



# The Staffing Industry's Ultimate Guide to Navigating Funding

**Payroll funding is a game-changer**—offering staffing agencies immediate and increased cash flow, ability to invest in growth initiatives, and navigate through unpredictable times with confidence. It's more than just a financial tool; **it's the catalyst for exponential growth.**

But who do you trust for your funding needs? What is your plan to qualify a partner? And what does the process look like?

This comprehensive guide will walk you through navigating funding in the staffing industry. With expertise in both the funding and staffing worlds, our Lone Oak Payroll team is here to provide insights into the funding process—from beginning to end—to help business owners **alleviate stress and financial risk.**

## What is Payroll Funding?

### A Financial Must-Have for Long-Term Sustainability

**Undercapitalization** limits the ability for staffing agencies to grow. Plus, in the case of staffing start-ups, lack of funding can force their doors to close.

According to the U.S. Bureau of Labor and Statistics, **45% of start-ups fail within the first five years.**

One of the biggest challenges for staffing businesses is the working capital required for operating. While you wait for your customers to pay their invoices (often with a 4-to-6 week window), you still need to make payroll every week. Staffing firms need a flexible, reliable source of funding to run and grow their business.

Payroll funding (also referred to as invoice factoring) provides **immediate cash flow** to staffing firms, advancing a percentage of your invoices to pay your associates and put cash in your pocket. This percentage will depend on your funding provider as well as the customers you do business with.

#### See Growth in Action: Integrity Workforce

##### 522% Growth YoY

*In 2019, Integrity Workforce was a start-up company. They decided to partner with Lone Oak to help grow their business.*

*They've also relied on Lone Oak to help negotiate lower net terms with their largest clients to improve pay trends.*

## A Key Component to Your Staffing Ecosystem

Your staffing firm's ecosystem includes all parts of your business, including your software, payroll, and funding.

Staffing firms see the strongest results when all parts of their business work together seamlessly. That's why it's important that your funding solutions have intimate knowledge of the staffing industry. Banks and generalized funding providers will not understand the ins and outs of a staffing business.

Lone Oak takes the staffing ecosystem a step further than other funding providers.

With our full-service approach, we don't just provide financial solutions; **we become an extension of your team, guiding you every step of the way**—from initial evaluation to long-term success.

## Which Funding Avenue is Right for You?

The first place many business owners will turn for financing is a banking institution. However, for many staffing firms, a bank won't provide the necessary services and financing needed to create long-term, sustainable growth.

How do you know if a funding provider is the right fit for your business? Use the chart below for a list of key factors to consider during your vetting process.

- Advance rates: The percentage of your A/R that a funding provider will provide on day 1
- Fees: There are several variations of fee structures, and it's important to understand every aspect of them (and to have a partner that is transparent about fees!)
- Contract terms (including length and what regular updates you'll be required to provide)
- Paperwork requirements
- Available credit lines
- The underwriting process
- Overall growth potential

## Vetting Potential Funding Providers

Factors to Consider	Banks	Lone Oak
<b>Knowledge of the Staffing Industry</b>	No staffing-specific insights.	Owned and operated by seasoned staffing professionals who know the ins and outs of the industry.
<b>Advance Rates</b> The percentage of you're accounts receivable that a funding provider will give you Day 1.	50-80%.	90-98%.
<b>Fees</b> Fee structures can vary, and there can often be hidden costs in your contract.	Transparent about fees. Typically charge monthly account fees, a line fee for the line of credit, and annual audit fees.	Full fee transparency upfront with no hidden charges.
<b>Available Credit Line</b> How much can you borrow?	A single, set-in-stone credit line, which puts a ceiling on your growth potential.	A flexible line of credit, empowering you to grow at the pace right for your firm—with unlimited potential.
<b>Underwriting</b> Will you be approved for credit? What factors will determine your eligibility?	Strict, prohibitive underwriting process. Approval will depend on your credit.	Underwriting is focused on your customers' ability to repay, not on your own credit, which makes funding more accessible.
<b>Contract &amp; Paperwork</b> What is the length of your contract? What regular updates will you be required to provide?	Constant upkeep is required to continually supply banks with financial records, explain operations, and more. Often, this requires a dedicated full-time accounting professional.	Lone Oak handles your financial records, so there is no need for additional costs or labor.

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## What to Consider When Choosing a Funding Provider

### What is the true cost vs. the price being quoted?

One of the biggest misconceptions about payroll funding is that the only differentiator between funding avenues is price. The truth is, each funding provider is going to have different **fees**, **contract requirements**, and **associated services**, which greatly impact your staffing business.

These misconceptions can be time-consuming and costly to a staffing company. For example, many payroll companies quote aggressively low upfront prices for processing payroll, failing to mention all of the fees associated with the services being offered. These fees add up when the staffing company becomes a live client.

When choosing a payroll funding provider, it's important to ask for a **transparent breakdown** of weekly, monthly, and quarterly costs based on your company's average volume to ensure you are comparing apples to apples regarding pricing.

### How will the economy impact your relationship with your funding provider?

Whether you're a start-up or a more established company looking to grow, the current state of the economy is going to be a major factor in your financial strategy.

#### Working with a Bank

In tough economic times, it's going to be more difficult to secure new lines of credit or expand your line of credit with a bank as they start tightening down.

Even if you do get approved for bank financing, you can expect to be **locked into a set contract** with a funding ceiling. When the economy does experience an upturn, you won't have the cash flow necessary to reach your growth potential.

You will also need to **provide significantly more paperwork** when working with a bank during tough economic times. Not only will you need more financial records or proof of solvency, but these will be more scrutinized than they were in a stronger economy. If you're asked for three years of reviewed and audited financials, could you produce them? For many staffing company owners, this will be a barrier to securing funding.

## Working with a Staffing Industry Funding Provider

Other funding providers, such as Lone Oak, don't limit your future growth the way a bank will. In fact, we are committed to making payroll funding more accessible—especially in tough economic times.

One client—a mid-sized staffing firm in Utah—saw 325% growth YOY by partnering with Lone Oak. To help sustain this momentum, we've worked closely with them to continually restructure their funding agreement.

In any economy, a bank is working towards a “no”; that is, they're looking for a reason to NOT fund your business. With Lone Oak, we're looking for the “yes”—working with you to find a funding solution right for your business.

Company A: Signed with a bank during an uncertain economy	Company B: Signed with a payroll funding service during an uncertain economy
Approved for a 65% advance rate.	Approved for a 95% advance rate.
Because the bank doesn't provide credit monitoring on customers, they have many outstanding invoices that have gone unpaid.	Because their funding provider monitors customer credit, they were able to make strategic partnership decision to mitigate financial risks.
When the economy turns around, they will want to grow—but they will be limited by their existing contract. They will need to wait until that contract expires to negotiate for an additional line of credit. Meanwhile, their competitors will be growing.	When the economy turns around, they will have unlimited growth potential. They can go to their funding provider and ask for additional line of credit as they secure new business.

## What additional services come with your funding?

A robust funding service isn't just about the money. What other services is your funding provider offering? **How are they freeing up time for your business? How are they helping you future-proof your staffing firm?**

Most often, banks are not involved in any credit decision for your business. This means they do not conduct credit or background checks for your customers and cannot provide insight into current pay trends. How do you know if a potential customer is credit worthy? How will you continually monitor their credit to protect your assets?

## Leveraging Additional Services to Boost Growth: Supreme Staffing

### 326% Growth YoY

*While working with Lone Oak Payroll, Supreme Staffing has leveraged almost every available piece of technology and service. The result is immense growth over the past 9 years, with an average growth of 326% each year.*

Other funding providers often lack additional services. Consult the chart below for a list of services to inquire about while vetting a potential funding provider.

## Additional Services

	Banks	Other Funding Providers	Lone Oak Payroll
Background Checks	No	No	Yes
Insights Into Pay Trends	No	Some	Yes
Accounts Receivable	No	Some, but not in the same system	Yes, in one integrated system
Ongoing Customer Credit Monitoring	No	No	Yes
Staffing Software	No	No	Yes
Tax Filing	No	Some	Yes

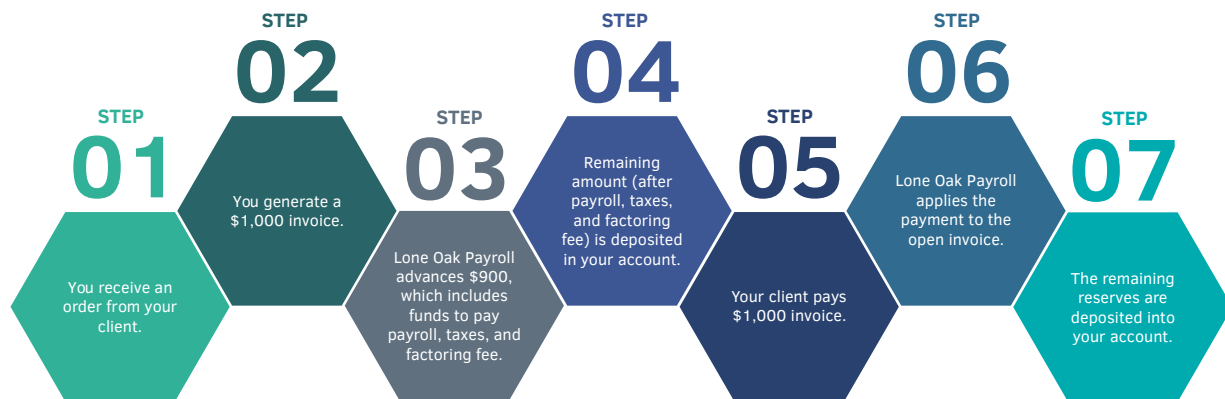
## Will we always need payroll funding to continue growing our business?

Not necessarily! For example, one Lone Oak client partnered with us from 2015-2022 for payroll funding. Once their business was more established, they no longer needed funding. Having built a strong relationship with Lone Oak, they have continued working with us in other capacities, and we still support their tax processing and software.

## How Payroll Funding Works with Lone Oak

Lone Oak is the only payroll provider who offers staffing software, payroll processing, tax filing, and payroll funding in a single, completely integrated service. We conduct background checks and credit checks for all customers to **help staffing firms mitigate financial risks**. We also continually monitor customer credit and provide regular updates on marketplace pay trends. Plus, you can leverage our accounts receivable services to keep your records organized and timely.

With Lone Oak, the funding process can be broken down into 7 simple steps:



## Want to Learn More?

If you're ready to take the leap or just interested in learning more about the process, feel free to book a free consultation with our team of experts.



[Learn how you can maximize your growth potential with payroll funding](#)