

Interest Free Business Lending

Grow your business and improve cash flow
with Bartercard's Interest Free Line of Credit





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INTRODUCTION

Bartercard provides business opportunities to members by converting unutilised trading capacity and excess inventory into spending opportunities with new customers. We are New Zealand's leading business trading currency.

Since its inception in New Zealand in 1992, Bartercard has grown to over 10,000 cardholders and trades over \$100 million worth of goods and services outside the cash economy each year.

Our eBook compares traditional lending methods. We highlight the facts about Bartercard for small business owners and provide information on the benefits of the Bartercard offering and how to get the most out of the ecosystem to grow your business with an Interest Free Line of Credit.



Traditional Lending Methods

Traditional lenders mainly include banks, credit unions, and other financial institutions providing SME businesses loans. Lenders will look at your creditworthiness, how you've managed debt and whether you can take on more. One way to do this is by checking the five Cs of credit: character, capacity, capital, collateral, and conditions.

Information shared by Equifax shows how business lending is on the decline while Trade Credit and Asset Finance lending has largely remained stable.

The Reserve Bank of New Zealand also shows the annual growth in total business lending based on size of business is reducing from previous years.

The Costs of Business Lending

Commercial lending isn't cheap. Businesses

fail more regularly than individuals are bankrupted, so lenders offset this greater risk lending by ensuring greater profit and incorporating higher charges.

2,500 businesses went into liquidation in 2024, according to MBIE and news reports, marking a significant increase compared to previous years and representing the highest number of business liquidations in a decade.

Receiverships also climbed to their highest level since 2012, with 186 companies entering receivership - up by 84 from 2023.

It is expected higher insolvency appointment levels will continue into 2025, at least due to a large backlog at IRD and a struggling economy in most sectors (Source: <https://www.mvp.co.nz/>).

Statistics NZ say only 37 per cent of 'micro' businesses, or start-ups, exist after two years.

Annual growth rate in total business lending by business size

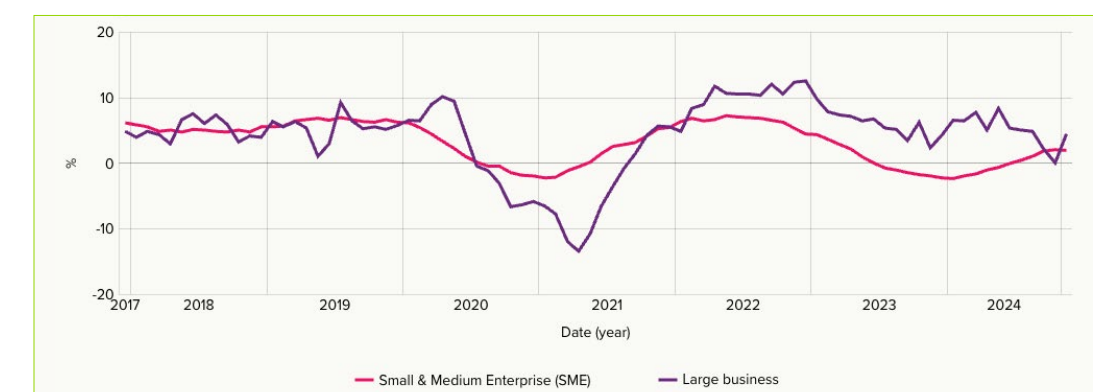


Chart Summary
This chart displays annual growth in total business lending based on size of business.

Source: <https://www.rbnz.govt.nz/statistics/series/registered-banks/banks-assets-loans-by-business-size>



Where Do These Costs Come From?

Several costs are incorporated into a business loan and penalties for settling early. Here are some examples:

Establishment/Origination Fees

- Bank A: \$25-75
- Bank B: 1% of total lending
- Bank C: 1% of facility limit or loan with a minimum charge of \$400.

Maintenance Fees

- Bank A: Investigation for looking into anything about your lending charged at \$60 per hour, minimum \$15 charge
- Security restructure fee is \$135 per request.

Early Exit Fees

- Bank A: \$250
- Bank B: 1.5% of the remaining principal and fees.

Security Release Fees

- Bank A: \$50 for the discharge of any security held in addition to additional costs of releasing the security

- Bank B: \$35 per security discharged PLUS an additional \$35 if it needs to be completed within five working days. When looking at business lending, it's essential to consider the current Bank Base Business Lending Rates, which range from 10.1% to 12.6%.*

* Rates are current as of February 2025.

Compound Interest

So, what is Compound Interest? Well, it's good for savings, bad for lending, and just another cost to be considered when looking at finance options. Interest applies not only to the initial amount borrowed but also the interest charged on it since then, the interest on the interest, and the interest on the interest on the interest. And so, it goes on.

A business loan is generally structured so that you spend the initial period paying off the interest rather than the capital you borrowed. This ensures lenders get their profit.

The net result? Much higher actual repayments for you, the borrower.



The Bartercard Interest Free Line of Credit

When you become a Bartercard member, you automatically qualify for a T\$5,000 Interest Free Line of Credit* and can apply for an increase subject to trading amounts, equity, and security.

Bartercard members can fund the capital growth necessary to grow their business. Some business owners have applied for a substantial Interest Free Line of Credit to cover their business's essential start-up costs,

invest in property and office premises, complete renovations or develop extensive marketing campaigns to grow their business.

Bartercard's Interest Free Line of Credit is offered as a cash-alternative currency that comes without the interest rates of a business bank loan. It's paid back by selling your products and services through the Bartercard ecosystem.

**Subject to membership type and creditworthiness.*

Spend Trade, save cash



We have been a Bartercard member for over 20 years. As owners of a food/confectionery manufacturing business, a gift basket business and a newly added café, Bartercard has substantially benefited our business over those years. Rather than having to spend cash, we were able to utilise our trade dollars on a range of products and services, which were usual cash spends; these included tradesmen for R&M, equipment, packaging and packaging supplies, gift baskets and contents for gifts baskets.

When we expanded our business by adding the café, Bartercard was a huge benefit in helping with the fit-out. We utilised the trade dollars to buy kitchen equipment, furniture, crockery, water cooler, and other services such as our website, advertising, printing, and products for sale in our café, like gelato and high-end chocolates.

Over the years, we have seen a steady increase in customer traffic with minimal effort on our behalf – we put this down to being a Bartercard member and being exposed to a network we wouldn't have had if we were just in a cash business. Bartercard has allowed not only the business to thrive, but it's allowed us to grow.

Our long-standing business had been a food and confectionery factory, manufacturing predominantly fudge and other associated products, with a small factory shop. The dream had been to grow the business into an integrated factory, café, and retail shop with a higher profile to increase our reach to direct customers. Without Bartercard, we would not have been able to achieve this. With the interest free line of credit, we could pay for a large amount of the expansion costs on Bartercard.

Thank you, Bartercard!

Linda Bryan, Rococo Café/Cottage Fare Ltd



How does a Bartercard Interest Free Line of Credit Lending Compare to Traditional Lending?

In this example, we assume a member is seeking a \$250,000 credit line for a property purchase. The repayment timeframe is four years, and a mortgage over the property purchase secures it.

- Lender A: total repayment: \$297,995 + extras
- Lender B: \$316,007 + extras
- Lender C: total repayment \$369,500 + extras
- Bartercard NZ all-inclusive cost: \$298,902.22.

The Bartercard NZ all-inclusive cost is comprised of:

- T\$254,426 Trade component (including legal fees for mortgage preparation and discharge)
- \$33,230 Cash Fees (including legal fees for mortgage registration and discharge)
- \$2,832 Membership Fees
- \$5,720.415 GST.

Therefore, the total cost of the Bartercard lending is T\$254,426.53 and \$41,515.75.

If the Cost of Trade Dollar is T\$0.50 = \$127,250 to create T\$255,500, the total cash cost is \$168,765.75, saving the member up to \$100,000 cash.

Note: Amounts current as of February 2025.



Use Bartercard as a stepping stone to grow your business

01

Fund Capital Growth

As a Bartercard member, you can fund the capital growth necessary to grow your business once it's up and running. Some established business members have applied for a considerable increase to their Interest Free Line of Credit. This has been put towards revenue-generating expenses such as marketing and advertising, interior fit-outs, equipment, larger premises, and extra storage space sourced through Bartercard's cashless ecosystem.

02

Save Cash

In the start-up phase of your business, Bartercard's Interest Free Line of Credit

enables you to save your cash by covering some of the essentials. Members have been able to fund stationery, printing signage, branded promotional products, computer equipment, website and app development, content creation, and so much more.

03

Expand Your Customer Reach

An Interest Free Line of Credit can also be used to launch your business through advertising or marketing to reach cash-paying customers. Other start-up businesses invest their advance into seeking support from professionals who can help them plan and map out a path to business success.



Conclusion

With a wealth of experience and long history of supporting start-ups and established businesses, Bartercard is the perfect partner to help grow your business and attract new customers.

The simple, flexible trading system converts slow-moving stock, downtime, spare capacity, or vacant seats into extra sales for your business. The security and flexibility of using trade dollars allow you to keep more cash in your business, and that's always a good thing!

Fund the capital growth needed to start your business or take it to the next level with Bartercard's Interest Free Line of Credit - an

intelligent solution for your business. Bartercard's offering is:

- Interest free
- There are no establishment fees
- For property purchases, security costs are only what we are charged to establish and register the security interest, i.e., mortgage, SSA (security interest over a particular asset) or GSA (General Security Agreement)
- There are no charges for investigating lending, amendment, or discharge of most securities (mortgages excepted).

BARTERCARD SAVES YOU MONEY!

Useful Resources

Reserve Bank of New Zealand

<https://www.rbnz.govt.nz/>

Introduction to Business Finance

<https://www.business.govt.nz/tax-and-accounting/business-finance-basics/introduction-to-business-finance/>

Financial Management & Advice

<https://www.treasury.govt.nz/information-and-services/financial-management-and-advice>

Getting Financial Advice

<https://www.fma.govt.nz/business/>

The Treasury Glossary of Terms

<https://www.treasury.govt.nz/publications/guidance/glossary>



To grow your business, attract new customers and improve cash flow, talk to Bartercard about implementing effective strategies with an Interest Free Line of Credit.

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