

# FINANCING FOR STARTING A BUSINESS INFO-GUIDE

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### **1. General Information**

The success of your business depends on you having enough capital to purchase the equipment needed, buy the inventory you will have to carry, pay overhead costs such as rents and salaries, and have a large enough amount set aside for additional working capital and to enable you to take advantage of opportunities or survive temporary setbacks. It is essential to assess the costs of start-up and doing business, and determine the capital required before you begin. This is an integral part of the initial **business planning** process. Your financial requirements will generally fall into two main categories:

- ▶ **Initial costs:** land, building, fixtures, equipment, supplies, vehicles, pre-opening expenses and opening inventory;
- ▶ **Daily operating costs:** rising inventories, payroll, rents, taxes, advertising, accounts receivable, etc.

### **2. Overview of Business Financing**

In the early stages, the most important financial sources will probably be yourself, friends, relatives and financial institutions. When you are looking into applying for a loan for your business, it is important to study different avenues of financing. We have included here a few brief definitions of various sources of financing.

#### **Banks and Other Financial Institutions**

The most common source of financing for small businesses is the chartered bank. Banks can provide a number of financing options, such as short-term loans, long-term mortgage loans and, in some cases, loans against inventory or accounts receivable. Other important sources of financing in this category include trust companies and credit unions.

#### **Credit Cards and Personal Lines of Credit**

For very small firms and home-based businesses, credit cards and lines of credit often provide a ready means of obtaining small scale debt capital. While convenient, they bear relatively high rates of interest and limit the amount of capital available.

## **Partners and Business Angels**

Angels are simply wealthy individuals who invest directly in small firms owned by others. Angels tend to finance the early stages of the business. Attracting partners who make an investment in the business is also an option.

## **Venture Capitalists**

Institutional venture capitalists are among the more important sources of risk capital. Venture capitalists are usually private or publicly-sponsored pools of capital that acquire a level of participation in the firm applying for financing. Venture capital can be an effective means of enabling the growth potential of the firm.

# **4. Financing Programs for Starting a Business**

## **Canada Small Business Financing (CSBF) Program**

*The Canadian Small Business Financing Program* helps you secure up to \$500,000 from your financial institution by backing your loan with a government guarantee.

The loans can cover 90% of the costs to:

- purchase or improve land or property
- purchase leasehold improvements or improve leased property
- purchase new equipment or improve used equipment

Eligible small businesses have annual gross revenues below \$5M.

Apply directly to an approved financial institution (for example, bank, credit union); the institution has the final say on the loan approval. **For further information visit:** <http://ic.gc.ca/csbf>

## **Business Development Bank of Canada (BDC)**

The *Business Development Bank of Canada (BDC)* is Canada's bank for small and medium-sized enterprises (SMEs), delivering financial and management services, with a particular focus on the emerging and exporting sectors of the economy. The BDC has a number of financing programs for a variety of business needs.

**For further information,** contact London Branch of BDC: 380 Wellington Street  
London, ON N6A 5B5  
Phone: (519) 675-3101  
Web: <http://www.bdc.ca>

## **Innovation Financing Solution**

A new product designed to fund projects to develop e-business, explore new export markets, and to cover the costs of R & D associated with the introduction of new products and services.

**For further information visit:**

Business Development Bank of Canada (BDC) at <http://www.bdc.ca>

## **Ontario Community Futures Development Corporations (CFDCs)**

The Community Futures Development Corporations (CFDC) are non-profit organizations that receive government funding to help businesses in rural and northern areas get started and grow. If you are Canadian and live in rural or Northern Ontario, a CFDC in your area can give you:

- help with your business plan
- business counseling

- training
- help with exporting
- loans of \$5,000 to \$150,000, depending on the financing program

**Ontario Contact:**

300 South Edgeware Road  
 St. Thomas, ON N5P 4L1  
 Telephone: (519) 633-2326 or 1-888-633-2326  
 Web site: <http://www.ontcfdc.com>

**Middlesex County Contact:**

22423 Jefferies Road, Unit 6  
 Komoka, ON N0L 1R0  
 Telephone: 519- 641-6100 or 1-866-205-1188  
 Web site: <http://www.cfdcmiddlesex.on.ca>

**5. Financing Programs for Youth Starting a Business**

**Canadian Youth Business Foundation (CYBF) Loan Program**

The Canadian Youth Business Foundation (CYBF) is a national charitable not-for-profit organization that provides start-up financing up to \$15,000, mentoring and educational resources that empower young Canadians 18-34 to start and grow businesses.

CYBF teamed up with the **Business Development Bank of Canada (BDC)** to provide their clients with an exclusive offer. With a matching loan from BDC, young entrepreneurs can receive up to a total of \$30,000 to finance their business.

**For further information:**

Contact Al Simm at 519-439-2923 or visit <http://www.cybf.ca>

**Summer Company**

The *Summer Company* program provides hands-on business coaching and mentoring, and awards of up to \$3,000, to help enterprising young people start up and run their own summer businesses. In order to be eligible you must be:

- ▶ between 15-29 years of age;
- ▶ a student returning to school full-time in the fall;
- ▶ a resident of Ontario;
- ▶ a Canadian citizen or a Landed Immigrant;
- ▶ not operating an existing business or employed elsewhere full-time during the term of the operation of the Summer Company program; and
- ▶ prepared to commit a minimum of 8-12 consecutive weeks full-time to the experience.

**For further information:**

Contact London Small Business Centre at 519-659-2882 ext.230  
 Web: [http://www.sbcentre.ca/summer\\_company.htm](http://www.sbcentre.ca/summer_company.htm)

**6. Financial Assistance for Unemployed Individuals to Start a Business**

**Self-Employment Benefit (SEB) Program**

The SEB Program funded by Service Canada and the Ministry of Training Colleges and Universities (MTCU) is for individuals currently or previously eligible for Employment Insurance.

The SEB Program is designed to provide "Employment Insurance (EI) eligible" or "Reachback" clients with the necessary training and counselling support to launch full-time new businesses in the London Middlesex region.

The application process takes 6-8 weeks and consists of Business Planning training, Advisory and Plan Assessment. If accepted, income support for 42 weeks of business operations, Business Skills Enhancement training, ongoing Business Advisory services and networking opportunities are available.

Contact London Small Business Centre at 519-659-2882 ext. 224 for more information.

### **Ontario Works (OW) Program**

As a partner with Ontario Works - City of London, the Small Business Centre provides a series of workshops where participants are introduced to the process of exploring self-employment and the business plan. Topics include market analysis, marketing and preparing financial statements. Successful applicants are invited to attend workshops and prepare a business plan. Clients with approved business plans will qualify for 60 weeks of follow-up support in which the progress of their business is closely monitored.

#### **For further information:**

Contact your **Ontario Works caseworker** for a referral to the OW orientation session.

### **Self Employment Exploration Development (SEED)**

SEED is a partnership program between Goodwill Industries and the Small Business Centre and is supported by Service Canada and MTCU. This program offers an “opportunity” for people with disabilities to pursue the option of self-employment as well as support and encouragement from Self-Employment Counsellor and Small Business Centre Advisor in the development of your business plan. Please contact **Heather Haldane** at 519-452-4877 to discuss eligibility.

## **7. Other Resources**

Looking for information on starting or growing your business? The **Canada Business Ontario (CBO)**, a partnership between the Government of Canada and the Government of Ontario, is your first stop for free access to business information. CBO provides access to accurate, timely and relevant information on **government business-related programs, services and regulations**.

**For further information:** go to <http://www.canadabusiness.ca/ontario> or call: **1-888-745-8888**.

### **LIBRARIES**

Public and University libraries have business books, trade magazines, directories and staff to help you find the information you need. Contact your local library.

### **PROFESSIONAL AND TRADE ASSOCIATIONS**

Many provide their members with a variety of services including statistical information, promotion, feasibility studies, and consulting. See the *Associations Canada Directory* in the Small Business Centre or a Public Library.

### **DISCLAIMER**

Information contained in this document is of a general nature only and is not intended to constitute advice for any specific fact situation. Clients concerned about the reliability of the information should consult directly with the source, or seek legal counsel.