEOs only think of their banker when they need to borrow money. This is understandable — after all, a bank is usually the first place you think of going when you need a loan. But limiting your contact with your banker in this way does a disservice to your business, and it could hinder your ability to obtain a loan if and when you ever need one.

Business bankers are nearly unanimous when asked what is the most common mistake that small and many mid-sized business owners and CEOs make when it comes to their bank: failing to spend time building and cultivating a relationship with their banker *before* they need to borrow money. It's kind of like a husband or wife who hasn't nurtured a strong relationship with his or her spouse suddenly asking the spouse for a big, self-sacrificial favor. If the foundation of a strong relationship hasn't been built, the spouse probably will be less likely to grant the favor.

So, the first thing to remember when it comes to building a strong relationship with your banker is to not wait until you need a loan to get started. You should start nurturing this relationship as soon as you open the doors to your business. Your banker can probably offer valuable input during the startup phase of your company that could help you avoid many common startup pitfalls and lead to a smoother launch.

As your business grows, keep your banker informed about the most important developments at your company. Obviously, this applies to financial developments, like sales and revenue forecasts and gross and net profit margins. But also keep your banker in the loop when it comes to things like important new hires (especially key managers and executives), new product launches, expansions into new territories (including overseas expansion) and the offering of new benefit plans (like retirement plans and health insurance) to your employees.

## **Banks Prefer Home Cookin'**

The fact is, bankers often cast a wary eye on business owners and CEOs who only grace their doorstep when they need a loan. Bankers usually prefer to loan money to companies that are already doing business with the bank. This includes companies that maintain their checking and savings accounts at the bank and utilize other banking products and services like treasury management, merchant card processing, investments, and trust and wealth management services.

Banks like to loan money to businesses that maintain large deposits with them. The primary source of income for most banks is the "spread" they receive between the interest they pay on deposits and the interest they earn making loans. Some banks even give lending priority to their current deposit customers, so it probably makes sense to approach your deposit bank about a loan before visiting other banks you don't currently have a relationship with.

Another important thing to remember is the importance of maintaining open lines of communication and always being upfront and honest with your banker. If there's one thing bankers hate, it's surprises. So, don't hesitate to let your banker know about everything that's going on at your business — the good, the bad and the ugly. If there are problems, it's best to tell your banker right away so you can discuss possible solutions together. Your banker is going to find out eventually, so trying to hide bad news only sweeps the dirt under the carpet and makes it harder devise solutions.

An outsourced CFO services provider can help you in your efforts to build a strong relationship with your banker. First, an outsourced CFO will assist in finding a bank that's a good fit for your business' needs. An outsourced CFO will also help you prepare current financial statements in accordance with generally accepted accounting principles (GAAP). Providing your banker with GAAP-compliant financial statements on a regular basis will go a long way toward keeping him or her well-informed about the financial condition of your company.

## **Concluding Thoughts**

Along with an attorney and CPA, a business banker is the third member of what's often referred to a business owner's "triad of advisors." Your banker can be an invaluable resource for your business, providing not only financing but also advice and assistance to help you improve performance. But don't make the mistake of thinking of your banker only when you need to borrow money. You should start nurturing a relationship with your banker as soon as you open the doors to your business. An outsourced CFO services provider can help you in your efforts to build a strong relationship with your business banker.

## **About CFO Edge**

CFO Edge, LLC delivers enterprise-class financial and operational performance solutions to executives throughout Southern California. Based in Los Angeles, our formerly-seated chief financial officers engage on demand as part-time CFOs, single-project CFOs, and interim CFOs to help business leaders successfully resolve pressing challenges and realize their financial and operational goals. At CFO Edge, we are passionate about helping our clients create, grow and sustain value. For more information, visit [www.cfoedge.com](http://www.cfoedge.com) or call 800.276.1750 Ext 101.

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