

# 3 BEST FINANCING SOURCES



## The 3 Best Financing Sources for Small Businesses

Small business owners are more optimistic about obtaining funding these days. In The Hartford's 2014 Small Business Success Study, 46 percent believe that it is either "only slightly or not at all difficult" to secure a loan or other financing for their company, a 39 percent jump from just two years earlier. Yet, even though more entrepreneurs feel it is easy enough to get funding, more (36 percent) are choosing to use their own personal funds to keep their firms going. Younger business operators are especially more likely to use personal sources over loan options. Sixty percent of Millennials relied on personal finances compared with just 34 percent of Generation X'ers and 33 percent of Baby Boomers.

While trying to fund a business on one's own is admirable, it can also be terribly risky. The damage to one's personal credit score can be traumatic if the business has a dry spell. Loans can be a great way to get enough capital to grow the business and keep the production cycle flowing. Here are the three best loan sources for small business owners.

### 1. Bank Loans

Traditional small business loans are typically the cheapest source of funding because they have the greatest access to capital. Local banks and credit unions are a great place to turn as they often understand the community's business needs. Just be aware that the approval process can be tough with bank loans as they have the highest credit standards among all funding sources.

### 2. Small Business Administration Loans

If a borrower cannot qualify for a traditional bank loan, an SBA loan may be the next best thing. These are small business loans sponsored (but not actually made) by the government's Small Business Administration and they provide low cost financing to those without the top credit scores. There is a lot of paperwork involved though and the process can take a long time to complete.

### 3. Alternative Commercial Loans

There are plenty of alternative lending sources including peertopeer and merchant cash advance loans. There are also crowdfunding websites, but all of these options are much more expensive than bank loans. They are however designed to get entrepreneurs money quickly and without the stringent credit standards applied by the banks.