



Smart moves for business success **START-UP FINANCE**

You will need money to start your business. It may be for stock or it may be for assets.

How you choose and manage your start-up finance will determine your prosperity.

Inform yourself and make smart finance choices to empower your business future.

TYPES OF FINANCE

Personal savings & income: the smartest choice

If you can use savings and income such as a salary to fund your business, you will not owe interest or have a debt to anyone. Your business will be more secure.

Family and friends

Family and friends may have an interest in your personal success and the success of your business, and may be willing to wait longer for repayment. You will need to repay the loan and / or offer support to them when you are successful. Make an agreement on what repayment you can offer and when.

Partners

Partners can increase the amount of money available to start the business with their own money. Partners should also bring skills

Debt finance

Debt finance is finance from banks and other registered lenders. If you qualify for debt finance and use it, you will have to repay

the capital and interest at the interest rate they offer (see the table below to make an informed decision on what you need to earn and repay). DO NOT use debt finance from unregistered lenders.

Equity / share finance

There are two types of equity finance. One type may ask for a share in the business without providing skills or management, and will take a share of the profit (A silent partner). The other may ask for repayment from profits but not take a share. Both may want the right to sell the shares. Equity finance may be 'patient' and accept lower repayments for a while if you face difficulties.

IMPORTANT TO KNOW

Deposit and deposit costs

Many lenders may want a deposit. They may also offer to finance the deposit. This will increase the amount of the loan or reduce the amount which you can draw from the loan. and work to the business so agree on the role of partners, the work to be done, the amount of finance and the partners' shares.

DEBT FINANCE; HOW MUCH WILL YOU REPAY ON A LOAN OF N\$20,000?

Annual interest	Banks				Personal lenders	
	16.5%		18.5%		Up to 30%	
Period	24 months	60 months	24 months	60 months	24 months	60 months
Monthly repayment	N\$984.05	N\$491.69	N\$1,003.32	N\$513.32	N\$1,118.26	N\$647.07
Total interest	N\$3,617.13	N\$9,501.43	N\$4,079.69	N\$10,799.45	N\$6,838.15	N\$18,824.08
Total repayment	N\$23,617.13	N\$29,501.43	N\$24,079.69	N\$30,799.45	N\$26,838.15	N\$38,824.08

Source: commercial bank loan repayment calculator

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Hidden costs

There are a number of hidden costs. These include fees for the contract and stamp duties, and fees to register collateral. Make sure you know what they are.

Tax first

If you are registered for tax, you have to pay that first, so calculate how much you can afford after you have paid tax.

COLLATERAL

Most debt and equity lenders will want assets that you offer as collateral. If you do not pay back the loan they will take ownership of the assets that you offer as collateral to cover their losses.

Types of collateral can be fixed assets such as houses and land or personal assets such as vehicles. If you are financing an asset for your business, you may be able to offer that as collateral as well.

If you have a contract or a tender you may be able to use contract or tender-based finance and offer income from the contract or tender as collateral.

Other forms of collateral may be investments such as life insurance, or third party guarantees (friends or family offer to repay your debt if you don't repay).

FREE SOFTWARE TO HELP YOU

Office productivity suites for PCs & laptops

Includes spreadsheets & word processing

- www.libreoffice.org
- www.officesuite.com

Office productivity for Android phones & tablets (Play Store)

- Google Docs (word processing)
- Google Sheets (spreadsheet)
- Office Suite (spreadsheet & word processing)

Gmail account

If you have a Gmail account, you can use:

- Google Drive (15 GB free online storage)
- Google Calendar

Canva

Use Canva (free version) to design social media posts, announcements and posters. www.canva.com (online)

ADVERTISING ON FACEBOOK & INSTAGRAM

Open a page for your small business.

Invite friends to like your page.

Open an advertising account on Facebook to advertise on Facebook, Instagram and even Messenger. (Use your personal account.)

You use the settings to advertise (boost posts):

1. On Facebook and / Instagram
2. In a very small area (by town)
3. To friends of friends (more people will see it)
4. By age and gender

You will need a debit card to pay for the posts you boost.

This type of advertising is very affordable.

WAYS TO REDUCE FINANCE

If you borrow less, you repay less and you will make more profit. Use your profit to build up savings or pay your loan faster. *Borrowing less is the smart move*, so reduce your need for finance when you start your business.

1. **Buy second hand or less expensive assets.** It is tempting to have the latest and best assets, but if the repayments are too high, your business will suffer.
2. **Reduce your stock levels.** Buy only enough to begin with. When you have made a profit, you can buy more.
3. **Try to run your business on your own or with the help of family or partners.** Finance to pay staff will not help you if you spend all your profit to repay the loan.
4. **Keep your costs low.** Economize on rent by working from home and try to save on water and electricity.

YOUR FINANCE IS NOT YOUR SALARY

Many new businesses fail because their owners use debt or equity finance to pay their own salaries before they make a profit. This either increases the loan size or reduces the amount available to buy assets and stock. DON'T use finance to buy luxuries.

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