

Proper Planning Is Key Ingredient To Financing New Business

By Audrey C. Lodato
Post Staff Writer

So you're planning to start your own business. You've done your homework and you're sure you've identified a need you can fill better than anyone else. You've drafted a preliminary business plan and have thought about what form your business might take.

Now it's time to think about money. Specifically, how will your fledgling company be financed?

Warren Clyburn, Assistant Vice-President of First Union National Bank, has some information to share with you. Clyburn was responsible for compiling the chapter on financing for "Resources for Making It Big in a Small Business," published by the Greater Charlotte Chamber of Commerce.

There are a variety of financing sources for business needs, says Clyburn. The most common categories of needs are fixed asset financing (such as equipment and real estate), working capital financing (for seasonal or short term and permanent or long term purposes), and overall financial planning.

"The key ingredient," Clyburn asserts, "is to properly plan for the amount and terms of financing required, and the conditions necessary to meet the overall plans."

An important first step, he explains, is to identify not only external sources of funds but all personal sources available. These in-

clude savings, family members, potential investors, and other private sources. "Most lenders will require that personal sources of funds be injected into the business before outside financing is considered," he points out.

Commercial banks tend to be less interested in dealing with start-up businesses unless presented with detailed financial plans with projections of cash flows and budgets.

Commercial finance companies charge higher interest rates than other sources, but they are also generally more willing to take risks.

The Small Business Administration (SBA) helps finance small businesses through direct loans (limited funds mean a waiting list) and through guaranteeing loans made by other lenders, such as banks.

Information on sources of venture capital financing can be obtained from the business section of the library, from accountants, attorneys, and bankers. A well-developed business plan is a must here. And, Clyburn says, "It is important to note that venture capital businesses typically receive a percentage of the ownership of the business they finance in return for that financing."

In ascertaining your financing needs for fixed assets, you must first determine the type and cost of equipment you will need. Notes Clyburn, "Multi-purpose equipment

is easier to finance than special purpose equipment."

Banks, the equipment manufacturer or dealer, and leasing companies are all possible sources of equipment financing. Banks usually lend up to 10 years for such needs. Manufacturers and dealers may offer either lease-purchase plans or direct financing.

If your needs will include real estate financing, you'll have to determine how much money you'll be able to generate on a monthly basis to be applied toward mortgage repayment. Several options are available: owner financing, which may provide more favorable terms than those offered by commercial institutions; savings and loan associations, a good source because of their familiarity with the real estate market and their long-term financing; insurance companies, which may provide long-term real estate financing; mortgage companies, which generally provide long-term loans for small businesses; the Farmers Home Administration, which, while financing real estate, may place restrictions on the size, location, and type of facility, and on the length of the loan.

"A properly executed business financing plan is an absolute necessity," Clyburn stresses. This is true not only for the physical aspects of the business, but for the operations as well. Most companies need capital to carry them through the period from obtaining the product to collecting the cash from the sale of the product. "Lack of a sufficient amount of initial capital is the primary reason for a significant percentage of business failures," Clyburn warns.

Cash flow problems can also be treated through the extension of credit to customers. Again, a detailed financial plan or budget, says Clyburn, "is the best means of accurately assessing the amount of funds needed for this purpose."

Seasonal fluctuations in a business can necessitate additional capital needs. Your financial plans will show the need for additional money; it will also indicate your ability to repay the loan.

As we have suggested earlier in this series, if you're serious about starting a business, get professional advice before you jump in over your head.

Next week: Location.



GREENSBORO - Forty students representing 19 cities across the state will benefit from a \$40,000 grant recently presented to North Carolina Agricultural and Technical State University by R.J. Reynolds Industries, Inc. The funds will assist North Carolina students pursuing careers in business and engineering. The contribution is part of a \$200,000 commitment from RJR for 70 scholarships in the School of Engineering and the School of Business and Economics at N.C. A&T. The 1985 payment was presented recently to Chancellor Edward B. Fort (left) by Marshall B. Bass, vice president of Reynolds Industries. Pictures with Fort and Bass are (left to right, first row) Chic Cairo, Tara M. Atkins, Wailhea V. Yarbrough, Celeste D. Chambers, Sherri L. Penn, Stephanie Proctor, (second

row) Robin Howard, Joseph Turner, Kimberly Johnson, Valerie Moore, (third row) John Hampton, William T. Brown, Dametre K. Fisher, Joy D. Teel, Robert Pompey, (fourth row) Richard E. Moore, Cary E. Burnette, David Surgeon III and Robert M. Martin Jr. Scholarship recipients not pictured are Lovette Howell, Carrie J. Edmonds, Anthony S. McAdoo, Sheronda A. Emerson, Gina L. Lofton, Patricia Y. Whitaker, Sharon Richardson, Adrienne Jackson, Adrienne M. Hamilton, Darryl A. Dusham, Clyde F. O'Quinn, Twanda Stanley, Charles Mitchell, Tyrone Williamson, Berdenia F. Walker, Lisa Y. Bumphus, Daniel E. States, Wanda Reed, Michele D. Dalton, Pamela D. Jordan, Robert E. Rivers and Kenneth R. Barcliff.

Deadline Set To Apply For Energy Assistance

Special To The Post

Raleigh - Human Resources Secretary Phillip J. Kirk Jr. today reminded citizens that November 27 is the deadline to apply for the federal Low-Income Energy Assistance Program.

"With the application deadline only a week away, we feel there are eligible people, including the elderly and disabled, who have not yet applied for assistance," Kirk said. "I hope families will apply as soon as possible at their county department of social services."

He pointed out that the program provides a one-time payment to help eligible low-income households pay their heating bills this winter. It is not designed to pay all of a household's heating bills, but to provide some relief from the high cost of energy.

Kirk said it is estimated that some 167,000 low-income households across the state may be eligible for the Low-Income Energy Assistance program this year.

He added that elderly or handicapped individuals may send a representative to apply for them or call their county department of social services to make other arrangements.

John Syria, Director of the N.C. Department of Human Resources' Division of Social Services, said that only households that have heating bills are eligible for financial assistance. In addition households must have incomes at or below 100 percent of the non-farm, poverty level, and have financial resources of \$2,200 or less.

He noted that the size of the

Black Churches

Should Educate

Black People

Continued From Page 1A

"code of silence" on this matter. "Yet someone has to stand up from the ranks, stand up for the truth: We are our brother's keeper. Break out from the ranks of silence and speak out that our people need to open businesses, put their money into the community and create jobs."

The concentration on the spiritual without a thought to the material within the church, has created an "imbalance," Majeed points out. "We are imbalanced and it shows in our community. The church can play a major role in informing and teaching people to take responsibility for their life. The black preacher in the edifice has to seize the opportunity to correct the imbalance."

Rev. Sutton agrees, "The pastor can motivate people, telling them they have the ability to be successful. We can teach them to utilize their faith by believing in self. Paul said, 'I can do all things through Christ who strengthens me.' Some way or another, pastors must orientate black people to be more conscientious about producing their own job market. We have the resources, energy, and mentality."

"We're on the verge of a great movement," predicts Bishop Sherman. "Either we will reach upward which will unlock the door to unlimited opportunity or we will become little more than sounding brass and a ticking cymbal."

He concludes, "What change may come, no mortal can tell. But that some great change must come; thoughtful men are beginning to feel."

payment a family receives depends upon the number of people in the household, their combined incomes, the region of the state where they live, and the type of heating fuel they use.

Syria said a one-time payment will be made in February after all low-income households have applied and eligibility has been determined.

For more information about the Low-Income Energy Assistance Program, contact your county department of social service or call CARELINE toll-free from anywhere in the state at 1-800-662-7030. Hearing impaired TTY-TDD users may call the same number for information.

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