

# 7 Ways to finance your business

For successful cash management, small business owners need to anticipate cash flow issues before they happen and have a plan in place to deal with them. For instance, you may want to consider any seasonal fluctuations in your business and prepare ahead of time to mitigate any issues.

But with all the forecasting and preparing, there may still be times that you have negative cash flow—when you spend more than you are earning for a certain period of time—and need to bridge the gap. As a small business owner, it's important to have a plan for short- and long-term financing options to cover expenses while you're experiencing cash flow issues. Here are seven ways you can finance your business during periods of negative cash flow.

## ① Use your business savings.

As a small business owner, it's vital to have a business savings account. Consider putting your savings on autopilot and automatically save a certain amount each month into your account. Cash reserves can help you through the tough times, without going into debt.

## ② Consider a business credit card.

Small business owners can look at a business credit card as a short-term option to help cover the gap between payments. Some credit cards may even offer rewards or cash back. If possible, pay back your credit card balance in full each month. If not, come up with an action plan to pay off your card and understand how much you are paying in interest. Make sure you understand any fees, interest rates and credit limits when it comes to your business credit card. Having low credit utilization and being a responsible credit user can help boost your credit score.

## ③ Think about a line of credit.

Need a bit more than you want to charge to your credit card? Consider a line of credit or small business loan from a reputable bank. A line of credit will give you flexibility, since you only pay interest on the amount that you need to borrow, and you can draw from your line as needed. This can bridge the gap nicely between paying for expenses and getting paid—while giving you a cushion of working capital. BMO Harris Bank offers various lines of credit to small business owners to support their financial needs.

## ④ Crowdfund.

If you have a special project, need to undergo renovations or want to get started with your business, crowdfunding can help cover your costs. Sites like Kickstarter, GoFundMe and Indiegogo allow people to make small or large contributions to your business or project. A couple of tips: It's important to have a good social media outreach strategy, and you'll want to make sure you read the fine print and understand any terms and conditions as well as any fees involved.

## ⑤ Venture capital.

If you're a startup, go after venture capital investors that believe in the long-term growth of your business. It may take a while to find the right venture capitalists that support your vision, but once you find the right fit, it could take your business to the next level. Before accepting any funding, you'll want to know how involved your investors want to be in your business and understand how they will complement your business.

## ⑥ Offer memberships or subscriptions.

These can help supplement your business earnings. For example, a juice bar owner can sell a monthly juice subscription to her health-minded clients. In exchange for a commitment of funds, you can offer customers a small discount. Having membership-based or subscription options can pad your cash flow and make your income more consistent.

## ⑦ Grants.

The federal government offers grants to a handful of noncommercial businesses. Grants are essentially free money you don't need to pay back, though it may be difficult to qualify for them. For commercial business owners, the government has programs that assist small business owners in procuring loans.



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