Find Financing

Almost every business needs at least some money to get started. Many seek additional funding at various times after the business is up and running. Where can you find the money you'll need?

Common sources of start-up funding

- **Personal savings**
  If you haven't saved all of the money you'll need, you'll need to combine your own investment with funds from other sources. A lender will have greater confidence in your commitment to succeed when they know you have your own personal investment in the business. Many lenders, including the SBA, often require this.

- **Loans from family and friends**
  Your family and friends may believe in you and your business plan and may be willing to loan you funds. Be prepared to show them how and when you'll be able to repay.

- **Loans and lines of credit from financial institutions**
  Loans and lines of credit from financial institutions can be a source of start-up funding. To borrow from a financial institution, you need to have good credit. Secured credit is ideal if you're just starting out and want to build good credit history. Develop a good working relationship with your banker or lender. The more they know about you and your business, the better they can advise and assist you.

- **U.S. Small Business Administration (SBA)**
  The U.S. Small Business Administration (SBA) is an independent agency of the Federal Government. Its purpose is to help people get in business, stay in business, and grow. The SBA offers a tremendous number of resources to help you start, finance and manage your business, and find new business opportunities. It can help you write a business plan, obtain start-up capital, purchase real estate, and much more.

  The SBA has offices throughout the United States to assist you. Learn more by visiting the SBA Web site at www.sba.gov.

  Examples of SBA services:

  Starting your business: Small Business Start-up Kit; training and counseling; business planning tutorial; special assistance programs for minorities, women, the disabled, veterans, and other groups; workshops; shareware.

  Financing your business: Loan programs, including those that focus on: microloans (up to $35,000) for start-up, newly established, or growing small businesses; low and moderate income areas. Working capital lines of credit.

Find Financing (continued)

- **Client commitments to contracts**
  Your customers (or future customers) may be willing to sign contracts, or even pre-pay, for products or services that you commit to deliver to them.
- **Investors**
  Most potential investors will request certain financial statements and a business plan from you before they are willing to invest in your business. In order to be prepared for their questions, analyze the creditworthiness and investor appeal of your business before you develop a business plan. While the plan should reflect your personal business goals, keep in mind who your audience is, and draft the plan so that it sells your ideas to people who are in the business of making money.

Two types of business financing

There are two basic types of business financing, debt financing and equity financing. Here is a comparison of the two:

Debt Financing	Equity Financing
Definition: Borrowing money that is to be repaid over a period of time, usually with interest. Debt financing can be either short-term (full repayment due in less than one year) or long-term (repayment due over more than one year).	**Definition:** An exchange of money for a share of business ownership.
Key Benefit: The lender does not gain an ownership interest in your business and your obligations are limited to repaying the loan.	**Key Benefit:** This form of financing allows you to obtain funds without taking on debt; in other words, without having to repay a specific amount of money at any particular time.
Key Challenges: In smaller businesses, personal guarantees are likely to be required on most loans. If you have too much debt, lenders may consider your business to be over-extended and risky for further investment. In addition, you may be unable to weather unanticipated business downturns, credit shortages, or an interest rate increase if you have an adjustable-rate loan.	**Key Challenges:** The major disadvantage to equity financing is that you no longer have 100% ownership of your business, and must therefore share some degree of control of the business with additional investors.

Attracting investors

Most potential investors will request certain financial statements and a business plan from you before they are willing to invest in your business. In order to be prepared for their questions, analyze the creditworthiness and investor appeal of your business *before* you develop a business plan. While the plan should reflect your personal business goals, keep in mind who your audience is, and draft the plan so that it sells your ideas to people who are in the business of making money.

We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at wellsfargo.com or any Wells Fargo store.