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Financing And Having Your Own Small Business

By Max Plata

Financing a small business does not have to be complicated, as there are a number of resources

that can help you along the way, as well as numerous financial and government institutions that cater to those wishing to finance a small business.

In terms of financing there are several things that need to be examined; do you need working capital or can you use existing cash flow for the small business? How urgent is your need for financing and what are your risks? What will the capital be used for and what industry does the small business operate under? There are an exhaustive amount of questions that need to be answered when it comes to financing a small business.

Realize that there are two different types of financing; equity financing and debt financing. Equity financing is looked at as the amount of equity to debt ratio that you have in the business. The biggest resource of equity financing comes from venture capitalists. A venture capitalist is generally a financial wizard with a lot of money to invest. They prefer to invest in businesses that are 3 to 5 years old that look promising and are able to offer a big return on the initial investment.

Debt financing can be obtained through banks, credit unions, lending companies and other financial institutions that offer services to small business owners. The government, both on the federal and local level, also has numerous programs in place to assist people in securing financing for small business.

One of the most common places to look for financing opportunities is with the United States Small Business Administration. This entity has a number of programs in place, including special financing programs for women, veterans and Native Americans who wish to secure funds for a small business. The U.S. Small Business Administration has a comprehensive website that explains in detail all of their available financing programs.

Another source of funds for small businesses come in the form of grants. A grant is an award of money that does not have to be repaid. Many times, grants come with stipulations on how the funds can be used, but there do exist many grants that are available for the sole purpose of starting up a small business. Grants are available from a number of sources including the federal government, private

organizations and individuals, and local initiatives that may be offered in your local area. Some of the different entities that award grants include the Small Business Administration, the Department of Veterans Affairs, and the National Science Foundation, just to name a few.

If you are just starting up your business and have already invested a significant amount of your personal funds, you are more apt to qualify for a small business loan through a commercial lender. Before using debt financing to fund a small business, it is wise to first exhaust all other avenues. Business associates, friends and family members may be willing to invest a bit of money if you are able to provide them with a sound business plan and the potential for a healthy return on their investment.

You will find more from this author at:

<http://www.moneydinero-magazine.com>

Purchase Order Financing Overview

By David Springer

Knowing the ends and outs of purchase order financing is an asset to almost any small or medium sized business owner. In the sections below you will learn just exactly what purchase order financing is, the benefits, drawbacks, who can benefit the most from it, and would be likely to qualify for it.

What is purchase order financing?

Purchase order financing is another way to get a loan for the capital you need to finance the supplies, production, and shipping of a product after you have received a purchase order from a buyer. Once you produce the finished goods and are paid, you can then pay off your invoice to the company who provided you with funding.

This is a perfect solution for small start-up businesses who have orders coming in but don't have the finances required to order supplies, pay their workers, and ship the finished goods. This would also be a great opportunity for a small to medium sized businesses who have found themselves with a sudden large customer jump or are graced with a very large order.

Who can benefit from purchase order financing?

– Purchase order financing is great for small to medium sized businesses who usually do not have the funds for large orders that could sky rocket their sales and turn their product into a household name. Image pitching your product to a major retailer, receiving an order from them, and then not being able to produce the goods needed because you are short on funds. purchase order financing could save you from this heart-breaking, and business-breaking, blow.

– A company who has received an order so large that they would need a six-digit loan. A purchase order financing company is not there to finance every single order so that a business does not have to spend any money up-front, it is merely a means for businesses to get the funds they need for an order

that would otherwise be out of their reach financially.

– Only those who are reselling an already made product that they have to purchase in order to send to the buyer, such as drop shippers, or are producing a product to sell may be eligible to receive purchase order financing. For example, if you are selling a service, you would not qualify to receive purchase order financing. Although it may take capital you do not have to hire employees to perform the service, it would still not qualify under most company guidelines.

What are the drawbacks of purchase order financing?

There are few drawbacks to receiving purchase order financing, however, there is one major qualification that could potentially stand in your way. When a company grants you funding, they assume they will be paid after your customer receives the finished product and pays you. Because of this, many funding companies will check the credit of your buyer(s) to be sure that you will not get ripped off and be left without the money to pay your invoice. Purchase order financing companies are not only taking a chance on you, they are taking a chance on your customers as well. They are the ones with the real risk if the deal goes sour. Knowing that your customer is credit worthy gives the

company the peace of mind to lend to you.

What to look for in a purchase order financing company

You should find a company that is right for you. These guidelines may help you better understand what type of company you should apply with:

– Find out what their minimum and maximum funding guidelines are to ensure that they meet your financial need. If a company only funds loans that are in excess of what you are looking for or has restrictions that are less than what you need then you are best moving on to another company.

– Find out what other eligibility requirements they have to ensure that you do qualify under their guidelines before you waste any time applying for their loan.

– Find out what length of time you have to repay the loan and check to see if it meets with you production and billing schedules to ensure that you will have the funds in time.

– Once you have found a company that works for you, make sure that they have a fee or interest rate that your company can both afford and be comfortable with.

In the world of loans and financing, purchase order financing may be a small business's best ally. They will usually have repayment terms that allow time for production of a product and it is the fastest way to receive financing without losing any investment in your business. Also, since they will check into the credit worthiness of your buyers, they may save you from producing a product for a deadbeat buyer. All in all, purchase order financing is a way to finance a large order that may get your product into the hands of a top notch retailer.

David Springer is a consultant for Sovereign Funding Group. Sovereign Funding Group is an experienced, reputable company that offers convenient, no-risk services to help you with the selling of your deferred payments and business financing including

purchase order financing



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