CHASE for BUSINESS®

CURATED COACHING FOR ENTREPRENEURS

The Power of Capital

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Action Plan and Best Practices

Action plan and best practices

New capital can help you grow your business. Use this worksheet to determine if your business needs capital and, if so, follow the steps to prepare to speak to a lender. To see an example, please refer to the “Case Study” document at chase.com/coaching.

Step 1: Determine if now is the right time for outside funding and fill out the Business Evaluation below.

Analyze	Key question	Y/N	Answer
The Environment (External)	Has your **market or industry changed** in the last year?	○ Y ○ N	
	Has the **competitive landscape** in your industry changed?	○ Y ○ N	
Your Operations (Internal)	Do you currently have **adequate resources (funding, equipment, etc.)?**	○ Y ○ N	
	Do you have the **right processes and operating model** in place?	○ Y ○ N	
	Do you have the **right team** to build for the future?	○ Y ○ N	
The Opportunity	Has your **customer demographic** changed since you last evaluated your business?	○ Y ○ N	
	Have your **customers’ needs** changed?	○ Y ○ N	
	Do you need to adapt your **business model** to support any of the changes detailed above?	○ Y ○ N	

Step 2: Ask yourself, what answers in Step 1 stood out and what gaps do you need to fill?

If you think timing is right for outside capital, what would you use the capital for?

Step 3: You've decided you want to pursue additional capital and you know how you'll use it. Prepare to go speak with a lender following the checklist below. Most lenders will use your financial documents and various metrics to determine if you should receive a loan.

Best practice	Check	Action steps and key questions
Know your ask	☐	Determine how much capital you need
	☐	Know what the capital will be used for
Prepare the necessary financial documents	☐	Gather your business tax returns
	☐	Gather your personal tax returns (if you are a newer business)
	☐	Update your balance sheet
	☐	Update your profit and loss (P&L) statement
Understand your business's cash flow using a cash flow tool	☐	Do you have enough consistent revenue to make payments on a loan?
	☐	How do your customers pay you, and what are the payment terms?
	☐	Review your payment process — how do you process your payments?

Best practice	Check	Action steps and key questions
Be prepared to discuss why you started your business	☐	What's your business or management history? Can you share your resume with the lender?
	☐	How long have you been running your business?
	☐	Why did you start this particular business?
	☐	Could you describe your organizational structure?
	☐	Do your business partners or members of your management team have experience managing and growing capital?
	☐	What kinds of professional experts do you rely on to support your business?
Know what you can offer	☐	What is your credit history?
	☐	Do you have any backup or collateral in case your business doesn't succeed?

Capital options available

There are a lot of ways your business can access credit. Many start with a business credit card and work their way up into a line of credit or a term loan. Here's a quick snapshot of the credit options available to most small businesses.

Type of capital	Pros	Cons
Business credit card: Short-term loan that doesn't have a specific number of payments	Easy to access and use Rewards programs Can be used for small purchases Quickly build credit history Convenient maintenance	Requires careful management Requires payments every 30–60 days Higher interest rates if not partially paid on time
Business line of credit: Borrow credit to support short-term (<1 year) working capital	Flexible credit option Allows you to take advantage of trade discounts, build inventory or shore up operating capital	Expires – must be renewed to continue using Typically higher interest rates

Type of capital	Pros	Cons
Business term loan: Credit that must be repaid within a specific timeframe	Can be used for large purchases There is a set end date to the loan	May take longer to pay off based on the structure of the loan Lending process for term loans is often more rigorous than for the revolving credit options
SBA Express: A typically quick-turnaround loan program that can be a term loan or a line of credit, up to $350,000 **SBA 7(a):** A program that offers loans up to $5 million with a guarantee by the SBA **SBA 504:** Long-term, fixed-rate financing. SBA and the lender each make direct loans for a portion of the total loan amount	Lenders typically require a lower down payment Eligible fees can be included in financing Typically have more time to pay back the loan Typically offered at a lower interest rate Potential option for businesses that may not be able to obtain a loan through other lending channels due to: • Company has a high level of debt • Company short on collateral • Startup (<24 months in business) that's not yet operating	To qualify, you must: • Be a for-profit business • Have less than $15 million in tangible net worth and generated less than $5 million average net income over the past two years SBA loans typically come with a guarantee fee of 0% to 3.75%, based on the size of the loan Annual service fees may range from 0% to 0.55% depending on the size of the loan

Other sources to explore

Community Development Financial Institutions (CDFIs):

- U.S. Department of Treasury program that works with banks, community development organizations, venture capital and others to expand economic opportunity the underserved

Small business grants:

- Governments and organizations that offer grants to businesses that meet qualifications or are run by underrepresented groups such as veterans, women or people of color.

Friends & family:

- Money raised through your community and network.
- Often online opportunities (e.g., GoFundMe).

Crowd funding:

- You share a photo or illustration of your prototype on a crowdfunding site such as Kickstarter or Indiegogo, allowing customers to place preorders and then use that money to hire a manufacturer.

Know your ask	
Key element: How much capital and what for	While a lender can help you determine the type of capital you need, knowing how much you can afford and what the capital will be used for is helpful for the lender to know.

Prepare the necessary documents	
Key element: Tax return	Help lenders see that you pay taxes and provide a starting point for their calculations as they determine whether to invest in your business. Newer business owners will need to provide both personal and business tax returns.
Key element: Balance sheet	Based on what's included in your balance sheet, your bank will calculate a few important data points. ✔ Leverage ratio: A comparison between how much you owe and how much equity and capital you have in your business. In general, the lower the number, the stronger your position. • If your business owes a lot of money compared with its overall value, then lending you more money is likely to be very risky. ✔ Current ratio: A measurement of your company's ability to pay short-term obligations within the next year. The higher the number, the more confident a lender will be in your company's ability to pay back a loan. • A way to gauge is if a short-term crisis can put your business in jeopardy.
Key element: Profit & loss statement	Summarizes the revenues, costs and expenses related to your business during a specified period. Below are a few of the most important data points. ✔ Sales growth: The increase in the average sales volume of your company's products or services, typically year over year. • If your company is increasing its sales, it's a good candidate for growth. ✔ Gross profit margin: A measure of your profitability represented as a percentage of revenue exceeding the cost of goods sold. • If your company is profitable now, it's more likely to grow successfully. ✔ Selling, general and administrative (SG&A) to sales: A comparison of sales revenue to SG&A expenses. This calculation takes out the cost of producing and shipping your product and focuses on what you're spending to sell. • If it costs a lot to sell your product, a sales slump can quickly put your company in the red. ✔ Earnings before interest, taxes, depreciation and amortization (EBITDA): A measure that shows earnings before the influence of accounting and final deductions. • EBITDA helps the bank better understand your cash flow and your business's intrinsic value.

Understand your business's cash flow	
Key element: Revenue generation & payment processing	Cash flow is critical to the health of your business and your ability to secure credit. Use a cash flow tool to review your business.
Be prepared to discuss why you started your business	
Key element: Business history & management	A bank wants to know why you're the right person to lead and grow your business.
Know what you can offer	
Key element: Collateral	Including assets with cash value as collateral can make it easier to get credit. But remember, any item you put up for collateral may be collected by the lender if you're unable to pay back what you've borrowed.