



Financing Options

Type of Financing	Sources	Considerations
Debt Financing		
<ul style="list-style-type: none"> Short-term 	<ul style="list-style-type: none"> Overdraft protection Letter of credit Short-term loan 	
<ul style="list-style-type: none"> Long-term 	<ul style="list-style-type: none"> Long-term loans Leasing 	<ul style="list-style-type: none"> May be required to post collateral
<ul style="list-style-type: none"> Loans 	<ul style="list-style-type: none"> Traditional banks 	<ul style="list-style-type: none"> Must be "credit ready." Often a lengthy and time-consuming process. Considerable financing costs.
<ul style="list-style-type: none"> Microloans 	<ul style="list-style-type: none"> SBA 	<ul style="list-style-type: none"> Provided to help small businesses & not-for-profits Can be used for working capital, inventory, furniture & equipment Cannot be used to pay debts or to acquire real estate Maximum 6 year payback period
<ul style="list-style-type: none"> Credit Cards 	<ul style="list-style-type: none"> Banks Credit Unions Financial Institutions 	<ul style="list-style-type: none"> Easy access to small funds for an urgent need Source of working capital Purchase necessary equipment
<ul style="list-style-type: none"> Export loans 	<ul style="list-style-type: none"> SBA Export Loan Programs SBA Export Working Capital Loan SBA International Trade Loan Program 	

**Type of Financing****Sources****Considerations****Savings, Retirement and Other Investment Accounts**

<ul style="list-style-type: none"> • Savings 		<ul style="list-style-type: none"> • Life-savings may be at risk.
<ul style="list-style-type: none"> • Retirement 	<ul style="list-style-type: none"> • Rollovers as Business Startup (ROBS) program – 401(k) • Plan becomes part owner of the business 	<ul style="list-style-type: none"> • Business may be required to incorporate • Rollover may be tax-free • Does not require a credit history • Life savings may be at risk
<ul style="list-style-type: none"> • Investments 	<ul style="list-style-type: none"> • Stock investments • Real estate investments • Other investments 	<ul style="list-style-type: none"> • Consider lost income from investment. • Consider costs (including tax costs) of liquidating investment.
<ul style="list-style-type: none"> • Reverse mortgages and home equity loans 	<ul style="list-style-type: none"> • Equity in business owner's house may be used to finance a small business 	<ul style="list-style-type: none"> • Business owner must be above 62 to qualify for reverse mortgage. • Loan is repaid only in case of owner's death or if house is sold. • Equity in house is lost if business fails.
<ul style="list-style-type: none"> • Family and Friends 		<ul style="list-style-type: none"> • Viable and easy source of financing. • Quicker access to funds. • Potential for family squabbles.

Public & Government

<ul style="list-style-type: none"> • Crowd funding 	<ul style="list-style-type: none"> • Collective cooperation of people who network and pool their money and resources together 	<ul style="list-style-type: none"> • Creates community awareness and publicity for business venture. • Time involved in financing is minimal. • Increased pressure to make profits.
<ul style="list-style-type: none"> • Grants 	<ul style="list-style-type: none"> • SBA 	<ul style="list-style-type: none"> • Grants do not have to be paid back.