



America's Most Convenient Bank®



# ACCESS TO CAPITAL

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# Workshop Objective



To help you understand the various options for obtaining financing for your small business.



# Be Prepared

## Know What You Want and Why You Need It



- Why does your business need capital?
- How much do you need?
- How will you pay it back?
- What and how it will be used for?
- How will it affect your bottom line?
- Is this a one time or ongoing need?



Its Important to Not Ask  
For **Too Much** or **Too Little**.

# Know Your Options



Carl, starting a new catering company.



"I need to cover all these expenses!"

"Need to cover business travel to visit clients."

\$1,000  
Monthly Expense

**Business Credit Card**



A business credit card is designed to support small business owners and entrepreneurs; keeping business spending separate from personal spending.

Priya, has a growing salon with new clients.



"I need to buy products for my salon."

"Need to re-stock quarterly inventory."

\$10,000  
Quarterly Expense

**Line of Credit**



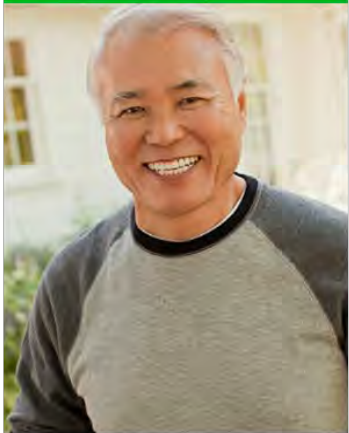
A line of credit lets the business borrow up to a certain amount and will only charge interest on the amount of money you borrow.

With an LOC you can pay down and reuse the line of credit.

# Know Your Options



Dao, about to take on a new 5 year contract.



"I need to support a new client."

"Need to hire additional staff and buy equipment."

\$50,000  
One-Time Expense

**Term Loan**



A business term loan is a lump sum of money the business borrows from a lender, then pays back at fixed intervals – with interest – over a set period of time.

Natasha, wants to open a second location.



"I need to grow my business."

"Not sure if I need a service van or a new location to grow."

Up to \$250,000  
One-Time Expense

**CREM Loan**



A commercial real estate mortgage (CREM) is a loan secured by a lien on commercial property that is used for business purposes.

# Your Borrowing Options

## BORROWING FROM YOURSELF



**Using your personal savings, credit cards, retirement investments or a loan against personal assets is a common way business owners access start-up funds or funds needed for an important investment in the business.**

### Pros:

- ✓ For funds that you have already paid taxes– you don't have to pay taxes again.
- ✓ If it's your money, you are in control.

### Cons:

- If you have joint assets held with a partner, family member or other individual – you still need to consult them about the use of these assets for your business.
- And if by using joint assets, do they see a role for themselves in your start-up as an investor or founder?
- It's easy to commingle personal and business funds, you could be putting all of your personal assets at risk if the business doesn't work out.
- Limits on how much you can put in and for how long.



# Your Borrowing Options

## BORROWING FROM YOURSELF



It's important to protect yourself by separating your business and personal finances.

Consider protecting yourself by formally establishing your business before you put a large investment towards it.

Here's a few reasons why you should separate your personal and business finances:

- **Tax benefits:** Make it easier on yourself and your CPA by establishing a business and different bank accounts to ensure you get all those business write-offs!
- **Track your business cash flow:** Have an honest assessment of what parts of your business are making money vs. losing money without comingling personal funds.
- **Establish a business image:** Consider making your business more reputable by having accounts, credit cards and invoices with your business name.
- **Access services:** These are especially designed for growing businesses like merchant services or business lending.



# Your Borrowing Options

## Family Friends and Investors



- Discuss if the loan will be a gift/donation, a loan or an investment.
- Be clear on terms and expectations.
- Put an agreement in writing!
- How and when it will be paid back?
- Determine the rolls and responsibilities of the lenders.



### **Crowdfunding**

A convenient way to manage funding online. Can process pre-orders of a product to help raise funds. If you don't adhere to the rules of the site, investors could take the money back directly from your checking account.

### **IMPORTANT**

Read the terms and conditions of each site.



# Your Borrowing Options

## Family, Friends and Investors



### Pros:

- ✓ It is easier to convince a person who knows you, to invest in your business, compared to a complete stranger.

### Cons:

- It's a missed opportunity to build bank credit.
- It may cause relationship issues.
- Your friends and family may overstep boundaries.
- Politically exposed investors could cause a red flag.
- You may be liable to pay taxes on the funds you raised.



# Your Borrowing Options

## Conventional Bank Loans

**You will need to fill out an application and provide business financials, tax returns and provide access to your personal and business credit info.**

### **Pros:**

- ✓ They offer a range of loan products from small business credit cards to business mortgages.
- ✓ Banks traditionally offer lower rates and fees.
- ✓ If you have a checking account and apply for your loan at the same bank you may receive a discount on interest rates.
- ✓ Banks are easy to contact for help.

### **Cons:**

- The application to closing process can take about 2 weeks... or more.
- You need to take time to fill out and prepare documentation.
- You may need to be prepared for an interview with the bank so that they can understand more about your business plan and yourself.
- If there are weaknesses in your credit history (personal and/or business) this may result in a loan offer with higher rates.

# Your Borrowing Options

## Small Business Administration (SBA) Guaranteed Loans



The U.S. Government provides banks with a partial guarantee of small business loans so that lending institutions can more readily finance small businesses. You will need to fill out an application and provide specific financials as well as complete some SBA forms.

### Pros:

- ✓ SBA products provide options to finance projects with less money down and longer repayment terms.
- ✓ With many SBA programs available, you can put as little as 10 percent down.
- ✓ For some of the programs, annual renewal fees have been waived for 7 years.
- ✓ The bank is your only contact.

### Cons:

- Rates and fees may be higher than a conventional bank loan.
- SBA Loans may take longer to close.



# Your Borrowing Options

## SBA Preferred Lender



Banks with Preferred Lender status have the ability to make credit decisions on behalf of the SBA, rather than having to wait days or weeks for the government to make the decision.

The turnaround time is much faster vs. a bank that does not have a SBA Preferred Lender status; the bank can keep you informed on the status of your loan.

Typically the bank has the familiarity and tools to help guide you through completion of the SBA loan forms.



# Your Borrowing Options

## Alternative Lenders



### Pros:

- ✓ Typical online applications– takes less than 30 minutes to complete and you may receive a decision in as little as two days with funds being deposited in as little as two days.
- ✓ If your credit is weak, you may still be able to obtain a loan.
- ✓ Alternative Lenders do have customer support, though not in person.



### Cons:

- Make sure you guard the security of your information.
- The rate structure may be different than banks and significantly higher.
- You should be aware of more aggressive payback terms.
- Your loan may be sold soon after you close.

# Your Borrowing Options

## Non-Profit/Community Development Financial Institution (CDFI)



**These are private not-for-profit financial institutions that are 100% dedicated to delivering responsible, affordable lending to help disinvested people and communities join the economic mainstream.**

### **Pros:**

- ✓ They may offer more creative or higher risk loans and may be more willing to be “first in.”
- ✓ They work with their bank partners and provide technical assistance as part of the loan process.

### **Cons:**

- Because CDFI’s obtain some of their funding from private sources, their cost of capital may be higher than borrowing from a bank.

# Your Borrowing Options

## GRANTS



**A grant is a contribution which can be earmarked with a designated purpose and conditions for use; these funds do not need to be paid back to the business. Grants are a great resource for small businesses in the innovation, technology and scientific research industries.**

### **Pros:**

- ✓ Depending on your industry, there may be little competition.
- ✓ You may receive mentors and experts.
- ✓ Receiving a Grant can provide credibility.

### **Cons:**

- The application process can be long and very specific to each organization.
- There are many conditions to accepting grant funds and documentation on how funds are being used may be required.
- Grant funding is usually disbursed once a year or quarter.

# Understand Your Credit Score



**Having an understanding of your personal and business credit score is crucial if you want to obtain financing.**



If you are a Sole proprietor – your credit score is tied directly to your SS number - as your SS number acts as your business tax ID number.

If you are an LLC – credit scores are passed through entities and income/expenses reported on a personal tax return and tied to the owners' SS number.

If you are a Corporation, the lender may not rely on your personal credit score or use your SS number as a tax ID, however, the financial institution will look at the principals' personal credit as part of the loan underwriting.



# Let's Get Digital!



Visit the [TD Bank Small Business Resource Center](#) for virtual workshops and more:

- Video tutorials on a variety of topics including:
  - Creating a competitive advantage
  - Preparing a balance sheet
- Download business plan templates
- Go to <https://www.td.com/us/en/small-business/resource-center>



Small Business  
Resource Center

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# Thank you and Questions?



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