

# Find the Right Financing for Your Business

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Finding the right type of financing, or finding ANY financing for that matter, is often one of the most difficult parts of starting and building a solid small business. You may have a terrific plan and be a talented workaholic, but finding funding is another matter.

Business owners often start with too little money. It's one of the most common reasons that new businesses don't make it. Adequate financing and the know-how to use it wisely are crucial ingredients for your business to grow and thrive. Inadequate funding limits what you can do.

Sources and types of small business financing fall into a few broad categories. It will either be debt or equity financing from institutional or informal sources. *Debt* financing is a loan you pay back. Common sources include: family and friends, personal credit cards, home equity lines of credit, commercial bank loans and bank loans backed by the U.S. Small Business Administration (SBA).

Some small businesses also receive a type of funding from suppliers and vendors in the form of special payment terms, discounts or even direct loans. Suppliers *want* you to succeed, so they are sometimes willing to help.

With *equity* financing, you offer investors shares of your business in return for cash. Unlike loans, you are not required to pay the money back, but these investors now own part of your business and will want a return on their investment. Venture capitalists work this way, and stock offerings are a type of equity financing.

Other funding or cost-sharing options include partnerships, joint ventures, alliances, co-branding arrangements and business incubators. Incubators rarely offer cash, but they provide crucial support in the form of free or reduced rent and business services.

The SBA 7(a) Loan Guarantee Program is the main small business financing tool. It helps secure loans up to \$1 million for small businesses that are unable to find financing on reasonable terms through conventional lending channels. The SBA Web site has an excellent section on financing that includes helpful advice on funding basics, estimating costs, personal vs. business loans, equity financing, eligibility standards, steps to successful borrowing and lists of small business lenders. For details on all SBA programs, visit [www.sba.gov/financing](http://www.sba.gov/financing).

To learn more about financing a small business, contact SCORE "Counselors to America's Small Business." SCORE is a nonprofit organization of more than 10,500 volunteer business counselors who provide free, confidential business counseling and training workshops to small business owners. Call the Greater Woodinville Chamber of Commerce at (425) 481-8300, or 1-800/634-0245 for the SCORE chapter nearest you, or find a counselor online at [www.score.org](http://www.score.org).

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