

**FINANCING YOUR NEW
BUSINESS IDEA**

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**TIMOTHY SWANSON
EXECUTIVE VICE PRESIDENT
BNC NATIONAL BANK**

REMEMBER THE THREE "P'S"

PLANNING

PRESENTATION

PERSISTENCE

1. PLANNING

CRITICAL IMPORTANCE OF WRITTEN BUSINESS PLAN:

5 TIPS IN WRITING A PLAN
FOR A LOAN (EXHIBIT ONE)

RESOURCES WHICH WILL
ASSIST YOU IN PREPARATION

-SCORE: WWW.SCORE.ORG

-HILL REFERENCE LIBRARY
WWW.HILLSEARCH.ORG

--DOWNTOWN ST PAUL

--\$59.95 PER MONTH

-UNIVERSITY OF ST THOMAS
ENTREPRENEURIAL STUDIES
DOWNTOWN MINNEAPOLIS

2. PRESENTATION

PRACTICE PRESENTING YOUR
WRITTEN PRESENTATION TO
RELATIVES, FRIENDS, MENTORS

REQUEST FEEDBACK FOR CLARITY,
QUALITY OF RESEARCH AND FLOW

ANTICIPATE QUESTIONS AND
CONCERNS, INCLUDING

- VIABILITY OF BUSINESS IDEA

- HOW MUCH \$\$ NEEDED?

- WHAT MAKES YOU SPECIAL?

- RESUME AND REFERENCES

- WHAT ARE THE PRIMARY MEANS
BY WHICH THE BUSINESS LOAN
WOULD BE REPAYED?

- SEE "60 SECOND GUIDE TO
FINANCING YOUR START UP
BUSINESS" (EXHIBIT TWO)

3. PERSISTENCE

-DEVELOP A LIST OF THOSE PEOPLE OR INSTITUTIONS YOU WOULD LIKE TO MEET (MORE THAN ONE!)

-SEE "5 TIPS ON APPROACHING YOUR BANK"

-LOCAL BANKS WHICH SPECIALIZE IN SMALL BUSINESS LENDING AND OFFER SBA (SMALL BUSINESS ADMINISTRATION) LOANS:

-WESTERN BANK
UNIVERSITY AVENUE
ST. PAUL

-PARK MIDWAY BANK
UNIVERSITY AVENUE
ST. PAUL

-BNC NATIONAL BANK
DOWNTOWN MINNEAPOLIS
CONTACT: LISA MONCRIEF
ASSISTANT VICE PRESIDENT
(612)-305-2220

KEY POINTS TO REMEMBER:

1. MOST NEW BUSINESS IDEAS HAVE MERIT AND ARE WORTHY OF SERIOUS CONSIDERATION.

2. THE REASONS 60% OF NEW BUSINESS VENTURES FAIL WITHIN TWO YEARS INCLUDE THE FOLLOWING:

-LACK OF CONTINGENCY PLAN

-LACK OF CAPITAL

-INEXPERIENCED PERSONNEL

3. THE OLD ADAGE “PEOPLE DO NOT PLAN TO FAIL, THEY FAIL TO PLAN” HOLDS TRUE.

4. BE PREPARED FOR SACRIFICE, BE INTENSELY DELIBERATE, AND EXPECT THE UNEXPECTED (WHICH MAY BE BOTH CHALLENGING AND EXHILARATING)!



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5 Tips for Writing a Business Plan For a Loan

- Begin with a statement of purpose. You should be able to explain your business in 25 words or less.
- Tell how your business will work and why it will be successful. List the owners.
- Fill in the business details. Describe its products or services, the customers, the market and the competition. List the managers and their credentials.
- Supply three years of projected financial statements. Include income, loss, and cash-flow projections.
- Provide supporting documents, such as references from creditors and potential clients and suppliers, evidence of insurance and the like.

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60-Second Guide to Financing Your Start-up Business

What's standing between you and starting your own business? If it's a lack of money, relax. There are a number of reasonable start-up capital options available to aspiring entrepreneurs. The key is planning. Your financing strategy must make sense to both you and your prospective lender.

In just 60-seconds, we'll show you how to build a sound financial foundation for your start-up business.

0:60 Identify Your Needs

Estimate what you will need to launch and sustain your business—equipment and supplies, inventory, office or manufacturing space, franchise fee, etc. Then, consider what portion you can reasonably provide from your own resources (e.g., savings, contributions from family or friends). Be careful. You don't want to over or underestimate your needs, nor do you want to endanger your family's financial security and relationships.

0:48 Look at the Options

Commercial banks are the most visible lenders to small businesses, offering a range of conventional loans, as well as [Small Business Administration \(SBA\)](#) guaranteed loans. You can also look to venture capital firms, commercial finance companies, partnerships, etc. Be sure to learn as much as you can about the evaluation criteria and payback requirements for each.

0:36 Build Your Case

Most lenders will require a business plan, a resume detailing your education and practical business experience, a credit history with references and specific loan documents. Develop your business plan with sections describing the nature and type of your business, available resources and how they will be used to meet specific goals, timelines, financial objectives, analysis of your competition and how your business will fit in the marketplace.

0:25 Fill in the Blanks

Lenders may also request cash flow projections that illustrate both the viability of your start-up and your ability to repay the loan. Remember that the data plan needs to be realistic and supported by facts to validate your estimates and projections. Don't cut corners on research.

0:13 Practice your Pitch

Every request for start-up financing will involve some sort of presentation. Even if you're comfortable in these situations, organize your thoughts and practice with people who will provide objective feedback. Fielding any and all types of questions ahead of time will build your confidence and prepare you for any issue that may arise.

0:03 Ask Questions...and More Questions

Talk to your potential lenders about their processes and loan expectations. Your local chapter of SCORE also has a wealth of resources and expert counselors to guide you through the steps of start-up financing.

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5 Tips on Approaching Your Bank

- Understand that your primary responsibility is the proper use of capital and that you are in business to make a profit.
- Test the economics of your product or service. Make sure that it is profitable and that the gross profit percent is in line with that of the industry.
- Know how you will finance your business. Visit lenders (banks) prior to seeking financing to gather information. Ask your lenders what they will want to see before you apply for a loan.
- Develop a personal financial evaluation. Determine your net worth and your annual, personal cash flow needs.
- Develop realistic financial forecasts for income statements, cash flow and balance sheets for three years. Forecast monthly for the first year.

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60-Second Guide to Managing Cash Flow

A common problem for small business owners is the struggle to maintain adequate cash flow levels. Without cash, a business must eventually close its doors. Understanding and managing your company's cash flow will help you measure the amount of cash on hand and prepare for cash flow shortfalls in the future.

In just 60-seconds, we'll show you how to be vigilant about cash flow.

0:60 Do the Math

Cash flow is the movement of money in and out of a business. Cash inflow is the movement of money into your business, and most likely comes from the sale of goods or services to your customers. Cash outflow is the movement of money out of your business, and is generally the result of paying expenses. By projecting the inflow and outflow of your businesses cash, you can determine the amount of cash that will be available during a designated period of time.

0:48 Prepare Your Profit and Loss Statement

Your business plan should contain several financial statements. If you're a start-up business, base your estimates of cash inflow and outflow on the revenues and expenses listed in your profit and loss statements. Complete your profit and loss statement before completing your cash flow statement. Over time, you will be able to base cash inflows and outflows on actual historical data.

0:30 Develop a Cash Flow Statement

A cash flow statement measures cash flow over time. During your first year in business, you should include a month-by-month cash flow statement in your business plan. If you're seeking a loan, an important feature of your cash flow statement is that it will show the lender exactly how you're going to afford loan payments.

0:16 Get Help from SCORE

Learning to produce and analyze cash flow is essential for business success. If you need help computing your cash flow, or if you'd like to learn more about financial management, visit the [SCORE chapter near you](#) or [Ask SCORE for advice](#) right now.

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