WHERE WILL I GET THE FUNDS TO BUY A BUSINESS?

Even the most lucrative and attractive business deal can freeze in its tracks if an entrepreneur cannot get adequate business financing. This aspect is especially important if there is an opportunity for business acquisition, as really remarkable deals can be very few and far between, and getting adequate business purchase financing on time is the key. If you have ever thought about buying an established business, are you certain that you are adequately prepared?

Finding Funding for Purchasing a Business

Business acquisition financing most commonly comes in two forms:

- Debt financing relying on an outside source to get financing for business
- Equity financing selling stock or shares of your establishment to investors

Nowadays, it can be difficult to get business acquisition financing using either approach, given tight credit market conditions and wary investors. However, a knowledgeable entrepreneur should not face any insurmountable obstacles.

If you choose to follow the first approach and borrow a certain sum of money, there are several key aspects to be aware of. To begin with, to get a loan from a bank or any other lender you will almost inevitably have to demonstrate your business skills. The lender will also likely want to get adequate information on a particular venture you want to purchase, your collateral, and your plan on how you will repay the money back.

To secure business acquisition financing, you will need to keep several other things in mind. First, always have a backup plan get approved by as many banks or other lenders as possible to protect yourself in case one of them backs out. Second, know that adequate business purchase financing should also cover operating costs. It is advisable to have a contingency plan in case the revenue drops. Third, make sure you have a comprehensive business plan, as this is ultimately what may convince the bank or another lender to finance your business acquisition.

Equity financing is another option. In this case, you would agree to sell a share of your business to outside investors. By choosing equity financing, you would not have to take a considerable risk and repay the debt; however, you would have to give up partial ownership of the company, possibly giving up some control as well.

Key to Business Acquisition Financing Be Inventive!

In addition to the options mentioned before, you are highly encouraged to be inventive when attempting to secure business financing. The easiest approach is to try to secure seller financing. This would mean that the seller is willing to wait a certain period of time to be paid off. In addition, he or she will probably do their best to help you ensure the profitability of the business. The downside is that not every seller is willing to explore such an opportunity, and the asking price can increase anywhere from 5 to 25 percent.

If you are denied a loan by a bank or another lender, you should apply for a Small Business Administration loan (i.e. a SBA loan). SBA loans have quite favorable terms and requirements; however, you cannot have funds available from any other sources.

There are also many other possibilities. You can try to get business acquisition financing from your friends or family members. You can draw from your 401(k) plan, and if you are looking for franchise business financing, you can contact franchise financing companies. With so many options available, getting financing for business is not too difficult, don’t you agree?

SOME IDEAS WHERE TO GO FOR FUNDING TO BUY YOUR BUSINESS

1. **Borrow from family and friends.** Usually willing to help and offer to pay them higher interest rate than what they can get in a bank...7%
2. **Sell some of your investments...** liquidate your 401k or 403(b) account. Bust into your CD...that’s your cash...use it.
3. **Cash in your ‘whole life’ insurance policy...** use the cash value, replace with cheaper ‘term’ insurance.
4. **Tap your IRA...** penalties greatly offset by net profit of business.
5. **SBA-guaranteed bank loan...** If you have good credit, own a home that has equity, have management experience, and the business has decent financial records and tax returns, this could be a viable source.
6. **Take out a home-equity line of credit...** tax deductible advantage.
7. **Do a cash-out mortgage refinancing...** up to 90% of home value.
8. **Sell some hard assets...** gold jewelry, coin collection, etc.
9. **Do a reverse mortgage...** over 62 ½, you can get the best of loans.
10. **Ask your folks for a gift...** they can give you $12K each, tax free.
11. **Borrow from a stranger...** If you have good credit, these are good sources: Prosper.com, Lendingclub.com, Zopa.com.