

## Credit card handy way to raise money – but use it sparingly

Over the last few weeks, I have been bringing to you my summer series on business capital or what I like to call, “money for your business.” I have shed some light on the many options available to you by raising capital through the use of debt and have presented to you many government loan programs for you to examine.

Government loans are a good way to leverage your rich Uncle Sam’s name, reputation and financial strength, amongst his many resources, and use him for your personal benefit. However, sometimes the process can be challenging and the results don’t come as quickly as you may need or want. This week, I am going to focus on some quick and some what more effective ways to raise the capital in order to move your business forward.

You might ask yourself, what is the fastest way to get the money I need for my business? Ironically, the fastest way is also the number one way that all business owners access business capital. The credit card that sits in your wallet is the most used mechanism for obtaining business capital as it can be accessed 24 hours a day, 7 days a week.

### Useful tool

The credit card is widely used primarily because it does not require you to write a business plan, meet with a banker, detail what you will be doing with the money, or how you intend to pay it back. It can be used on-line, in person or over the phone.

Moreover, it does not require you to pledge collateral or identify any specific asset for security. But, and this is a very big but, it is probably the most expensive way

to access capital for your business. And if you don’t pay on time, you might be paying interest that is off the charts. Use it sparingly and make sure to pay it off as soon as you can. I find credit cards to be primarily used for a rainy day or if you are in a real pinch.

There are many alternatives for you business owners who use equipment or buy materials from suppliers. Explore obtaining credit from your suppliers with favorable terms in order to access additional business capital and obtain the material or supplies you need.

Supplier financing is easy and very worthwhile. It gets you the materials you need and provides the supplier with a steady flow of business. Suppliers are very familiar with extending credit and should have no problem extending credit to you.

From the home depot, office depot, restaurant depot, or any other depot you can find, get your supplier to assist you with your business capital needs by having them extend you financing terms at rates more favorable than conventional lenders and much better than credit cards. It becomes a win-win for the both of you.

### Lease equipment

If you use equipment then ask the equipment dealers to extend credit to you for purchasing the equipment or if possible look into leasing that same equipment from the dealer, which is a form of financing as well.

Leasing works well for all types of equipment, from cars to copiers. Most often leasing allows you to use less of your own money out of your pocket and provides you with a stable fixed payment for financing the equipment. Some times, leasing also gives you the

ability to upgrade your equipment with the best and latest without any money out of your pocket. Most equipment dealers are eager to take back equipment in order to put new equipment into the marketplace.

Finally, if your business carries high receivables or you have substantial credit card transactions running through your business then receivables financing or factoring may be an option for you. Many finance companies are ready, willing and able to take your receivables and pay you cash for them on the spot.

There are also finance companies that will examine your credit card transactions and loan you money against your future sales. They pay you cash up front and then get repaid out of your credit card sales as they roll in.

All of these types of financing programs are worth exploring but please read the fine print so you can properly evaluate how it affects your cash flow and what you are ultimately paying for the money.

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