



6 Benefits of Borrowing the RIGHT Way

*What is the Goal & Purpose of
Obtaining Business Capital*

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AND ESTABLISHED COMPANIES

Executive Summary

Situation:

According to the National Federation of Independent Business, 79% of small business owners use credit cards. Additionally, according to the Meredith Whitney Advisory Group, 82% of small business owners use credit cards as a vital part of their overall funding strategy. So, depending on who you listen to, about 4 out of every 5 small business owners are using credit cards and probably on a consistent basis to start, build, and grow their businesses.

Problem:

It is unofficially estimated that less than 15% of those small business owners are using their credit cards the right way to get all the benefits out of them and ensure their future success. This means, among other things, that they use the wrong credit cards, they damage their credit profiles and FICO scores, and they limit their ability to acquire additional financing in the future.

Solution:

By learning the 6 Benefits of Borrowing the RIGHT Way small business owners will be able to:

- Access additional Capital
- Separate their personal and business credit
- Achieve or maintain excellent personal credit as they build their business
- Find Cash-Flow friendly loans and lines of credit
- Minimize their interest expenses
- Maximize their tax benefits

Result:

When you properly obtain your financing you will not only take full advantage of the 6 Benefits of Borrowing the RIGHT Way but by ensuring that you maintain or improve your credit profile, you'll ensure your ability to obtain additional capital in the future as your business grows. More importantly, you don't have to worry about one of the main reasons why businesses either can't grow or fail completely: lack of access to capital. You can focus on what you do best and grow your business.



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Introduction

When looking for “unsecured” capital for your business you want to have these goals in mind. Ideally, you would want to accomplish as many of these goals as possible.

1) Access Capital – This is the obvious (and to some people the ONLY) goal when looking for cash for your business. You need money to start, build, grow, or maintain your business so you need access to some capital. Pretty simple.

2) Separate, Preserve, and Improve your Personal & Business Credit – This process is like anything else...you can do it the right way or you can do it the wrong way. The RIGHT way is to separate your personal & business so that all or most of the



business loans and lines of credit do not show up on your personal credit report. There are some circumstances where you will actually benefit if some credit lines appear on your personal credit as well but this depends on a few different variables and each person's situation is different. This is not one size fits all.

3) Achieve (or Maintain) Excellent Personal Credit Profile – This means you want to keep your high FICO scores, maintain low DTI's (debt to income ratios), have a low credit card utilization percentage (since

this is 30% of your FICO score), & keep a minimal amount of inquiries on your credit report.

For example, if you borrowed \$50,000 and had to pay it back at \$10,000 per month this would not work for most people because of the high monthly payment.

4) Cash Flow Friendly – For Entrepreneurs and small business owners cash-flow is king so you want to borrow money in a way that is as cash-flow friendly as possible. When borrowing money be mindful of your budget in all things. For example, if you borrowed \$50,000 and had to pay it back at \$10,000 per month this would not work for most people because of the high monthly payment. Of course you have to pay the money back but try to get the most favorable monthly payments based on your lending options.


5) Minimize Interest Expenses – Would you rather pay more interest or less interest? It's pretty simple. The only way this can get confusing is if you don't actually understand your options. In other words, just because John got a rate of 7% doesn't mean that you can qualify for that same rate. If you need capital then you learn your options and take the best options available to you. Sometimes you don't have a lot of choice but this one is

easy when you know and understand your options.

6) Maximize Tax Benefits – We see this one ALL THE TIME. The vast majority of people miss out on tax benefits because they don't borrow money the RIGHT way. If you're using a personal loan or line of credit or credit card then you probably don't qualify (or should not qualify) to write off all the fees and interest associated with using these funds. Do you think the wealthy write-off all the money they borrow for their businesses? Why don't you? Of course you'll want to consult with a tax professional for the details here but don't miss out on this one! We've done this for thousands of people over the last few years so we've seen these scenarios many times. We find that the number one issue or concern people have is that they are not sure what their unsecured lending options are. We can help you to understand what those options are and then, once you clearly understand these options, you can focus on borrowing

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the funds properly. When you do borrow your funds properly then you'll be able to take advantage of many – and maybe all – of these benefits. Our programs have been designed for these purposes and you may be able to benefit from our years of experience and also from the fact that we've worked with thousands of entrepreneurs & done thousands of applications with all the top national, regional, and local lenders in the country.



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Concluding Summary

- ☑ There is a problem with how SBO's use credit cards and borrow money.
- ☑ There is no way to accomplish a goal if you don't identify that goal and then take steps to achieve that goal.
- ☑ Almost every business owner, at some point in their business or consistently throughout each stage of their business, needs access to capital so they can effectively and efficiently start, build and grow their business.
- ☑ When identified – and then the proper steps are taken – SBO's can realize the 6 benefits of Borrowing the Right Way



- ☑ We constantly hear stories of SBO's who cannot find the capital they need to grow their businesses. This means they either stagnate & stay where they're at or they fail and go out of business.
- ☑ Realization of the 6 benefits virtually eliminates the failure rate for businesses who fail due to lack of access to capital

Here's what that looks like:

- ☑ Clear understanding of your borrowing options
 - Allows you to make best decision & get lowest cost form of capital based on your options
- ☑ Maintain or improve your personal & business credit as

you grow your business

- ☑ *By properly borrowing money and using credit cards the RIGHT way you will always be able to obtain capital for your business and you leave the door open to obtain the additional capital you need in the future to continue your growth.

**Although it is technically possible to borrow as much money as possible and then no longer be able to borrow additional capital there are two things to keep in mind. One, if that were to happen then you're someone who borrowed as much money as you possibly could have. Second, in seeing thousands of SBO's we've never yet seen an example of someone who borrowed money the right way and was at a point where they could not borrow any additional money even though they had made all the right decisions leading up to that. So it's possible but not only highly unlikely but we've yet to see it in 10 years of being in business and working with thousands of SBO's every year.*

key: *SBO's = Small Business Owners



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