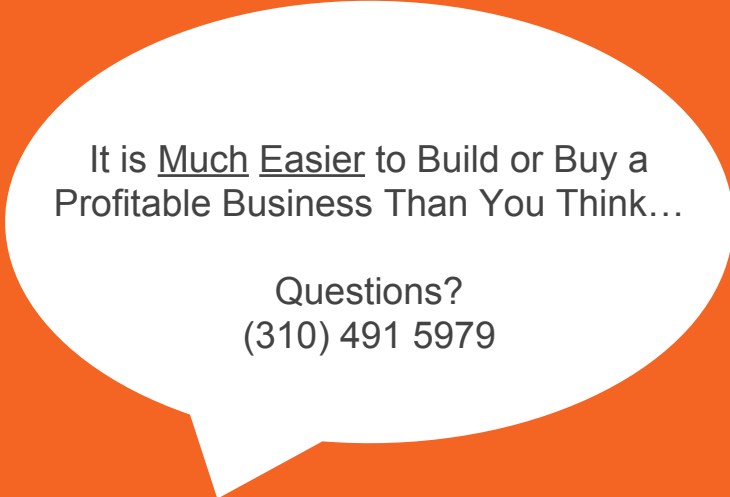

What You Need to Know About Business Finance



It is Much Easier to Build or Buy a
Profitable Business Than You Think...

Questions?
(310) 491 5979

Michael Praver, Founder of StartupFundingLA.com

Welcome!

If you are starting, buying, or building a business you are an unusual person.

Most people live their whole lives without doing those things. This explains why most of the “advice” you get is useless.

This short fact-filled book simply reviews what you need to know to reach your business and financial goals quickly.

We have helped lots of people start, build, and buy profitable businesses.

We are very happy to be helping you.

Michael Praver | (310) 491 5979

Who Needs This Primer?

- Tech Startup Founders
- New Brick & Mortar Business Owners
- Media Producers
- Growing Business Owners
- Anyone Seeking Equity Investment

Why is this book important?

- As a Business Owner, you Need to Know How to Get the Right Money at the Right Time, on the Right Terms, Always.
- This book swiftly reviews several funding solutions you will use in years to come.
- It covers when you should use them, and why they are the right choice for your business at different stages.
- This book provides options you almost certainly don't know you have for starting and growing a profitable business fast.
- This book covers strategies that let you start making good income from a business in 3-6 months.
- What you learn by reading this book will prove useful to you for many years.

Business Use of Personal Credit

- Most new businesses of all kinds start with money from family and friends and personal credit lines and credit cards.
- These funds usually cover initial costs ranging from company setup (LLC, C-Corp, etc), to creating a product or service, and acquiring first customers.
- Personal credit has some important features.
 - It can be spent without 3rd Party approval
 - You can spend it, repay it, and spend it again.
 - If used correctly the amount available grows over time
- The debt acquired is personally guaranteed which means you must spend the money wisely. Note that almost all credit/finance available to new and small businesses is personally guaranteed.

Business Use of Personal Credit

- When you want to get more revolving personal credit, make sure your utilization of current resources is at less at 30% per current credit card or credit line.
- Make all payments on time and pay at least the minimum if not more.
- You can get more personal credit on better terms if your credit rating, usage, and payment history are good for 12-24 months.
- You can double the amount of credit you have available to every year by following the rules previously listed.
- After you have been in business two years you should be in a position to build business credit.
- You can then transfer any business debt on personal accounts to the company. This frees up your personal credit for your personal use.

Business Credit

- Usually you must be in business for 2+ years before you can begin establishing Revolving Business Credit Accounts.
- You must have a FEIN (Federal Employment Identification Number). You should get this when you start your business which should be an LLC, S-Corp, C-Corp, etc.
- You will use this number to begin building your Dun & Bradstreet business credit profile.
- You should maintain good personal credit because you will provide a personal guarantee on all revolving business credit lines granted to your company. This is new since 2007-2008.
- To grow your available business credit, pay on time for 6-12 months. Before you request an increase, reduce credit utilization to below 50%.
- Business credit doesn't impact your personal credit score. That becomes very important over time.

Transitioning from Personal to Business Credit

***Note, business credit rules changed significantly in 2008-2009**

- Personal Revolving Credit Accounts and Credit Cards report to your personal social security number.
- Business use of Personal Credit frequently causes your credit scores to jump up and down by large amounts. This can make it very hard to buy a home, a car, etc.
- Once your company has been in business as an LLC, C-Corp or S-Corp for 2+ years, you can begin to establish business credit which does not report to your personal Social Security number.
- **The debt you acquire will still be personally guaranteed** (which means you have to pay it personally if your business goes bankrupt) but your personal credit will now be available for personal use.

Equipment Financing

- Equipment Financing is a special branch of Business Finance.
- Equipment can almost always be purchased on great terms with the right finance partner.
- Equipment financing can be used for
 - Vehicles
 - Food Trucks
 - Computers
 - Manufacturing Tools
 - Farm Equipment
 - Etc.
- Different companies manage different kinds of financing solutions.
- Equipment financing usually depends on you having previously established business credit.

What About Equity Investment?

- **Many new business owners incorrectly assume the least risky way to fund a brand new business is through equity investment.**
 - Equity investment before you have a “minimum viable product” or customers usually takes a long time to get.
 - Early-stage Investors usually demand a lot of your company and exact a lot of hard-to-tolerate provisions in exchange for the little money they provide.
- Using finance on the right terms is usually a safer, smarter, and less expensive way to fund your startup.
- **The fastest, easiest, most profitable way to “start” your business may be to buy an existing company with an SBA loan.** You can then graft your startup product or service into it so the company swiftly becomes much more profitable.
- Investors give more on better terms to companies with customers, revenues, and assets.

*

SBA LOANS

- SBA Loans can be used to:
 - Purchase an existing business of almost any kind
 - Purchase property or other resources to expand a business
 - Purchase a franchise
 - (etc.)
- If Real Estate is more than 51% of what the loan is used for, you will have **25 Years** to repay the loan
- If you are purchasing a Business without real estate you have **10 years** to repay the loan
- SBA Loan Maximum in a Lifetime is \$5M
- SBA Loans are Personally Guaranteed
- You can buy Active Businesses
- Your Personal Credit Score doesn't matter much (650+) because the SBA looks at the value of the business and your plan for it to determine whether or not to make the loan.

SBA LOANS

Example #1

Fred uses an SBA Loan to acquire customers, cash flow, and profits and a launch pad for his new enterprise that will be immediately more attractive to investors.

- Startup Business Founder FRED WHITE wants to found a business that publishes apps for businesses.
- He uses an SBA Loan to purchase an Advertising Agency for \$1.2M which has revenues of \$40K from 350 active customers.
- He pays 6% interest so his payments are \$13K per month
- He replaces the business owner, currently taking home \$20K a month. Uses \$13K to pay the mortgage.
- Continues running the advertising agency.
- Launches his App Publishing service using the agency's customer base.
- Doubles revenues in 2 years.

SBA LOANS

Example #2

Harriet makes her business more profitable in the short term and a better investment in the long term through an SBA Loan.

- HARRIET WILSON has a custom furniture business which is currently earning \$40K a month, and generating a profit of \$8K per month.
- She rents the warehouse and showroom where her business operates for \$10K a month.
- She uses an SBA Loan of \$1.2 M to purchase a nicer building that's twice as big as her current space closer to her customers.
- She now pays just \$7.7K per month for her space, and she owns it.
- She now generates a profit of \$10K a month and the new location is translating into more sales.

SBA LOANS

Finding & Evaluating Businesses to Buy

- Sites like [BizBuySell.com](https://www.bizbuysell.com) list businesses by location, price, industry, etc. You can buy...
 - Tech Businesses
 - Media Businesses
 - Restaurants, Convenience Stores & almost all other Consumer Facing Businesses.
 - Almost any Business-to-Business Enterprise
- You can work with investors to come up with the down payment required to buy a business with an SBA loan.
- Though many banks say they do SBA loans, even big branches of big banks only handle a few a month.
- There are companies that specialize in getting SBA loans for their customers. Their costs (approved by the SBA) are added to the loan. They are paid the day the loan closes and you take ownership of the business.

StartupFundingLA

Michael Praver

mpraver@startupfundingla.com

(310) 491 5979

- Business Management & Services
- 12+ Years helping business owners master and navigate business finance.
- References on request.
- Personal & Business Credit Building (\$50K-\$250K)
- Equipment Finance Solutions
- SBA Loans \$1M-\$5M
- NO UP FRONT FEES EVER
- Fast & Fully Transparent
- Easy to work with
 - 48 Hour Response Time
 - If we can't help you with your credit or any given SBA loan we'll explain what's standing in the way so you can make the necessary adjustments.