The Dollars and Sense of Small Business Ownership

U.S. Small Business Administration

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Your Small Business Resource

Every day, the U.S. Small Business Administration and its nationwide network of partners help millions of potential and current small business owners start, grow and succeed.

Resources and programs targeting small businesses provide an advantage necessary to help small businesses effectively compete in the marketplace and strengthen the overall U.S. economy.

SBA offers help in the following areas:

- Starting a Business
- Financing a Business
- Growing a Business
- Opportunities in Contracting
- Recovering From Disaster
- A Voice for Small Business in Government

Visit SBA online at **www.sba.gov** for 24/7 access to small business news, information and training for entrepreneurs.

All SBA programs and services are provided on a nondiscriminatory basis.

Whether you're starting a business or expanding one, sufficient capital is essential. While poor management is most often cited as the reason businesses fail, inadequate financing is a close second.

Startup Costs

Some businesses can be started on a shoestring budget. Others require considerable investment. It is important to know you will have enough money to launch your business.

A realistic startup budget should include those costs necessary to begin the business. Essential expenses are divided into fixed expenses (overhead) and variable expenses (related to producing sales). Fixed expenses include monthly rent, utilities, administrative and insurance costs. Variable expenses include inventory, shipping and packaging, sales commissions, and other costs of selling a product or service.

The most effective way to calculate your startup costs is to use a worksheet that lists all the various categories of costs (both one-time and ongoing) you will need to estimate prior to starting your business. Click on www.sba.gov/services/financialassistance/basics/estimating/index.html to help calculate your costs.

Breakeven Analysis

To calculate your breakeven point – the point at which sales revenue will pay the ongoing expenses – go to http://www.bplans.com/startingcosts/sbaentrance.cfm

Financing Basics

To get your business growing you may need financing. The two types of financing are: equity and debt financing. When looking for money, consider your company's debt-to-equity ratio — the relation between dollars you've borrowed and dollars you've invested in your business. History has shown the more money owners have invested in their businesses, the easier it is to attract financing.

Equity Financing

Most small or growing businesses use limited equity financing such as friends, relatives, employees, customers or industry colleagues for resources. However, the most common source of professional equity funding comes from venture capitalists. These institutional risk-takers may be groups of wealthy individuals, government-assisted sources or major financial institutions. Most specialize in one or a few closely related industries.

Debt Financing

There are many sources for debt financing: banks, savings and loans, commercial finance companies, and the SBA are the most common. State and local governments have developed programs in recent years to encourage the growth of small businesses in recognition of their positive effects on the economy. Family members, friends and former associates are all potential sources, especially when financing requirements are smaller.

Banks are the major sources of small business funding. They offer short-term, demand loans, seasonal lines of credit, and single-purpose loans for machinery and equipment. Banks generally are reluctant to offer long-term loans to small firms. The SBA guaranteed lending program encourages banks and non-bank lenders to make long-term loans to small firms by reducing their risk and leveraging the funds they have available. SBA's loan programs are an important part of success for thousands of firms nationwide.

Learning About Finances

SBA's Small Business Training Network features free training courses, workshops and resources focusing on business finances. Access it at www.sba.gov/services/training/onlinecourses/index.html. SBA also has a network of partners across the country providing training, counseling and information on issues related to business financing. These partners include the Small Business Development Centers, the Women's Business Centers and SCORE. For more information about these resource partners and the services they offer, go to www.sba.gov/services/counseling/index.html.