

FEATURE

Financing the Dream

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Supermom, even for you, it is impossible to get money from a bank. The SBA is from the government, but not here to help you, and the vulture capitalists are only interested in bigger game. How then can you, and the other eight million American women, who are seriously considering starting their own businesses, finance their dreams?

Well, for starters be cheap. Don't spend a dollar if you can spend a dime and come close. Set up shop in your bedroom or on the kitchen table, and don't move on to an office until you are absolutely forced to. Reject the perfectionist impulse to "Do it Right". This otherwise commendable attitude, inevitably leads to a plan that expands to fill the limits of every penny of savings you have, no family exposed to risk in the expected case of occasional business reversal. Rather, target maximum return on investment, instead of maximum return. To internalize this concept, reflect on how a 30% return on \$15,000 is much better, though less, than a 8% return on \$60,000 when both are invested in yourself to start your own business. If you are already at the planning stage, a better approach is to limit your planned expenditures to the absolute minimum you can possibly get by with – then double that number. This attitude and reserve will give you the best chances of surviving that crucial first year.

Even with a properly tight, only if you need it, second hand desk approach, you'll still need a shoe box full of twenty dollar bills to go into your business for yourself. You're ready when you can't get the lid on the box. You probably have something in savings but need to beef that up.

Banks will not consider you for a true business or SBA loan for your first three years of operation, so I'd suggest not wasting your time in that direction. Surprisingly, although they will not give a secured by the business loan, banks will give a secured by nothing loan in the form of one or several credit cards. Especially, if you are employed and have reasonably good credit, this is an amazingly easy path to follow to assemble up to \$100,000, or so of financing.

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Collect credit card applications for a month and apply for twenty or more credit cards at the same time. Also, ask each of your existing card issuers to increase their respective lines for you. You should get five to ten approvals. For any rejections, send off for a copy of your credit bureaus. Using these techniques a young California couple just opened their dream of a college town bar in the Midwest, even though all classic financing was denied.

In a similar fashion, banks will readily refinance that paid in full Mercedes which is parked in your driveway. This may raise \$10,000-\$15,000 for you. You can even sell the car to your husband or vice versa to directly finance the purchase and indirectly move bank financing into your family unit. Lastly, home equity lines, if available, are highly recommend because the interest is tax deductible, but you probably thought of that already. For all of these bank sources it is important to have a job, so be sure to get the credit then quit to start your business, not the other way around.

Once you have successfully tapped the banking avenues, your next source is to mine your reputation. Here the three C's of credit are Character, Character, and Character. If you have developed a solid track record of hard work and fair dealing you should be able to raise \$2,500, \$4,000, or even \$10,000 (these are good investment amounts) from about half-a-dozen people.

Even with a great history, asking people for money is difficult. You can ease the way by trying these two techniques. Try paying yourself no salary, only a percentage. That way, the investors know you will get something and whenever you get paid, they get paid also. If you need a salary, then that is all you get until the investors get all their money back. The magic words are "The Investors get an ongoing 25% annual return, or a double on their money in the first year or two, then you can keep 80% of the overage beyond their share and they will be happy". You can set up these programs or partnerships by copying other business' documents, or use do-it-yourself kits when you are small. When you have significant personal assets or have grown past \$1 million in size, it's time to find a good lawyer. At that point, you will be on the next chapter.

Go For It! ♦