

Boot Strap Financing

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One of the cardinal rules of business is that in order to get money out, you have to put money in. This is a major hang up for a lot of people starting a business of their own; a lot of the time, there will be some serious risks involved, especially if you are starting your own business due to a sudden loss of a different job. Investing money is something that every entrepreneur will have to do at some point, though. The question for many is, where will I get the money I need so that I can invest in my business? Here are a couple of different ideas for when it comes time to put some money in, but you don't have the cash immediately available.

Credit Cards

Almost everybody has a credit card, and they can be a good way of getting the immediate funds you need to take advantage of a business opportunity. Make sure that the credit cards you use are used solely for business expenses; this will help you not only to keep track by way of records but also to justify spending come tax time.

Many credit card companies now offer business credit cards. These cards can often be used not only by the business owner but by employees on business expenses as well; that way, you can keep a tight rein on spending, and again a careful eye on records. Always make sure that you read the fine print on any credit card, and are aware of the interest rates accrued when you spend; it's never a good idea to limit out right away, you need to be sure that you will be able to pay off the money before too much interest is charged. You might also want to try a credit card that offers something back for your spending; air miles, cash rebates, and other incentives are a nice little bonus when you spend.

Secured Credit Card

These cards are for individuals who have no previous credit records, looking to establish one. The fact they are secured means that they are used against an item of collateral you already own, such as your car. In the event that you fail to make your payments, the company does have the right to claim whatever you listed as security in lieu. These cards are a good way of getting a credit history, but they are not a long term solution.

Bank Loans

Banks are now getting into the business of small business, by making loan types that were once only open to consumers available to small business owners. Personal bank loans for businesses are the same as those granted to consumers. The bank makes a loan at the agreed upon interest rate, and the business pays the loan back in installments over a period of time. The key here is to minimize the time period in order to pay the least amount of interest on the loan; remember that the first few payments are crucial, as this is where the bank stands to make the most amount of money.

Lines of credit are another way to get some money for your business out of a bank. The advantage of a line of credit over a personal loan is that it can be ongoing; there is no one shot amount, after which you pay up. Lines of credit mean that you have cash available when you need it. Again, make sure that you keep up with the payments, and try to pay down the principle as quickly as possible.

Microloan

Several private organizations, such as the Small Business Association, have begun to make loans available to businesses based on character. In other words, you have to come prepared to your meeting with the loan approver, and the more prepared you are, the greater the total amount of the loan may be. It's crucial to have a business plan in place, detailing the services you will be providing (or that you already provide), why people need what you do, and what you project your profit to be. You'll need a good financial background in order to be successful for these relatively low interest loans.