



Access to Capital by TJ Daniels

IOWA CENTER FOR
ECONOMIC SUCCESS

Iowa Center for Economic Success

Mission

Our mission is to empower Iowans with the potential to succeed as they pursue opportunities for financial success.

Priorities

Education · Capital · Networking

Our Why

The Iowa Center is committed to empowering people to strengthen and stabilize their financial futures through business ownership and investment. It is our belief that to be successful in small business, one needs support in three core areas: education, capital, and networking. We have built key programs that support those core areas and empower individuals to succeed, families to prosper, and communities to thrive. Success to us is people supporting themselves and their families through the execution of their own ideas.



Overview

- What is Capital?
- Questions to Ask When Seeking Funding
- What to Have Prepared
- Ways to Fund Your Small Business
 - Personal Assets
 - Traditional Lending
 - The SBA
 - Startup Funding
 - Alternative Lending
 - Iowa Center for Economic Success

“If opportunity doesn’t **knock**, build a **door**.”
-Milton Berle

What is Capital?

- Financial assets, such as funds held in deposit accounts and funds obtained from special financing sources.
- Four major types of capital include debt, equity, trading and working capital.
- Financing capital usually comes with a cost.
 - Debt – Interest
 - Equity – Distributions to Shareholders
- Debt Capital is acquired through the assumption as debt...

At its core, Capital is MONEY

Questions to Ask When Seeking Funding...

Questions to think about:

- What do you need the money for?
- How much do you need?
- How long until you expect to be able to pay it back?
- What's the current financial shape of your business?
- Do you have any collateral?
- How soon do you need the money?

Business Coaches can help you analyze your needs

Business Plans are a tool

What to Have Prepared

Business Plan

Plan B & C (Covid Plan)

Personal Credit Report

Personal Taxes

Proof of Income

Photo ID

Co Borrower/Co Signor Information

Balance Sheet (existing)

Profit and Loss Statement (existing)

Detailed List for Use of Loan Funds

Lease

Liability Insurance

Personal Checking Account Statements

Business Checking Account Statements

Start Up Budget (start Up)

Cash Flow Statement (existing)

Financial Projections

Tax ID

Inc, LLC, DBA documentation

Other Documentation

Personal Assets

- **Home Equity Loans**

- basically a second mortgage on your home provided by a lender, which allows you to borrow money against the equity (current market value) of your home. These can be a cost-effective alternative to other types of loans because the interest rates are usually lower. However, you must consider that you will be risking your family home to obtain the funds.

- **401(k) Financing**

- If you have built up a 401(k), you can consider using your retirement account from previous jobs to fund your new business.

- **Bootstrapping/Personal Savings**

- Stretching all your resources as far as they can go can be an effective way to increase cash flow. Bootstrapping is the ability to stretch resources—both financial and otherwise—as far as they can go. Bootstrapping is one of the most effective and inexpensive ways to endure a business' cash flow. It means less money will be borrowed and interest costs are reduced.

- **Personal Credit Cards**

- Could help fund minor purchases for your business. Because of the interest rates on credit cards, they are primary used for short-term financing.

Traditional Lending

- **Commercial Bank Loans**

- don't require entrepreneurs to turn over equity or company control. In general, banks prefer to make loans of more than \$10,000. Banks like to see good credit, a solid business plan, ability to repay the loan, and collateral.
- Traditional Lending Institutions: Wells Fargo, Bankers Trust
 - Speak with your Personal Banker

- **Small Business Lending Fund**

- The Small Business Lending Fund is a \$30 billion fund that encourages lending to small businesses by providing Tier 1 capital to qualified community banks with assets of less than \$10 billion. Through the Small Business Lending Fund, Main Street banks and small businesses can work together to help create jobs and promote economic growth in local communities across the nation.

- **Equity Financing**

- Equity Financing is the act of raising money for company activities by selling common or preferred stock to individuals or institutional investors. In return for the money paid, shareholders receive ownership interest in the corporation.

The Small Business Association

- SBA Loans

The US Small Business Administration (SBA) guarantees a portion of loans to provide incentives for institutions to lend to small business owners. You should note that the SBA is not the lender, but the guarantor who backs the loan amount.

The primary loan programs under the SBA are the 7(a) and CDC/504. These loans can be used for working capital, inventory, real estate, and more. Programs are also available for disaster relief, emergencies, or veteran and military members looking to start their own small businesses.

Startup Funding

- **Venture Capital**

- Venture capital is money provided by investors to startup firms and small businesses with perceived long-term growth potential. This is a very important source of funding for startups that do not have access to capital markets. It typically entails high risk for the investor, but it has the potential for above average returns. This form of raising capital is popular among new companies or ventures with limited operating history, which cannot raise funds by issuing debt.

- **Angel Investors**

- An Angel investor is anyone who invests their money in an entrepreneurial company. The capital they provide can be a one-time injection of seed money or ongoing support to carry the company through difficult times. Angel Investors are focused on helping the business succeed, rather than reaping a huge profit from their investment

- **Business Incubation**

- Business incubation programs are designed to support the successful development of entrepreneurial companies through a variety of business support resources and services.

- **Business Plan Competitions / Entrepreneurship Competitions**

- Business plan competitions are an alternative source of financing that can be relatively low risk. They typically do not require you to show your credit score or put up collateral.

Alternative Lending

- **Crowdfunding**
 - Made popular by sites like Kickstarter and Indiegogo, crowdfunding is the process of requesting funds or small investments from relatives, friends, or strangers to help fund your business
- **Peer to Peer Lending (P2P)**
 - P2P lending allows a business owner to borrow and lend money with their peers in the business space. P2P lending is a method of debt financing that enables individuals to borrow and lend money. Peer-to-peer lending removes the middleman from the process, but it also involves more time, effort and risk than the general brick-and-mortar lending scenarios.
- **Business Credit Cards**
 - Business credit cards can aid in keeping businesses expenses on track and help in obtaining the purchasing power needed to run a business.
- **Merchant Cash Advance**
 - With a Merchant Cash Advance (MCA), your business sells a portion of its future credit card sales to an MCA provider in exchange for a lump sum of working capital.
- **Small Business Grants**
 - The government does not provide free grant money for small business startup or expansion. **BE VERY CAREFUL** of advertisements that promote “free money for your business.” These ads are misleading, and often suggest you can receive a list of grant resources by paying a fee to the advertiser. These lists typically contain a list of microloan programs that have funds you need to repay, or list grants available only for non-profit businesses.

Alternative Lending

- **FinTech/Online Platform-Based Lending (OPB): Kabbage, OnDeck**
 - The application process is quick, and the funds are delivered quickly. It's new and largely unregulated and not all online lending platforms are reputable. Be sure to carefully read the terms and conditions to make sure you don't get stuck with sky-high interest rates or other problematic small print. These loans typically have terms of six to twelve months at exceptionally high interest rates – sometimes as high as 50%.
- **Factoring**
 - If your business has outstanding long-term accounts receivables, working with a factoring company might be an alternative to waiting for collection. Factoring companies buy accounts receivables at a discounted rate. This allows your company to receive cash quickly to help ease cash flow.
- **Revolving Loan Funds**
 - Iowa has many revolving loan programs available for small businesses. These programs typically provide loans to businesses located in specific communities or regions and are offered through many different agencies.
- **Microloans**
 - Microloan programs usually offer small business loans from \$5,000 to \$50,000 and can also provide technical assistance to help you with your business.

Iowa Center for Economic Success

- Targeted Small Business Loan (TSB)
 - Up to \$30,000 for Startups and Up to \$50,000 for Existing Businesses
 - Fixed Monthly Payment
 - 3% interest rate, Up to 5-year Term
 - No prepayment Penalty
- WeLend Loans
 - Smaller Loans up to \$10,000
 - Fixed Monthly Payment
 - Interest rate 3%, Up to 5-year Term
 - No prepayment Penalty

Questions...

Thank You!

The Iowa Center has a plethora of classes and events designed to strengthen and empower small business owners. Check out our list of events at www.TheIowaCenter.org

“The secret of getting ahead
is getting started.”
-Mark Twain

