



Franchise Financing Made Easy

How do you decide which type of financing is best for you?





Why are Franchise businesses more successful than independent businesses?



A Proven Business Model



“There are thousands of opportunities, with proven business systems, that have delivered consistent profitability over time.”

Franchises have greater success rates over independent business for a variety of reasons, including:

- Franchisees utilize proprietary tools and effective systems to put time tested business methods into action to achieve positive financial results for themselves and their families.
- People invest in franchises to share best practices and be in business for themselves, but not by themselves. There is an important Team element dedicated to your success since franchisors can only succeed when you succeed. Each franchisor has experienced staff who are experts in every aspect of that business who can answer all your questions and address your concerns.
- You will find a community of peers, as a network of current franchisees are anxious to share best practices and help you learn from their experience, because the success of your franchise adds value to the entire franchise brand.
- These proven business methods, in conjunction with a specific brand, hold tremendous value for people who can operate these systems within their given marketplace!

BANK

History Of Success

Why are banks and other lending institutions more likely to provide me with funding for a Franchise?



“Strong franchise brands have a history of success and experienced support teams that are viewed an important and tangible asset for lending companies”.

Banks consistently provide commercial loans and business credit lines for proven business systems, such as franchise opportunities.

By viewing your credit history, in tandem with the proven record for success of the franchise you are considering, lending companies can establish an expectation for loan repayment. Even during difficult economic times, the combined elements of a proven success record of a franchise system and the credit history of the franchise prospect, are ideally suited for financing options including:

- **Small Business Association (SBA) Loans**
- **Traditional Commercial Bank Loans**
- **Equipment Leases & Loans**
- **Lines of Credit and Unsecured Loans**
- **Creative Leverage of Existing Assets**





Small Business Administration (SBA)

I've heard that the Small Business Administration (SBA) can assist with franchise financing.

How common is it to get a franchise project funded with a SBA backed loan?



“An SBA loan is a very common way to secure low interest, low down-payment, long-term financing”.

Many local community banks, credit unions, regional banks, and national lenders actively participate in the SBA loan programs and are actively seeking opportunities to provide financing for franchise operators to start-up a new franchise business or to acquire an existing franchise business.

Another great benefit with using SBA loans to finance a new franchise business is that all project cost is eligible for financing such as the franchise fees, tenant improvements, equipment, inventory, training travel expenses, pre-marketing cost, working capital and closing cost.

Many franchise systems have applied to the **SBA Franchise Registry** and are designated “SBA Eligible” for a fast track approval with participating SB A lenders. Be sure and ask your Franchise Business Coach if any of the concepts that match your criteria are eligible for you to obtain an SBA backed loan.



Debt Free Funding

My retirement funds are significant, even though I am still many years away from retiring. Can I leverage these funds in order to acquire a franchise?



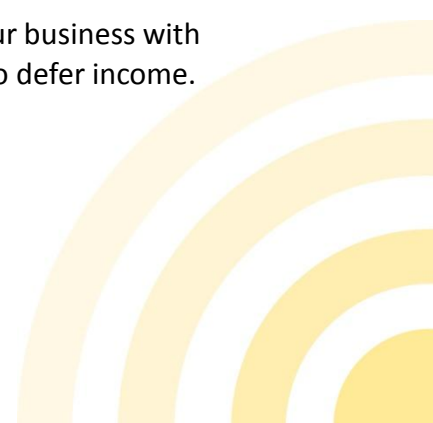
“Because franchises are viewed as solid investments, many people use assets from their retirement funds to launch their new business”.

There are special rollover programs that allow you to borrow against your own retirement funds; we refer to them as Debt Free Funding.

Debt Free Funding can help you leverage a 401k rollover and other retirement accounts to fund new franchise opportunities by borrowing from yourself without early distribution taxes or penalties.

What are the advantages of Debt Free Funding?

- It minimizes business debt so cash flow can be reinvested in business growth.
- As your business grows, so does the value of your retirement plan.
- You can create retirement accounts within your business with contributions toward your retirement that also defer income.





Several Options

Beyond available cash and Debt-Free Funding, what other Financing options should I consider?



“Most people use a combination of several options below!”

Equity Loans: Many people will use equity within their homes or other properties, funds from family members or angel investors who are likely to see value with proven franchise opportunities.

Commercial Loans: Banks also commonly provide commercial loans and business credit lines, especially for proven business systems like franchises.

Unsecured Loans: Individuals with strong credit ratings can obtain unsecured, signature loans for up to \$75,000 without pledging your home or personal assets. Companies with strong credit ratings may be able to obtain unsecured loans for \$150,000 or more. Unsecured loans are typically amortized over five years and are likely to have higher interest rates, but are simple to obtain, usually in a matter of a few days.

Unlike independent businesses that may not have a consistent record of success, franchise opportunities have existing franchisees who can validate sales and profitability ranges for the franchise you are considering.

“Family & Friends: If you share your excitement about the proven franchise concept you’ve targeted, don’t be surprised if you find people close to you interested in helping out. Family and friends benefit from knowing you and your work ethic, which is then combined with your selection of a proven franchise concept. This also falls into the area of Angel Investors covered on the next page.”



Family & Friends





Angel Investor

What is an Angel Investor and how do I find one to help me finance my opportunity?



An Angel Investor is simply someone willing to lend you money in exchange for ownership equity or a convertible debt.

It might be a next door neighbor willing to lend you \$10,000 or a family member who has \$100,000 to invest. The most common element is that Angel's use their own money.

Sometime Angels will organize themselves into Angel Groups or Angel Networks who seek out to lend money to solid, proven and profitable opportunities (like franchises).

“The process that we went through in establishing clear life goals and combining those goals with my personality traits opened my eyes to possibilities that I had ignored.”

J.Benitez San Diego, CA





Benefits Of Leasing

The opportunity I am considering has a significant investment for equipment.

Is it possible to lease these assets in order to lower the capital I need upfront and to spread out my franchise investment?



“Nearly 80% of American businesses lease equipment. The process of leasing equipment can be a very fast and flexible way to equip your business”.

Most people wouldn't consider paying cash for a car upfront if they can get reasonable terms.

The same is true for the hard assets of your new business (such as restaurant equipment, fitness machines or delivery vehicles).

The benefits of leasing instead of borrowing for your business equipment include:

- Your personal assets are not typically used as collateral.
- You preserve your personal and business credit lines.
- There are several potential tax advantages to leasing.
- Lease payments are fixed, not variable or fluctuating.

Your ESource Franchise Coach can point you in the right direction to help you identify what start-up expenses might be ideally suited for equipment leasing programs to keep your out-of-pocket expenses to a minimum.



Financial Advantages

I have been told that there are several financial benefits to business ownership that will positively impact my income, that I never received as an employee.

What are some of the obvious financial advantages of being a business owner?



By being a small business owner, you will have numerous tax advantages and generous retirement options.

There are also tax deductions only available to companies such as home offices, business travel, car usage and educational and business seminars. Beyond these financial advantages, how you create your company will establish personal protection from the liabilities of your company.

“We found two franchise opportunities that met our needs better than our original idea. I would strongly advise anyone considering business ownership to make an investment of time in the Esource Coaching process!”

J.Pridemore, Somerville, NJ



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How do you decide which type of financing is best for you?

To Learn More, Contact Your
E-Source Coach to discover how
The Entrepreneur's Source
can help you learn about franchise
financing options.

Or contact Guidant Financial
directly at 888.472.4455 x3331,
to learn more about your
financing options.

