

Self-Employed and needing a loan? Here are 2 things you should know!



Hi everyone! Welcome to this week's Flash Friday Finance Update. This is specifically for self-employed people. I'm Louise Lucas from The Property Education Company. I just want to highlight a couple of key things that can help you if you're self-employed and trying to get a loan.

The first is if you pay yourself a wage every week or fortnightly or monthly, and you can show that going in for six months, but you don't have, maybe you've got something going on in your company or trust business accounts that you don't necessarily need to share with the lender, but if your wage goes in, and it's consistent, and you can show, get an accountant to verify that your business can continue to pay you that wage, that's all you need to show a lender for your income. So that's a great way to get a loan across the line without having to go through all the drama of going through your company accounts and your two years' tax return for your business financial statements. So keep that in mind. That's the first one.

The second one is if your business is actually making a loss, and you only pay yourself once a year, the loss will counteract any benefit you're getting, even if it's a depreciation loss or something manufactured that way. Banks do not like to lend to businesses that are having a loss. So don't run a loss if you're trying to lend. If you want to do borrowing in the next couple of years, it's limited now, the number of lenders will use only one-year financials, most of them are looking at two.

If you can explain a loss for last year and then an increase for this year, clearly COVID had some impact on most people, but try not to run your company accounts in a loss particularly now we're at the end, we're using the 2021 financials or you can still use 2020 up until often right through to May next year for some lenders, so May 2022. You can still use that 2020s. But if your 2021's are better, let's use that, shall we, and make it easy for yourself.

So just a couple of tips. If you're paying yourself, keep paying yourself, get six months clear and away we go. And if you're running a loss in your company, try not to, and add back so that we use even a dollar profit and plus our wage, we're fine. And there are very few lenders who will take all the business debts and not count them against you, but some will, so check with us. We're happy to help you.

I'm Louise from The Property Education Company. Thanks so much for listening and have a great week.

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