

Funding Fundamentals for your Business

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by **Scott Letourneau**

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In today's economy it's more important than ever to understand and implement funding fundamentals to help keep your business up and running. Even though the network marketing industry can be a very high profit, low overhead type of business, many times this isn't the reality for those who are just getting started. Most are investing a lot of time and money with systems,

training, marketing and buying leads to grow their organization. All of this takes cash flow. Most people looking to make an extra \$500 to \$1500 per month are all maxed out with their savings and credit cards and are not in a position to "finance" the startup of their networking business.

In most cases the investment to start a networking business is low, but in other cases the "buy in" can be a lot higher. No matter what your individual situation might be the goal is to beat the odds and business failure statistics.

As you know up to 95% of businesses fail within five years. The number one reason for this is lack of money, capital, funding or whatever language you want to use to describe the cash it takes to stay up and running in the

early days of your network marketing enterprise.

It's amazing how many who just think all those projected numbers on the business plan are automatically going to happen because you wrote them out on a spreadsheet. The actual growth you see in your organization or "downline" may not always match your goals and predictions.

You may experience a simple cash flow challenge from the time you outlay expenses for meetings and events until the time you collect your first commissions and bonuses.

The overall challenge is to understand **funding fundamentals** just as well as you may understand your network marketing compensation plan and the ways you get paid. This is just a must for any network marketer. Once you understand the funding fundamentals you'll be in a position to secure more funding for your business to grow (or in many cases, stay in business and beat the odds).

The first step is to stop using your personal credit cards for your business. If you have formed a separate legal entity you should not be using a personal credit card. The entity should apply for a business credit card in the name of the entity. The debt that shows up on the business credit card linked to your entity under an EIN number does not show up in the PERSONAL credit bureaus. That is important when it comes to protecting your personal credit score. Your personal credit score, even though some so called "business credit experts" will disagree, is very important to the cash lines of credit that you will receive in your business.

Too many businesses start out as sole proprietorships and remain that way for too long, racking up too much revolving debt and ruining their personal credit score. If you have any friends or business associates that are still operating as sole proprietorships, have them call NCP ASAP so they can get off that track and get their businesses on a solid foundation. If you are not sure about your personal credit score there are two ways you can check it out for free. One is www.creditkarma.com (no credit card required). The other is AnnualCreditReport.com, a centralized service created by the three nationwide consumer credit reporting companies (Equifax®, Experian® and TransUnion®) where consumers can request free annual credit reports. It was created by the three nationwide consumer credit reporting companies.

When you think of funding do you think of cash lines of credit or do you think of vendor lines of credit? Most think of cash lines of credit, which is money you can access to spend on branding or marketing to grow. Instead of cash, vendor credit comes in the form of supplies or business services and solutions and if you choose the right vendors, they will help build your business credit profile by reporting to the “big three” business credit bureaus (very important). Three quick examples include OfficeMax®, Shell and Home Depot®. These allow you to buy supplies for your business on credit instead of paying cash.

Cash flow management is a huge part of being successful in a business today. Having strong vendor accounts that report to the big three business credit bureaus (Dun & Bradstreet®, Corporate Experian® and Corporate Equifax®) is a must to build a strong business credit profile.

This is what positions your business to receive more outside funding and get the best terms. It's also an important factor with Joint Venture partners, potential clients or other vendors who may pull reports to check your credibility.

Keep in mind that each of the big three has a slightly different approach in how they score businesses. The best time to get more funding is when business is going well and revenues are strong. This is true for a couple of reasons. First, you're more likely to get funding when you don't need it – as Donald Trump's attorney George Ross said, the time to go to the bank is when you do not need the money. Waiting until things are falling apart to seek funding will reflect in your numbers and no one will want to help you at that point. Second, securing more funding before you need it provides your business with a vital cushion to expand quickly or deal with periods when sales may be slow.

Let's look at some of the common funding options for your business, along with some important things to know about each option.

Accounts Receivable Financing (Smart Capital Advance)

Accounts Receivable Financing works like a line of credit on your accounts receivable. If your business does commercial cleaning and your client is a big Fortune 500 company, the credit is checked by your vendor. You receive an immediate cash advance when you invoice your customer for products or services. How would it help your business if all of your customers paid cash on delivery?

Benefits of Accounts Receivable Financing:

- Builds Business Credit.
- Quick financing that does NOT require a business plan or tax statements.
- Approval is based on your customer's credit and not on your credit.
- Frees up working capital by not having money tied up in invoices.
- Focuses your resources on other more productive activities such as selling.
- Saves money and time by outsourcing your receivable collections to a seasoned professional.

Business Revenue Lending

This option has become more and more popular in recent years. This is based upon the monthly overall sales volume of your business. These loans are for small business and range from \$5,000 to \$300,000

- NO PERSONAL GUARANTEE REQUIRED!
- Must average at least \$12,500 in gross monthly revenue.
- Any owner or officer with 540+ Fico can sign.
- No collateral required.
- Business plan not required.
- Unrestricted use of funds.
- No upfront fees.
- 48-72 hour approval in most instances.
- Simple application process.
- Repayment via daily ACH from business bank account.
- Excludes real estate investment and mortgage companies

Retirement Plan Business Financing

Your retirement accounts may be your best option for funding your business. Utilize funds from retirement accounts like IRAs, 401(k)s, 403(b)s, Keoghs, SEPs, etc., without incurring early distribution taxes or penalties to purchase or fund your business or franchise.

Advantages for this type of funding include:

- Launch your small business or franchise with minimal (if any) debt while securing significant tax benefits.
- Use up to 100% of your retirement funds, or use a portion as a down payment on an SBA, unsecured or home equity loan.
- Combine your retirement funds with the retirement funds of a business partner or spouse.
- Save thousands in interest fees and protect your personal credit.
- Invest profits tax-deferred back into your business or pension plan.
- Lower business overhead while aggressively growing your retirement account. Position yourself for faster success!

SBA Community Express

The Community Express Loan Program is SBA's fastest way to help start-up and existing small businesses obtain financing when they might not be eligible for business loans through normal lending channels. By accepting this funding program you will be provided with a link to begin the application process. The advantages of the SBA Community Express loan program are:

- Pre-Qualification in Seconds, One Page Online Application
- Quick & Easy Access to Capital
- \$5K - \$15K, Get Funded in Days
- No Collateral Required - Unsecured
- Perfect for Start-Ups, Home Based and Small Businesses
- Low, Affordable Loan Payments, Low Interest Rate, Prime Plus 4.5%.
- No Prepayment Penalties or Balloon Payments – Pay the Loan off anytime.

Unsecured Business Financing

This is the one that always attracts the most attention. Since this is unsecured there are higher criteria like having personal revolving under 50%. Most applicants won't clear that hurdle because they wait too long to apply for this type of financing and end up maxing out their personal debt first. This program does require that an owner or principle of the

company provide a personal guarantee but these loans and lines only report on business credit.

Advantages of this Unsecured Business Financing Program:

- Quick application and approval process. Revolving lines or cash-out option
- Any principal or owner of the company can apply. Total credit results: \$10,000 - \$150,000
- Reports to the business credit agencies under the name of the business only
- Will only show on personal credit reports in the event of default

What you should know before accepting this program:

Applicant needs at least a 640 FICO score with all 3 credit bureaus.

Applicant's debt to credit limits need to be under 50% (credit utilization on revolving debt).

Applicant must have less than 4 inquiries on each bureau over the past 12 months.

No bankruptcies, judgments, liens or open collection accounts showing.

Another major factor in determining the amount of funding your business will receive are negative marks on your personal credit, known as "derogatories." This has become much more common since the crash of 2008. Many have gone through personal bankruptcies or lost their homes to foreclosure, resulting in "major derogatories" These are items that will cause you to get rejected for most cash financing options and include a bankruptcy that is not charged off yet (over two years old is better), foreclosure, large debts settled or charged off and excessive late payments (more than 2-3 payments 30-60 days late).

If you're in this situation, you will need to rebuild your personal credit quickly over the next two years. The best way to do that is to get five secured personal credit cards, charging as little as \$10 per month on each card and

paying down the balance every month.

Why? This will show five different cards reporting every month and over 12 months you'll have over 60 items reported with on time payments. This is a must. A great resource for secured personal credit cards is <http://www.creditcards.com/secured-credit-cards.php>.

The longer you've been in business and the more consistent your revenues are the more funding options you'll have. A business that has been around for three years will be approved for more credit at better terms than one that has only been in business for a year. Most banks will not let you apply for a business line of credit or business loan unless you can show two or more years of business history, although some may accept you after just one year. A bank line of credit is based upon your gross revenue, typically up to 10-15% of your annual gross revenue. If your business generates \$300K in annual sales you may not expect more than a \$30K line of credit. Profitability is key to your business. I know what you may be thinking – if I'm profitable why would I need to be looking at more funding? Again, that's the problem with business credit – lenders grant more of it to the businesses that don't need it.

When it comes to business funding many are confused about the difference between a *personal guarantee* and a *personal credit check*. There are some types of financing that will not require a personal guarantee, but will check your personal credit score. If you have any major derogatories, it will show up as a soft hit (or inquiry) on your personal credit profile. A personal guarantee means that if the business defaults on the loan you are personally liable. There is a balance between minimizing personal guarantees and maximizing amount of cash lines of credit. A lender will lend more if you personally guarantee a loan or line of credit to your business..

Finally, you have to beware of big claims on the internet such as the online companies that promise \$250K of unsecured credit to a startup business. That is just not going to happen. Common sense tells you that your business must meet certain criteria to qualify for additional funding. Stay clear of grants for the most part. Being headquartered in Las Vegas, I have interviewed sales people over the years that have worked for the big grant companies and almost all of them say they have rarely seen any of their customers actually receive grant money for a grant, but they sell grant writing services all day long! This doesn't mean that people

don't get money through government programs, but due to very narrow requirement, the vast majority of applicants do not.

You'll find a lot of resources and details there to help you with the funding of your business at www.FastBusinessCredit.com. I would also recommend you call our office to set up a free funding analysis and get specifics on the types of funding your business may qualify for and how we might be able to make the process faster and easier for you.

As a *Network Marketing Magazine* subscriber, you're entitled to receive a free consultation when you call Nevada Corporate Planners, Inc. at 1-888-627-7007. We'll answer your questions and walk you through all the fees and services. Go to www.IncorporateWithConfidence.com to learn how to choose the entity that's best for your business, protect your assets and avoid costly mistakes. You can download our valuable free business training and receive key strategies to keep and protect more of your network marketing earnings.

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Scott Letourneau is *"The Expert on Establishing and Positioning Network Marketing Companies for Maximum Profit!"*

Worldwide **successful entrepreneurs turn to *only one person*** when they want to establish their **company in the United States**. They want the one person who they know can deliver a truly turnkey experience to position themselves for profits and success. That person is Scott Letourneau!

Scott is the prominent entrepreneur and CEO who founded Nevada Corporate Planners, Inc. in 1997. He also founded the complementary Fast Business Credit, Inc. in 2003, again with great success.

In addition, Scott is a busy lecturer, consultant and author, who is recognized worldwide for helping entrepreneurs get their businesses off to a fast start in the United States.

You will learn from Scott's diverse expertise and complete turnkey business solution, along with his comprehensive and ever-growing list of powerful business resources. These are the very elements that have **allowed his 5,000+ clients both domestic and abroad** to incorporate their business with confidence, ***"propelling their business on a fast track to profits!"***

Scott is the *only* speaker offering a solution to help clients accomplish two goals: how to grow net worth and profits in the shortest period of time and how to **sustain and protect your net worth as it builds and accumulates.**

He is **recommended by top professionals** such as **Sandy Botkin**, a top Attorney/CPA; Attorney **Dr. Arnold Goldstein**; top Internet marketers **Tom Hua, Brett McFall, and Stephen Pierce**; and marketing expert **Jay Abraham** and other top CEOs and professionals throughout the U.S. and internationally. Leading entrepreneurs throughout the world laud him as the foremost expert on not only incorporating businesses, but also helping owners get access to capital and other invaluable business tools. Scott has a BA in Finance, a Masters Practitioners Degree in NLP (Neuro Linguist Programming, the study of patterns of success) and is the author of *"The Insiders Guide to Incorporating Your Business and Protecting Your Assets!"* He is also a contributing author for the new book from *Entrepreneur Magazine's Start Up* series; *"Start Your Own Information Marketing Business – Your Step-by-Step Guide to Success."*

He has appeared on **CNN Headlines News with Pat Summerall's Success Stories**, and has been interviewed by various radio and TV stations throughout North America, eager to tap into his expertise and experience.

Scott understands the **energy and passion required** to balance a successful and growing **business along with a healthy and thriving family life**. He has been in **business for over 12 years and married for 13 years** to his beautiful wife De Ann, an amazing classical violinist, and is the proud father of three beautiful girls, Gracie, Rosie and Faith. His family and offices are headquartered in Las Vegas, Nevada, where he has made his home for the last 15 years.