*SPECIAL REPORT:*

# 4 BIG REASONS YOU CAN'T AFFORD TO IGNORE BUSINESS CREDIT!

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# TABLE OF CONTENTS

# INTRODUCTION TO BUSINESS CREDIT

Welcome to the exciting world of business credit. Business credit is an important tool for any business, and can be extremely useful for obtaining funding and ***maximizing*** a business owner's borrowing power. ***So what exactly is business credit?*** I'm so glad you asked...

## WHAT IS BUSINESS CREDIT?

The simple definition of business credit is:

Business credit is credit that is obtained in the name of a business.

That's a start. But one key thing we need to understand about business credit is that it is <u>NOT</u> built on the same credit system as personal credit...

## HOW IS BUSINESS CREDIT DIFFERENT FROM PERSONAL CREDIT?

With personal credit, there are the three big credit bureaus that collect and sell data on consumers, and then there is Fair Isaac that generates "FICO" scores for those consumers based on the data in their credit reports. If a consumer wants to get a loan, the loan and terms they are able to get will depend greatly on their credit score.

Business credit works roughly the same way, but the business credit system is completely detached from the personal credit system. By this I mean that:

- ✓ Business accounts won't be reflected on a person's personal credit.
- ✓ Personal credit won't necessarily affect a person's ability to obtain business credit ***(Note: Personal credit can affect your ability to obtain business credit, but the two aren't integrated automatically. A bank or lender might want to check your personal credit in addition to your business credit as part of an application process. There are sources, however, that will not require this.)***
- ✓ The companies that score business credit and maintain business credit reports and data are, for the most part, separate from those that manage personal credit data, reports, and scores.
- ✓ Business credit is based on the ***business's ability to pay back a loan***, NOT on the business owner's ability to pay.

The big key to understand is that business credit and personal credit are ***separate***. Your ability to get a loan on your personal credit is not generally affected by your business credit, and vice versa.

***Why does this matter?***

For one thing, it matters because sometimes businesses need money to fund new expansions and other big expenditures. For the business owner, having a strong business credit profile means that their borrowing power will probably be more than DOUBLE what it would be if they did not have business credit.

That's a pretty powerful tool to have at your disposal, then, don't you think?

***"Great," you say, "but what in the world do I use it for?"***

## WHAT IS BUSINESS CREDIT USED FOR?

Business credit can be used for a variety of things. Here are some examples:

- A convenient and simple way to order office supplies and manage expenses related to running an office.
- A large credit line for financing the day to day operations of a business.
- Loans for funding new projects or products, marketing campaigns, and more.
- Buying or leasing real estate for the operation of the business.
- A primary or secondary funding source for startup or expansion purposes.

If it isn't obvious, the key here is that business credit is used for the business. In the same way you should keep your personal finances separate from those of your business, you should also keep your personal credit separate from that of your business. (Business credit should never be used for personal purposes.)

## WHY IS BUSINESS CREDIT IMPORTANT TO ME?

Well, the whole purpose of this report is to explain the answer to that question. I have 4 important points to share with you that will explain why business credit should be important to you. So let's get on with it and talk about the ***4 Big Reasons You Can't Afford To Ignore Business Credit.***

### REASON #1: BUSINESS CREDIT IS ONE OF THE QUICKEST AND EASIEST WAYS TO GET MONEY TO RUN YOUR BUSINESS!

Businesses need money to operate. Sometimes that money can be difficult to come by. Business credit can provide a quick and easy way to get the funds needed for a wide variety of business scenarios, with minimal fuss and effort.

This can be helpful with addressing common cash flow problems and other issues that a person might encounter in the course of running a business.

Here's an example:

> *Joe's Plumbing Shop was a successful plumbing business in Idaho. Joe had several employees and required several company vehicles and some specialized tools and equipment for this business.*
>
> *One year, Joe went through some hard times in his personal life. His mother became very ill, his wife left him, and as a result of both of these life events Joe had some financial problems that affected his personal credit.*

*Joe had been using his personal credit in his business occasionally, and now that choice was about to come back and bite him.*

*Joe's company had recently bid on a big job that would require the purchase of new equipment and hiring new employees. It would be a big expansion and Joe expected to need around $50,000 to get started on the job before any income could be generated from it.*

*The good news is that Joe's company won the bid.*
*The bad news is that they had to pass it up and let someone else take the contract.*

*You see, Joe's personal credit, which he had relied on previously in situations such as this, was now trashed. Joe no longer had the personal credit required to get a $50,000 loan.*

*With no business credit, Joe had no way to finance the expansion needed to take on this large new client. Joe's company lost the work and missed a major opportunity for growth and expansion.*

This example illustrates some important things.

First, it illustrates the importance of keeping personal credit and business credit separate. Joe's personal credit fell apart, but that didn't mean his business credit had to.

However, in Joe's case it also illustrates another important fact:
Business credit is important.You shouldn't have a business without it!

Joe made the unfortunate decision to rely on his personal credit for his business needs instead of going to the trouble of establishing business credit. So when Joe hit hard times in his personal life and his personal credit took a hit, he suddenly lost what had been a major source of funding for his business in the past.

This simple example shows us, perhaps most importantly, something that I hope you'll understand now (before it's too late):

> *Business credit CAN be one of the QUICKEST and EASIEST ways to get money to run your business... but ONLY if you have taken the time to establish and build your business credit profile.*

There are endless "nightmare" scenarios in which business credit could come to the rescue. But the only way that can happen is if you've taken the time to establish and build business credit BEFORE you need it.

## REASON #2: BUSINESS CREDIT IS CHEAPER THAN PERSONAL CREDIT.

Ever wonder what it takes to get the REALLY good interest rates on loans, even when you've got bad credit? I've got two words for you:

***Business Credit!***

What does this really mean to you?
Let me explain...

If a person isn't using business credit, they are probably using one of three things to finance their business venture...

1. A credit card
2. A home equity loan
3. A unsecured personal loan

The real question you need to ask yourself before using your personal credit to finance your business is this:

> *How much will each of these tools cost you in comparison with a loan based on the credit-worthiness of your business?*

The answer to that question is going to depend somewhat on your personal credit rating.

This is where business credit really becomes cheaper than personal credit. If you have bad or less-than-desirable personal credit, then listen up:

> *The fact that business credit is so "EASY" to establish and build makes it EASIER for a person in your shoes to get the best interest rates on loans, and to do so FASTER than you ever could by building your personal credit to the same level.*

If you've got good credit, your personal credit loans will probably be somewhat competitive with the loans you can get with business credit.

***"But why would I still need business credit, then? Is it still cheaper?"***
Well, let's just say your scenario is the "best case" and you have good personal credit. Your credit card interest rates are decent, you own a home, and you can qualify for an unsecured personal loan at around 9%.

Here's what your loan options might look like:

| | | | |
|---|---|---|---|
| Credit Card | $10,000.00 | 11% | $5080.09 |
| Home Equity Loan | $10,000.00 | 7% | $3088.37 |
| Unsecured Personal Loan | $10,000.00 | 9% | $4064.20 |
| Loan in your Business Name | $10,000.00 | 7% | $3088.37 |

*The cost of loan calculation here assumes that each loan will be paid back by the business over a period of 8 years.

So with this simple example here the home equity loan is right there with the business credit loan. This may or may not be true in any given situation, but consider this...

With one of the loans, you're risking your ***house***.

So there is another cost factor here that we haven't talked about, and it's one that no bank will tell you about. ***What is that cost?***

***The hidden cost of using your personal credit for your business is the fallout that occurs when something goes wrong.***

Think about the above numbers for a minute. The best personal credit interest rate in our example is the home equity loan at *7%*. ***But guess what?***

It's secured by your HOME!

If something goes wrong and you can't pay the loan, not only will your personal credit be trashed but you will probably lose your home too. That's a pretty big cost to consider.

If you have great credit, you've probably spent years building your personal credit profile. Now might be a good time to mention that it's a lot ***easier*** to build business credit than it is to build personal credit. Knowing this, why would you want to use ***personal*** credit to finance your business? In terms of your own personal risks to your finances and your home, the costs are much greater with personal credit than with business credit.

*Using personal credit for business purposes as a matter of habit and/or policy just doesn't add up!*

## REASON #3: HAVING BUSINESS CREDIT WILL HELP TO DRAW A CLEAR DISTINCTION BETWEEN YOUR PERSONAL FINANCES AND THOSE OF YOUR BUSINESS.

There are many, MANY reasons to separate your personal finances from those of your business. Above we mentioned just one of them. By using your personal credit to finance your business venture, you are putting your personal credit and possibly even your home at risk.


***Why chance it?***

Another reason to keep your business finances separate from your personal finances is for the simple reason of ***bullet-proof accounting***. If your personal and business finances are muddled together, in the eyes of anyone from banks and investors, to the courts and the IRS, the legitimacy of your business, and in particular, of your would-be-protective legal structure, will be called into question.

What I'm saying is that by not keeping your personal finances clearly and completely separate from those of your business, you may be opening up yourself to liabilities that your business entity is designed to protect you from.

> *Part of maintaining that clear and complete separation is keeping your personal credit separate from your business credit to the greatest extent possible.*

It's not just about liability either. Failing to keep your personal credit separate from your business credit could cause future problems for your family—problems that you may not be able to foresee right now.

Here's an example:

> *Let's say that you decide to use your personal credit for your business. You ignore all the advice and information on business credit, and instead use your personal credit cards to finance the operations of your business.*
>
> *This works well for quite a while, but eventually your business loses some momentum. The balances that you were paying in full start to build, and next thing you know you've got 3 personal credit cards maxed out. Your business is still able to operate and is still able to make the payments, but your credit cards are used to their maximum potential.*

There are two things that could happen in this scenario that would be completely disastrous:

1. You need your personal credit for an emergency, such as for a medical procedure or to help a family member. ***You can't do it*** because you've used up your personal credit for your business.

2. Your business needs more credit to continue operating, and your personal credit can't provide it. The ***business fails*** which kills your income, and ever after finding a job to provide for your family you are unable to pay the massive credit card bills that your business racked up. Creditors start coming after you for your business debts that you've put on your personal credit. Your credit is ruined. You file for bankruptcy.

Obviously these are situations you should aim to avoid. The best way to avoid situations like what I'm describing here is to keep your personal credit and finances completely separate from those of your business, to ***the greatest extent possible.***

Another scenario similar to the above that could hurt you is if you start having problems with your PERSONAL finances that affect your business. If you're accustomed to getting loans on your personal credit to finance operations and expansions for your business, the day may come when you run into personal credit problems and as a result you will be unable to fund important operations or expansions for your business.

In this or the scenario described above, the problem remains the same:

> *Mixing your personal and business credit can result in one affecting the other in a negative way, and ultimately lead to your financial downfall!*

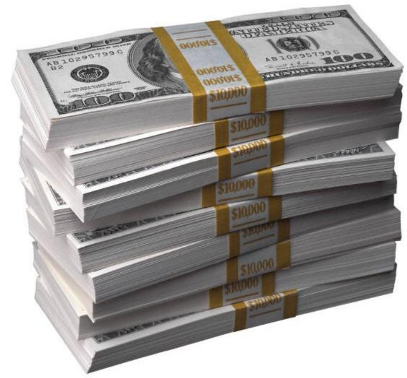
***The more connected your personal finances and your business finances are, the more likely it is that one will eventually end up harming the other.*** Using your personal credit for business can limit your families options in times of need. It can limit your business's options in times of need. In other words, it's bad for both your family and your business, ***so don't do it***!

## REASON #4: THE COST OF DOING BUSINESS WILL BE LESS IN THE LONG RUN

I've already covered the fact that business credit can be cheaper than personal credit. This makes the cost of operating your business less. But it goes further than that. Establishing business credit now will make sure you have the best interest rates on the best loans when you need them. It will also save you money on insurance, lease agreements, and more.

Building and maintaining a solid business credit profile will reduce the cost of operating your business in the long run, and the results can be dramatic.

Look at it this way...



With business credit a person might save:

- ✓ $50 per month in interest on a loan
- ✓ $15 per month on insurance
- ✓ $20 per month on lease payments

What does it all add up to?

Look at the savings over the next 5 years:

**$85 per month in savings x 12 months x 5 years = $5,100**

That's over $5,000 in savings, all for taking the time to establish business credit now.

> *Now consider the fact that business credit could literally save your bacon by providing the funds necessary to keep your business running when you're short on cash. How much is that worth? More than you can imagine!*

The risks and costs of relying exclusively on your personal credit for your business are huge. Take those away by establishing and using business credit, and the potential savings are dramatic.

Ask yourself the following two questions:

***Is it worth the trouble of establishing business credit to obtain $150,000 to run your business?***

***Is it worth the trouble of establishing business credit to possibly protect and save your financial future and that of your family?***

Obviously, this is a no-brainer. The answer to both questions is "YES!"

Business credit is ***worth it***.

# CONCLUSION

In this short report I've covered 4 important reasons that YOU should establish and build business credit today. As a quick review, here they are on one page:

1. ***Business credit is one of the quickest and easiest ways to get money to run your business!*** For expansions, for marketing, for startups, for daily operations... businesses need money. Establishing and building business credit gives you one more option for obtaining life-giving funds for your business.
2. ***Business credit can be cheaper than personal credit,*** especially for those with a bad personal credit rating.
3. ***Having business credit will help to draw a clear distinction between your personal finances and those of your business.*** Not separating your business and personal finances can lead to disastrous results.
4. ***The cost of doing business will be less in the long run***. Potentially a lot less.

***Here's the real question:*** What could ***ignoring*** business credit cost you?

If you add up everything from the four points I've given you in this report, you should see quickly that ignoring business credit could be the biggest mistake you ever make—not only for your business—but for your personal finances, your family, and your life.

You might think you can't afford the time, the energy, or the money that it will take to establish and build business credit. I would like to suggest that the opposite is true. If you add up everything from this report, you should quickly see that it will in fact cost you much more to ignore business credit than it will to obtain it.

> *In other words, you can't afford to ignore business credit. So don't even think about continuing in your business venture without it!*