

## Understanding Options for Business Funding

New capital can help you grow your business. This worksheet will help you determine if your business needs capital and, if so, steps you can take to prepare.

**Pre-work:** Prepare to discuss your business financing past, present and future with your coach. Before your coaching session, complete Section 1.

### SECTION 1: REFLECT ON YOUR PREVIOUS, CURRENT AND FUTURE FUNDING

How did you fund the launch of your business?

- ① This background is helpful for a lender to understand your previous funding decisions.

How did you use your funding?

- ① Essential operations, such as marketing or purchasing equipment, may require more investment and funding for your business to succeed.

How do you continue to fund your business?

- ① A business may be funded directly from the revenue generated, but that may not be the case for younger businesses that require credit opportunities to buy resources and equipment to maintain day-to-day operations.

Is your current funding method positioning you for growth?

Yes      No

- ① There may be room to change the type of funding your business uses day to day.

If you're considering additional funding, what would you use it for?

- ① If you're looking to grow your business through additional staff, new equipment, products or locations, you may need to consider additional funding to begin expansion.

**Action plan:** Use Sections 2 and 3 to help you determine your business funding options and whether it's the right time to seek outside funding.

## SECTION 2: IS IT THE RIGHT TIME TO CONSIDER OUTSIDE FUNDING?

Analyze	Key question	Y/N	Additional commentary
The environment (External)	Has your <b>market or industry</b> changed in the last year?	Y N	
	Has the <b>competitive landscape</b> in your industry changed?	Y N	
Your operations (Internal)	Do you currently have <b>adequate resources</b> (e.g., physical space, software, inventory, equipment, etc.)?	Y N	
	Do you have an <b>operating model</b> that can scale with your growth?	Y N	
	Do you have the <b>sufficient staff to support the growth of your business</b> ?	Y N	
The opportunity	Has your <b>customer demographic</b> changed since you last evaluated your business?	Y N	
	Have your <b>customers' needs</b> changed?	Y N	
	Do you need to adapt your <b>business model</b> to support any of the changes detailed above?	Y N	

## SECTION 3: PREPARE TO SPEAK WITH A LENDER

If you've decided it's the right time to pursue additional capital, prepare to take the next steps by using the checklist below.

Best practice	Action steps	Why it's important
<b>Know your ask</b>	<p>Determine how much capital you need</p> <p>Outline how you will use the capital</p>	<p>① While a lender can help you determine the type of capital you need, sharing how much you want and what it will be used for is helpful.</p>
<b>Prepare the necessary financial documents</b>	<p>Gather your business tax returns</p> <p>Collect your personal tax returns (if you are a newer business)</p> <p>Prepare your balance sheet</p> <p>Update your profit and loss (P&amp;L) statement</p>	<p>① Tax returns provide a starting point for lenders to determine whether to invest in your business.</p> <p>② Lenders will use your balance sheet to calculate a few important data points.</p>
<b>Understand your business's cash flow</b>	<p>Determine whether you have consistent revenue to make payments on a loan</p> <p>Confirm how your customers pay you, and which payment types are most efficient</p> <p>Outline how you process your payments</p>	<p>① Cash flow is critical to the health of your business and your ability to secure credit. Use a <a href="#">cash flow tool</a> to better understand your business's current state.</p>
<b>Prepare to discuss your business and background</b>	<p>Be prepared to describe:</p> <p>Why you started your business</p> <p>Your résumé, including your business/management history</p> <p>The company's ownership structure</p> <p>The experience you and/or your business partner(s) have in managing and growing capital</p> <p>The professional experts you rely on to support your business</p>	<p>① A lender wants to know why you're the right person to lead and grow your business.</p>

## SECTION 4: CAPITAL OPTIONS AVAILABLE

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

Type of capital	Considerations	
<p><b>Business credit card:</b> Short-term loan with payments based on activity</p>	<ul style="list-style-type: none"> <li>• Easy to access and use</li> <li>• Rewards programs</li> <li>• Can be used for small purchases</li> <li>• Quickly build credit history</li> <li>• Convenient maintenance</li> </ul>	<ul style="list-style-type: none"> <li>• Requires careful management</li> <li>• Requires payments every 30-60 days</li> <li>• Higher interest rates if not paid on time</li> </ul>
<p><b>Business line of credit:</b> Support short-term (&lt;1 year) working capital</p>	<ul style="list-style-type: none"> <li>• Flexible credit option</li> <li>• Allows you to take advantage of trade discounts, build inventory or shore up operating capital</li> </ul>	<ul style="list-style-type: none"> <li>• Expires — must be renewed to continue using</li> <li>• Typically higher interest rates</li> </ul>
<p><b>SBA Express:</b> Expedited loan program for term loans or lines of credit, up to \$350,000</p> <p><b>SBA 7(a):</b> A program that offers loans up to \$5 million with a guarantee by the SBA</p> <p><b>SBA 504:</b> Long-term, fixed-rate financing. SBA and lender each make loans for a portion of the total loan amount</p>	<ul style="list-style-type: none"> <li>• Lenders typically require a lower down payment</li> <li>• Eligible fees can be included in financing</li> <li>• Typically have a longer payback period than a term loan</li> <li>• Typically offered at a lower interest rate</li> <li>• SBA loans typically come with a guarantee fee, based on the size of the loan</li> <li>• Annual service fees may range depending on the size of the loan</li> </ul>	<ul style="list-style-type: none"> <li>• To qualify you must: <ul style="list-style-type: none"> <li>• Be a for-profit business</li> <li>• Have less than \$15 million in tangible net worth and generated less than \$5 million average net income over the past two years</li> </ul> </li> <li>• Potential option for businesses that may not be able to obtain a loan through other lending channels due to: <ul style="list-style-type: none"> <li>• Company has a high level of debt</li> <li>• Company short on collateral</li> <li>• Startup (&lt;24 months in business) that's not yet operating</li> </ul> </li> </ul>
<p><b>Business term loan:</b> Credit that must be repaid within a specific time frame</p>	<ul style="list-style-type: none"> <li>• Can be used for large purchases</li> <li>• There is a set end date to the loan</li> </ul>	<ul style="list-style-type: none"> <li>• May take longer to pay off based on the structure of the loan</li> <li>• Lending process for term loans is often more rigorous than other credit options</li> </ul>

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