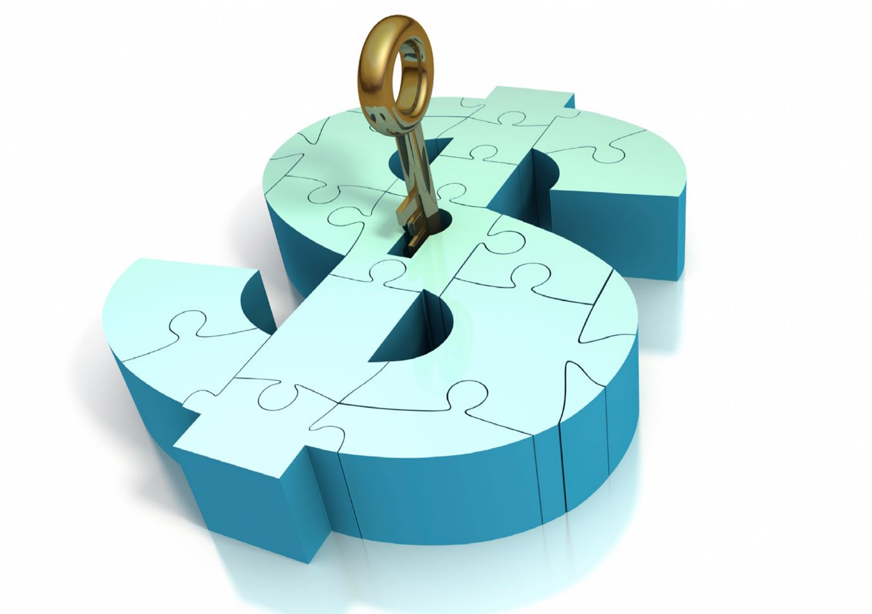
IMN DIRECT
Business Capital Funding

16 Best Business Financing Options for your Small Business

(Plus One Bonus Idea)



IMN DIRECT CAPITAL FUNDING
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BUSINESS CAPITAL FOR STARTUPS
AND ESTABLISHED COMPANIES

Executive Summary

Situation:

Most entreprenuers and small business owners need financing to start, build, and grow their businesses. When acquired and used properly, financing is an investment in growing a business to achieve goals and dreams. When acquired incorrectly or used poorly, financing will hurt cash-flow and/or damage relationships and decrease the chances of business success.

Problem:

Getting financing is hard enough to obtain for established companies and even harder for new & startup companies in their first two years of existence. Some can't get financing when they should be able to & others get the wrong financing & pay too much or even worse, give up ownership/control when they did not have to. Another problem is when businesses pledge collateral when they could have obtained financing without collateral or they pledge an excessive amount of collateral when obtaining their financing.

Solution:

When it comes to business credit & financing we must begin by knowing our options. Everything starts here. We must know our business credit & financing options or be working with a trusted advisor who knows these options.

"When you have an understanding of what you can and cannot do to properly acquire your financing it becomes empowering. They say that knowledge is power and this knowledge allows you to make decisions with confidence."

Result:

Although it rarely happens, the result is actually quite simple. When you understand your business credit & financing options or you work with a trusted advisor who understands this then you will greatly increase your chances of getting the financing you need to start, build, and grow your business.

"Imagine what could happen to your business if you had a well-designed BCFP, a Business Credit & Financing Plan. But don't stop there. Then what if you had a marketing plan that utilizes low cost and high ROI marketing initiatives? This is Business Financing the way it should be."

The Result in two words: Take Action. Use the knowledge to confidently take action. As Theodore Roosevelt said, "In any moment of decision, the best thing you can do is the right thing, the next best thing is the wrong thing, and the worst thing you can do is nothing."

Introduction

I've helped thousands of small business owners find the cash they need to start, build, and grow their businesses. In my experience, business owners make many mistakes in borrowing money -- they pay too much in interest, don't get the best terms, get the wrong type of loan, hurt their credit, or fail to take advantage of the tax breaks they should get as a business borrower.

These mistakes happen mostly because entrepreneurs and small business owners are experts in what their business does, but not in the world of credit and lending. They don't know all the options -- all the different ways they could obtain funding.

There are many different ways to get money for your business, but obtaining business capital really boils down to two basic categories: You're either giving up equity in your business or taking on debt.

There are many different ways to get money for your business, but obtaining business capital really boils down to two basic categories: You're either giving up equity in your business or taking on debt.

This list could have been much longer. However, these are the "most common" business financing options for small businesses and it's not meant to be an exhaustive list of every imaginable way to obtain funding. The financing solutions herein probably make up 90% of all capital that is obtained by small business owners.

Within those two categories of debt & equity, there are many variations. Here's a look at

the 16 best – and most common - business financing options that all entrepreneurs and small business owners should know about in today's economy (plus one bonus method).

EQUITY

Giving up an equity stake in your business means your ownership of the business is reduced. As the business grows and becomes more successful, investors will share in those profits.

Once you take on equity investors, it also means the pressure builds for an "exit" event that would pay off those investors -- usually a sale of the business, public

offering, or possibly a healthy dividend or distribution of profits.

Most business owners aren't ready to give up an equity stake. If you're interested in remaining in control of your business, it's probably not for you. However, certain businesses find it necessary to bring on equity investors because of the amount of capital they need access to. Additionally, equity investors can provide lots of help, needed assistance, & valuable connections in many areas of building a fast-growth company.

If you want to explore giving up equity, know that equity investors come in four basic flavors:

1. Venture Capital.

Many small-business owners dream of finding a moneyed venture firm to invest millions in their business. Perhaps the crown jewel of VC Firms is Sequoia Capital. Their resume of companies they invested in and helped include Dropbox, Cisco, Yahoo, Evernote, Square, Instagram, Facebook, Apple, Rackspace, LinkedIn, Zappos, Kayak, YouTube, Electronic Arts, Oracle, Paypal, ebay, and a small company in Mountain View, CA named Google – maybe you've heard of them.

Now that you're excited, here's the reality: Only a tiny fraction of small businesses will ever secure a venture investment. The National Venture Capital Association reports that between 1000-1400 businesses have received VC financing in 2010, 2011, & 2012 — that's out of the nearly 6 MILLION American businesses that have employees and out of 25-30 million total small businesses.

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Most venture capital firms receive thousands of business plans each year and usually invest in fewer than a dozen.

So it's a real long shot. Also, most VCs want a big stake in the business. When you add up the liquidity requirements and other investor rights the venture capital firm receives, the effective cost of capital can exceed 70%. You may also lose control of your company as venture investors gain a larger stake over time, and take more seats on your Board of Directors. Just ask Andrew Mason. He was the founder of Groupon who is now out of a job. His own board fired him.

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Most venture money goes to businesses in just a few industries, such as software, media/entertainment, information technology, and biotech. If you're not in one of those sectors, you're probably out of luck. In fact, over 65% of all VC investments in the last 3 years have gone to those four industries alone.

2. Private equity.

Most private equity firms focus on bigger businesses, not small ones. But a few PE firms that concentrate on a particular sector might take an interest in a small business.

The problem: Most private-equity investors are bargain-shoppers -- they look for established companies with a good brand name that are on the skids. They buy the company at a low valuation, pump in some money, clean it up, and sell it off at a profit.

Many prefer to buy a company outright, so you're basically cashed out of the business at a low number, and your connection to the business ends. Not a good choice for a business owner who wants to keep running their business.

3. Angel investors.

Angel investors are a more realistic source of funding for most small businesses compared with venture capital and private equity. Angels invested $9.2 Billion in the first two quarters of 2012, according to the Center for Venture Research reports.

You may personally know wealthy individuals who might provide some cash. There are online portals where you can try to connect with investors and negotiate an investment deal. The right "angel" could really make a difference. For example, some angels come into deals with the ability to pick up the phone, call a friend, and have a big buyer for your product. Sometimes they are well connected and can be invaluable down the road in exiting the business and finding a good buyer.

Like venture capitalists, angels sometimes want a voting seat on your company board, expect to have a say in major decisions you make, and they will want at least a piece of the business. Ever watch Shark Tank on ABC? When is the last time one of the sharks agreed to invest in a company and asked for less than 51% ownership? It's a great show and there's some truth in that, but angel investors will often take a smaller stake in the business.

One of the more popular strategies for angels is the convertible note. This gives the angel a debt position (sometimes first lien) that will convert to equity at a later time, at a discounted price set by the investor.

Most owners who take on angel money end up going public, doing a merger deal, or putting the business up for sale to generate the needed cash. Angel investment can be a good strategy for a business owner with a desire to exit the business in the short term. But pitching investors takes up a sizeable amount of time that you cannot spend focused on building your business.

4. FFF - Friends, Family, (and Fools).

The "less sophisticated" equity investor can be a good channel for an initial seed round of capital, but a company must be careful in taking investment money from too many non-accredited investors – those with net worth of under $1 million. This situation can lead to lawsuits and the risk of violating SEC regulations if owners are not careful. Despite some of the challenges, it's a worthy investment segment if managed properly.

DEBT

5. Trade or Vendor Credit.

This may not be "cash" but it's most certainly a form of debt capital. It's very common and the normal terms are "net 30." In other words, this is when the local plumbing supply store lets Joe's Plumbing take $2,000 worth of supplies for his commercial job and they send Joe a bill that requires him to pay the bill within 30 days. There are also revolving vendor credit options that allow you to "revolve" a balance like you would on a credit card but Net 30 terms are certainly much more common.

6. Credit Cards.

Plastic is the most common way entrepreneurs get money for their business. According to the Meredith Whitney Advisory Group, 82% of small business owners use credit cards as "a vital part" of their operations. NFIB says that 79% of small business owners use credit cards so no matter how you slice it we're talking about roughly 4 out of 5 small business owners and it's absolutely, without question, the most commonly used financing tool for small business owners.

Credit cards are unsecured lines of credit. There are many highly-successful companies out there that got their start on the backs of the founders' credit cards.

However, here's the problem: having looked at thousands of credit reports, my experience is that most small business owners use their credit cards the wrong way.

Six things happen when credit cards are improperly used and managed by small business owners.

• **You don't keep your business credit separate from personal credit.** Using personal credit cards or the wrong sort of business cards means your spending will be reported on your personal credit, even though the money is used by your business. Getting a cash advance is similar to simply charging expenses with credit cards, except often the interest rate is substantially higher than your card's rate for regular purchases. And don't forget that when you take a cash advance, you usually won't be able to access your entire credit line, so your "access" is limited. Enough said, eh?

According to the Meredith Whitney Advisory Group, 82% of small business owners use credit cards as "a vital part" of their operations.

• **You don't build your business or personal credit ratings.** Ideally, you want payments you make to pay off business debt to help build your business credit profile – but if you charge on the wrong type of card, it won't happen. Meanwhile, your personal credit is taking a hit as your company racks your card up near its credit limit.

• **You limit your ability to borrow money in the future.** It happens all the time. When you don't protect, preserve, and improve your personal credit profile as you grow your business you will make it more difficult to obtain additional financing as you grow.

We've had to say no to many businesses who used their credit cards improperly, damaged their credit, and now they can no longer get financing. Don't fall into this trap, it can easily be avoided with some planning.

• **Payments are too high.** When credit cards are not chosen carefully, when 0% offers are not taken advantage of, and when credit cards are not managed properly, then your cash flow will be negatively impacted because payments are too high. It's estimated that as many as 90% of people who select 0% offers on credit cards don't take proper advantage of those offers. Many people also treat credit cards like car loans and mortgages and pay them a few days late. Don't forget there's no "grace period" on your plastic, so you must manage it differently than your loans.

• **Interest rates are too high.** Many borrowers don't realize how high monthly interest rates on credit cards drain your business' cash. You can set up and manage your credit cards the right way or the wrong way. The two biggest things you can do to maintain low rates or improve your credit-card rates are to pay your bill on time and not go over the credit limit. Remember, it's NOT okay to pay your credit card bill a day or two late like your car loan or mortgage. This is the fastest way to penalty pricing of 20% or more. A properly managed credit card portfolio should not only get you 0% introductory offers but should also keep your average rate after the 0% offers end at somewhere south of 10%.

It's estimated that as many as 90% of people who select 0% offers on credit cards don't take proper advantage of those offers.

• **Fewer tax benefits.** Personal credit-card spending doesn't usually qualify for all the tax breaks a business loan or credit line would – for instance, a writeoff for interest and fees paid.

7. Unsecured Business Line of Credit.

Often, a UBL is the ideal debt vehicle for a growing small business. Rather than fixed monthly payments that stay high even when you've paid down most of the principal, a UBL can give you access to up to $100,000 or more without paying interest on money you're not currently using. As you make payments, they replenish the available capital so you can borrow it right back out again. This structure means monthly payments are usually relatively low, which helps with cash flow.

It's not easy to obtain a UBL, as many banks simply don't offer business credit lines without collateral. Since the downturn, many lenders that previously provided UBLs discontinued their programs.

Almost all banks offer business lines of credit, but rarely without collateral. It's the "unsecured" part that's difficult, and requires both the right bank and usually a skilled individual at that bank as well.

The lenders still offering UBLs are choosy about who they fund. It pays to have an expert on your side who knows the lenders and their application processes. These selective lenders look for good personal credit -- usually a FICO score above 700. Lenders like established businesses with at least 2 years of financial history. Businesses in certain industries, including restaurant and real estate, aren't good candidates for a UBL.

8. Commercial Bank Loan/SBA Loan.

If you have great credit, an existing relationship with a business bank, and business or personal assets you want to pledge as collateral, an SBA-guaranteed bank loan can be a good choice. If not, finding a loan in the current tight credit market will be challenging.

Business-loan volume has plummeted since the downturn began in late 2008. Getting an SBA-backed loan can help lower your rate and make you more attractive to banks. But many business owners don't realize most SBA-backed loans require collateral – and that collateral is usually the business owner's personal residence, especially in the case of start-up businesses.

The most popular product here would surely be the SBA 7(a) loan. To put this in context, the record year for SBA loans was 2011. There were 53,706 SBA 7(a) loans granted that year. They would have had to do five times (5x) that many loans in order for 1% of the small business owners in the U.S. to have benefitted. Additionally, the average loan size was well over $300,000. Although there are some slight exceptions to this rule, it's mainly

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veterans who receive SBA loans under $150,000.

When you remove the **Patriot Express** loans for veterans the average SBA loan in 2011 was for $624,000. In conclusion, SBA loans are great and they are truly one of the best lending solutions available to small business owners. However, most small business owners will need to look for other ways to finance their business growth. The exception is when someone has good experience in their industry, has good credit, has available collateral, and needs more than $300,000 – those people are the ones getting the SBA loans.

9. Peer Loan.

Websites such as imndirect.net & Loanbizsolutions.com help individuals and businesses get unsecured loans. The fundraising method is known as peer-to-peer lending, or P2P lending. You post your business story online in hopes of attracting many individual lenders willing to put up small amounts towards your loan total, usually just $50 or so apiece.

If enough people buy in, your loan is funded at an interest rate determined by your credit rating and what the crowd is willing to accept. On most peer lending sites, the amount you can borrow will top out around $25,000 to $35,000.

This isn't magic money from the Internet, either, and there are some not-so-great aspects of P2P loans. As with a traditional bank loan, if you don't make your payments on time, the site you borrowed from will report your default to the credit agencies and have collection agencies on your tail.

Also, these are considered personal loans, so even if you request the loan for business purposes, it's going to be reported on your personal credit report – never the best thing for a business loan.

The other thing peer sites don't tell you is that the site reviews your credit application and may not approve it. In my experience, perhaps 10%-15% of applications get approved, so peer sites aren't that much more flexible than banks – I've had clients get turned down by the underwriting department even after getting fully funded

In May 2011, more than one-quarter of Americans homes were "underwater" -- that is, the owners owed more on their mortgage than their home was currently worth.

by investors. Finally, many entrepreneurs that try P2P sites fail to attract enough lenders to fund their loan.

10. Home Equity Line of Credit.

HELOC's were popular back before the downturn. How times change.

In May 2011, more than one-quarter of Americans homes were "underwater" -- that is, the owners owed more on their mortgage than their home was currently worth. Translation: Far fewer small business owners are able to tap HELOC's to fund their business now, because many have no accumulated home equity to withdraw.

Maybe it's just as well. Using home equity to fund your business was never as great an idea as people thought. When you borrow out of your house, if your business runs into trouble and you can't make your payments, you're at risk of losing your home.

11. Cashing Out or Borrowing from Retirement Funds.

These are also known as Rollovers as Business Startups or ROBs. ROBs work like this: You incorporate your business and create a 401(k) plan for the startup. Then you transfer funds from an existing retirement account to this new retirement plan. Then, you borrow out the money from your company plan to spend on business growth -- tax free.

ROBs are a great option for the right people. They are also extremely popular in the franchising space. So, while they are a great option for some people, you must know that this is perhaps the riskiest of all business financing strategies. According to Michael Gerber, the author of The E-Myth, 40% of businesses fail in the first year. Additionally, 80% of businesses fail within 5 years. When you use your retirement funds to build your business you're obviously risking your nest egg that you worked hard to build up over many years.

12. Equipment Financing.

If the money you need is for the purchase of a piece of business equipment such as company trucks, there are specialized equipment lenders that can help. Rates for an equipment loan can range from bank-rate to high cost,

This product primarily serves the use for short term financing. Essentially an MCA is a lump sum advance of cash against future income of a business.

depending on the individual applicant's credit and the type of equipment.

Not all banks do equipment lending, and the ones that do will often require a down payment — and won't offer a leasing option. For these reasons and many others, small business owners normally prefer non-bank equipment financing. Most banks don't want to end up repossessing a construction crane and having to market and sell it – that's not their business.

I often recommend small business owners consider leasing equipment rather than taking on long-term debt with a loan for an asset that may not have much resale value down the line. Leasing preserves your cash flow, as it doesn't require a down payment and usually little or no money "out of pocket."

In fact, I recently took my own advice on this and leased a new phone system rather than taking out a loan. I could have obtained a lower rate if I had gotten a bank loan. However, I would have needed a down payment, we would not have been able to lease the equipment, we would have missed out on valuable tax benefits, and the bank loan would have showed up on my personal credit report.

There are tax advantages to leasing, too, as you can write off the payments as a business expense. With a loan, you could possibly write off only the interest portion. Also, a bank loan hits your credit rating as a debt, where a properly structured business lease doesn't.

13. Merchant Cash Advance (also known as Merchant Financing or an MCA).

The Merchant Cash Advance (MCA) industry has become more popular in recent years after the crash of 2008

due to restriction of capital that banks are imposing on small businesses today. The MCA industry has only been around since the late 1990's yet it is a multi-billion dollar industry today when you include all the bank statement lenders who are a type of hybrid MCA lender.

This product primarily serves the use for short term financing. Essentially an MCA is a lump sum advance of cash against future income of a business. There is no fixed payment or time frame of repayment as you would find with a term loan. Typically advances are based on a business's future credit card sales that will pay back the advance on a daily basis.

MCA lenders collect a set percentage out of a merchant's daily credit card sales until they recover the advance and their premium, usually in fewer than 12 months. One of the many benefits of this type of financing is that this financing is **non-recourse**, meaning if your business fails while you have the advance out, you're not on the hook of paying back the advance.

Another advantage is if your businesses volume is slow or down the amount taken out to repay the advance is less since there is not a fixed payment schedule. If your business is doing good or sales are up then the amount taken out is more and therefore the business owner is paying back the lender much quicker. This can be great if the business is seasonal as well. There is no hard collateral required to be put up, only a UCC lien filing, and although your credit score may yield you cheaper pricing and higher advance rates if good, a business owner with a low or damaged credit score can still very much qualify for a MCA.

The underwriting is not based on credit scores or even the business's financials, but rather your business's credit card sales history. Often times a business can borrow 100% to 300% of their monthly credit sales. So let's say your average credit card volume in month's timeframe is $50,000. Depending on the industry you're in, you can borrow anywhere from $50,000 to $150,000 and typically pay that back in 6 - 12 months.

Merchant Cash Advance lenders typically use factor rates to determine how much a business has to pay back when doing an advance. Here is an average transaction to illustrate how this works. Let's say a restaurant owner needs $40,000 for leasehold improvements for his establishment. The MCA lender offered him $40,000 to be paid back in 9 months at a 1.3 factor rate. This means that the business would pay back $1.30 cents for every dollar advanced to him. Remember this is not a loan so there is no fixed interest rate but if you do the math this can seem expensive. However you have to remember that an MCA is based on future sales of your business and is **non-recourse** money with no hard collateral required or emphasis on financials that can be often obtained in as little as 5 business days.

For industries with the majority of sales coming from credit cards such as restaurants that are deemed "high risk" from a banks perspective, an MCA might be the only option it has for growth capital. Or this type of financing can be very useful when a business owners personal credit profile is damaged and he or she cannot obtain a bank loan. With the recent downturn in the economy there are more and more businesses spanning across many industries who are using this type of financing.

We have even seen some hybrid options come to market based on the merchant cash advance platform. There are a few lender offering true short term business loans that are based on the daily business checking account balances and deposits. These loans can be less expensive than an MCA and do not necessarily require the business to have credit card sales. Instead,

Factoring is designed for businesses who sell a product or provide a service to other businesses.

the majority of underwriting is based on the businesses checking account and bank balances. The loan is repaid daily through an ACH system which is why a lot of the underwriting is focused on the daily cash coming in to the business's bank account. Needless to say, an MCA and other related financing products are serving the need of many small businesses today. Are they higher cost than bank loans? Absolutely. But do they serve a certain segment well and are they a good option for some business owners? Certainly.

14. Factoring.

Factoring, sometimes known as Accounts Receivables financing, actually has been around for thousands of years dating back to Biblical times. It is one of oldest forms of financing on record. In today's world, it is simply a way for businesses to turn their accounts receivables into cash.

Factoring is designed for businesses who sell a product or provide a service to other businesses. It is one of the most effective ways to facilitate growth for a company whether the company is a start-up or established business and is even more popular in times when banks tighten up and restrict lending. It is important to note that factoring is not a loan but actually the selling of an account receivable at a discount.

Typically businesses are paid net 30, 60, or even 90 days or more from the time they invoice. The problem with this is the business has expenses and costs that cannot wait 30, 60 or 90 days. Costs like payroll, taxes, rent, etc, are due every month or week. This creates a cash flow problem which factoring can help and in turn, grow the business. One of the many reasons factoring is attractive for businesses is that the majority of underwriting and credit decisions are based on the business's account debtors and not the business itself. Because of this, businesses with damaged credit, or not so good financials can still factor their receivables. They can get cash because the credit emphasis is on companies who owe on the invoices generated from the business.

Here's how factoring works: A factoring firm purchases its client's accounts receivable invoices at a discount in exchange for immediate cash, and title to the accounts passes to the factoring company upon transfer of the cash. An average transaction can be completed by a Factor within a week of receiving its client's financial information. Invoices are funded on the same day that invoices are received from ongoing clients.

Here's how factoring works: A factoring firm purchases its client's accounts receivable invoices at a discount in exchange for immediate cash, and title to the accounts passes to the factoring company upon transfer of the cash.

Factoring clients typically pay a flat fee that the factor or lender charges that can range from 2% to 4% of the face value of the receivable. So let's say a company wishes to factor their $100,000 receivable. After doing due diligence on the account debtor, a factor typically advances up to 90% of that receivable or $90,000 in our example. Let assume the receivable normally gets paid in 45 days and the factor charges a 3% discount fee per 30 days outstanding and an additional 1% for every 15 days outstanding. So the company gets $90,000 immediately after generating the invoice and now the lender assumes the invoice. When the lender gets paid from the account debtor (45 days), the lender will advance the remainder $10,000 minus their 3-4% discount fee.. This cycle can go on and on with every invoice that a business generates. Again there is no interest rate with factoring as this is not a loan. You are simply selling your accounts receivables at a discount.

Factoring generally increases a company's actual cash profit as well as its net profit margin. It is important to understand that there are generally two types of factoring lenders. You have recourse and non-recourse factoring companies. Recourse factoring lenders could possibly be less expensive as far as discount rates, but your still on the hook if that receivable that you sold goes bad. So even though you factored your receivable with that lender, if the account debtor does not pay the lender, then a recourse factoring lender has the right to come back to you and you have to pay.

With a non-recourse factor, once the receivable is purchased, the business can rest assure that even if the account debtor of that receivable does not pay the factor has to deal with it and cannot come back to the business demanding payment.

Benefits of factoring? Well there are many. First, it is a great way to monetize your receivables into cash rather than waiting months to receive payment which can facilitate growth for your business. Since factoring is not a loan, you take on no new debt and maintain your company's leverage to take on new debt in the future. Two, if the factoring in a non-recourse factor, it is essentially like having credit insurance on your receivables for your business. You will never have to worry about your receivables going bad once factored. If any of the receivables that you factored with the lender goes bad, the lender is responsible of collecting the debt, not your company. Three, by factoring your business has essentially a "in house" credit team. Think about it. When was the last time a small business did due diligence and credit checks on a business that they are thinking about selling to or providing a service for? 95% of small businesses do not do this as they are just happy to get the business. By having a factoring relationship in place who is doing due diligence on your account debtors to check their ability to pay, you can always preview a company who you are thinking about doing business with. Factoring is a multi-billion dollar a year industry because millions of small (and large) businesses rely on it for their working capital needs and can be a great alternative to bank financing

15. Purchase Order Finance.

P.O. financing is often confused with factoring, but is as different as night and day. Instead of selling receivables for merchandise you've sold or a service you have provided, money is advanced to you so you can pay for goods for which you have a firm purchase order from a major customer, usually a big retailer or government agency. So instead of selling an asset of your company, you are actually getting an up-front advance prior to any product or service being delivered.

An example of P.O. financing is a value-added manufacturer in Missouri who sells shirts to Bible bookstores. The manufacturer uses a P.O. funder to pay the shirt manufacturer in China for the shirt stock to be shipped to the U.S. Once the shirts arrive in Missouri, they are imprinted for the end retailers, shipped, and then the retailers are invoiced for the shirts.

The risk for lenders here is even higher than in the factoring scenario, since they are funding materials that are not ready for sale and have not been delivered to the end client – so interest rates are higher, too.

Not only is P.O. financing more expensive than factoring, it actually always involves a factoring component. The P.O. funder wants to be paid back as soon as your product is delivered to the end customer. So you need to have a factoring line available to pay off the P.O. lender, and provide you working capital for operations.

With this dual financing program, your margins need to be very good or there will be little or no remaining profit in the order after the P.O. lender and factor take their cut. Getting a P.O. loan is basically a desperation move used to preserve or establish an important client relationship or to get in the door with a large retailer. But if you don't have the money you need to fill a big order, P.O. lending can really be a lifesaver.

16. Import/Export Loan.

For the capital you need to expand your business into foreign markets, there are specialized import/export loans. Most of these are backed by the Export-Import Bank of the United States.

If you are exporting, be sure to use the resources available through the U.S. Dept. of Commerce, which arranges introductions with possible buyers and organizes trade missions abroad. The recently passed National Export Initiative earmarks new funding for helping startups and small companies not yet selling overseas.

Think of this as P.O. financing but across borders. Import/ Export financing through non-bank lenders is essentially a P.O. loan that involves a product that crosses into another country.

BONUS IDEA:

Gift-Funding Sites.

Crowdfunding sites such as Indiegogo and Kickstarter work on a similar crowdsourcing model to the peer-loan sites, but with a twist: The money your raise is a gift, not a loan. Most companies end up rewarding donors with discounted merchandise, so this method is not without cost…but still. The bottom line here is you end up with no loan payments to make.

There are some limitations to this plan. For instance, on Kickstarter you cannot raise money for general working capital needs, only for a specific project. Artsy businesses such as graphic design, filmmaking, and apparel tend to be the most successful on gift sites.

Crowdfunding likely has a long way to go but it's also unlikely to be going away. One of the well-known crowdfunding stories is about Pebble. Pebble raised over $10 million through Kickstarter – yeah, that's not a typo. It has been estimated by research outlet Massolution that approximately $5 Billion will be raised in 2013 through Crowdfunding. That is up from $2.7 Billion in 2012. It doesn't work for everyone but you may want to check this out.

Concluding Summary

"It is the norm for small business owners, their accountants, their lawyers, and their advisors to have a lack of knowledge of what the various bank and non-bank financing options are. Unfortunately, in this small business financing arena, ignorance abounds and that leads to a variety of problems."

16 Best Business Financing Options for your Small Business

Equity

1. **Venture Capital.**
2. **Private equity.**
3. **Angel investors.**
4. **FFF - Friends, Family, (and Fools).**

Debt

5. **Trade or Vendor Credit.**
6. **Credit Cards.**
7. **Unsecured Business Line of Credit.**
8. **Commercial Bank Loan/SBA Loan.**
9. **Peer Loan.**
10. **Home Equity Line of Credit.**
11. **Cashing Out or Borrowing from Retirement Funds.**
12. **Equipment Financing.**
13. **Merchant Cash Advance (also known as Merchant Financing or an MCA).**
14. **Factoring.**
15. **Purchase Order Finance.**
16. **Import/Export Loan.**

"Imagine what could happen to your business if you had a well-designed BCFP, a Business Credit & Financing Plan. But don't stop there. Then what if you had a marketing plan that utilizes low cost and high ROI marketing initiatives? This is Business Financing the way it should be."

"When you have an understanding of what you can and cannot do to properly acquire your financing it becomes empowering. They say that knowledge is power and this knowledge allows you to make decisions with confidence."

When you are ready for a truly frank and honest conversation on the many ways to obtain financing that can make your business more profitable we are here to answer your questions and provide guidence to meet your financial needs and business goals.

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