



SHEAR KNOWLEDGE

MAXIMIZING YOUR INCOME

Funding Your Business

By Greg Thomas, LSGF Management

In previous issues of Shear Knowledge ([available at SoutheastClips.com](http://SoutheastClips.com)) we've explored things to consider as you launch your career - Choosing a Career Path, Starting Your Business and Salon Start-Up Costs. When you've made the decision to start your business and you have written a great business plan, the next step is to determine how you'll pay for it.

Funding Options Include:

- **Banks:** While getting a consumer loan to buy a car or asset is relatively easy, getting a business loan is much more challenging. To get approved, you'll need a solid business plan, good credit, and collateral. Don't underestimate just how difficult getting a bank loan on a service-based business can be. Your salon itself won't be enough collateral to satisfy the underwriters. They'll also want you to pledge your house, your savings, and possibly your 401K. And if that's still not good enough, they might require you to find a cosigner.
- **Partners/family:** Finding a partner or family member to help fund your business is often easier than using a bank, but it also adds risk. Will you have to give them partial ownership? What happens if your partner wants to change your business plan? How will you handle conflicts/disputes? If you do decide to bring on a partner, choose someone who has different skills/assets than you. Have clearly defined roles, and make sure you put everything in writing.
- **Seller-Financing:** One of the best kept secrets in the franchise world is "seller financing". If you're buying an existing business, instead of borrowing money from the bank, ask the seller if they'll do a promissory note and use the business as collateral.
- **Self-Funding:** One of the best ways to fund your business is to use your own money... to invest in yourself. If you don't have debt, you're beholden to no one except yourself.

TIPS

- **Research funding options.**
- **Look for distressed businesses. Check www.BizBuySell.com**
- **Study other businesses and learn from their mistakes.**