



Helping Small Businesses Grow...

The Venus and Mars of Small Biz Finance

with

- Anita Campbell, founder and CEO, Small Business Trends
- Lisa Cook, Economist, former member of President's Council of Economic Advisors
- Rohit Arora, CEO, Biz2Credit
- John Meyer, Director of Education, The Company Corporation

Thurs, Mar. 6, 2014
3 PM (EST)

Presenters



- **Anita Campbell**, Founder of Small Business Trends, Moderator

- **Lisa Cook, Economist**

- Importance of women-owned businesses in the economy
- Tax advice for 2013 returns; key changes ahead in 2014
- Tips for expanding your CPA business



- **John Meyer, Director of Education for The Company Corporation**
(www.incorporate.com)

- Choosing the right business structure
- Differences between forming a corporation (C-Corp or S-Corp) and an LLC
- Compliance issues



Presenters

- **Minerva Kotei, Access to Finance Advisory, IFC**
 - Best practices in women's access to finance
 - Accelerate Financial Inclusion for Women Owned SMEs
 - Estimated credit gap of women-owned formal SMEs in emerging markets
- **Rohit Arora, CEO of Biz2Credit**
 - Top sources of funding in a tight credit marketplace
 - Impact of Obamacare and other factors on entrepreneurs' ability to secure financing
 - Ways CPAs and their client companies can increase revenues



Anita Campbell, Founder Small Business Trends



- Small Business Trends is an award-winning online publication for small business owners and people who interact with them. The site is the premier source of information, breaking news and advice covering issues of key importance to small businesses
- Anita Campbell is one of the country's leading experts on issues that impact small business ownership



Lisa Cook

- Assistant professor of economics and international relations, MSU
- An expert on the U.S. economy, international economics and the euro zone
- Spent 2011-12 serving on President's Council of Economic Advisers
- Focused on issues related to international economics and science.



Realities for Women Business Owners

- Women are attending and graduating college in greater numbers than men
- Women-owned businesses are an important source of job-creation in the U.S. economy
- Access to capital has been a challenge, but situation has improved significantly

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John Meyer

- Director of Education for The Company Corporation (www.incorporate.com), which incorporates tens of thousands of new businesses annually and provides ongoing compliance services to 200,000 companies located throughout the U.S.



Choosing the Right Format

- **Sole Proprietorships**
- Owner remains personally liable for lawsuits filed against the business
- No state filing required to form a sole proprietorship
- Easy to form and operate
- Owner reports business profit and loss on their personal tax return

- **Limited Liability Companies (LLCs) and Corporations (C-Corps)**
- Independent legal structures separate from their owners
- Help separate your personal assets from your business debts
- There are certain tax advantages of incorporation that CPAs such as my co-presenter Allen Goodman can detail for you



Why Incorporate?

- **Personal asset protection.** Both corporations and LLCs allow owners to separate and protect their personal assets.
- **Additional credibility and name protection.** Adding "Inc." or "LLC" after your business name can add instant legitimacy and authority. Consumers, vendors, and partners frequently prefer to do business with an incorporated company.
- **Perpetual existence.** Corporations and LLCs can continue to exist even if ownership or management changes. Sole proprietorships and partnerships just end if an owner dies or leaves the business.



Why Incorporate?

- **Tax flexibility.** An LLC is taxed at the same rate as a sole proprietorship while providing limited exposure to personal liability. Though profit and loss typically pass through an LLC and get reported on the personal income tax returns of owners, an LLC can also elect to be taxed as a corporation.
 - When an entrepreneur sets up a corporation, he or she is taxed on both the individual and corporate levels. However, a corporation can avoid double taxation of corporate profits and dividends by electing Subchapter S tax status.
- **Deductible expenses.** Both corporations and LLCs may deduct normal business expenses, including salaries, before they allocate income to owners.





The Women's Finance Hub – An Introduction



Minerva Kotei

Washington, DC
March 2014



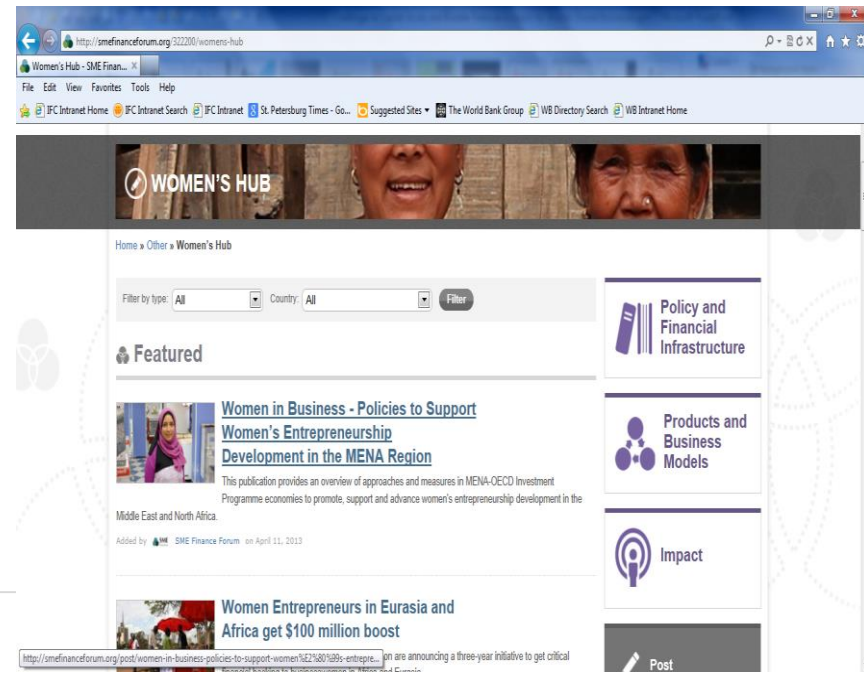
What is the Women's Finance Hub?

An integral part of SME Finance Forum

Virtual Platform to share knowledge and promote best practices in women's access to finance

- promote collaboration
- successful business models
- disseminate research, data information
- address goals of the G20 SME Finance Sub-Group

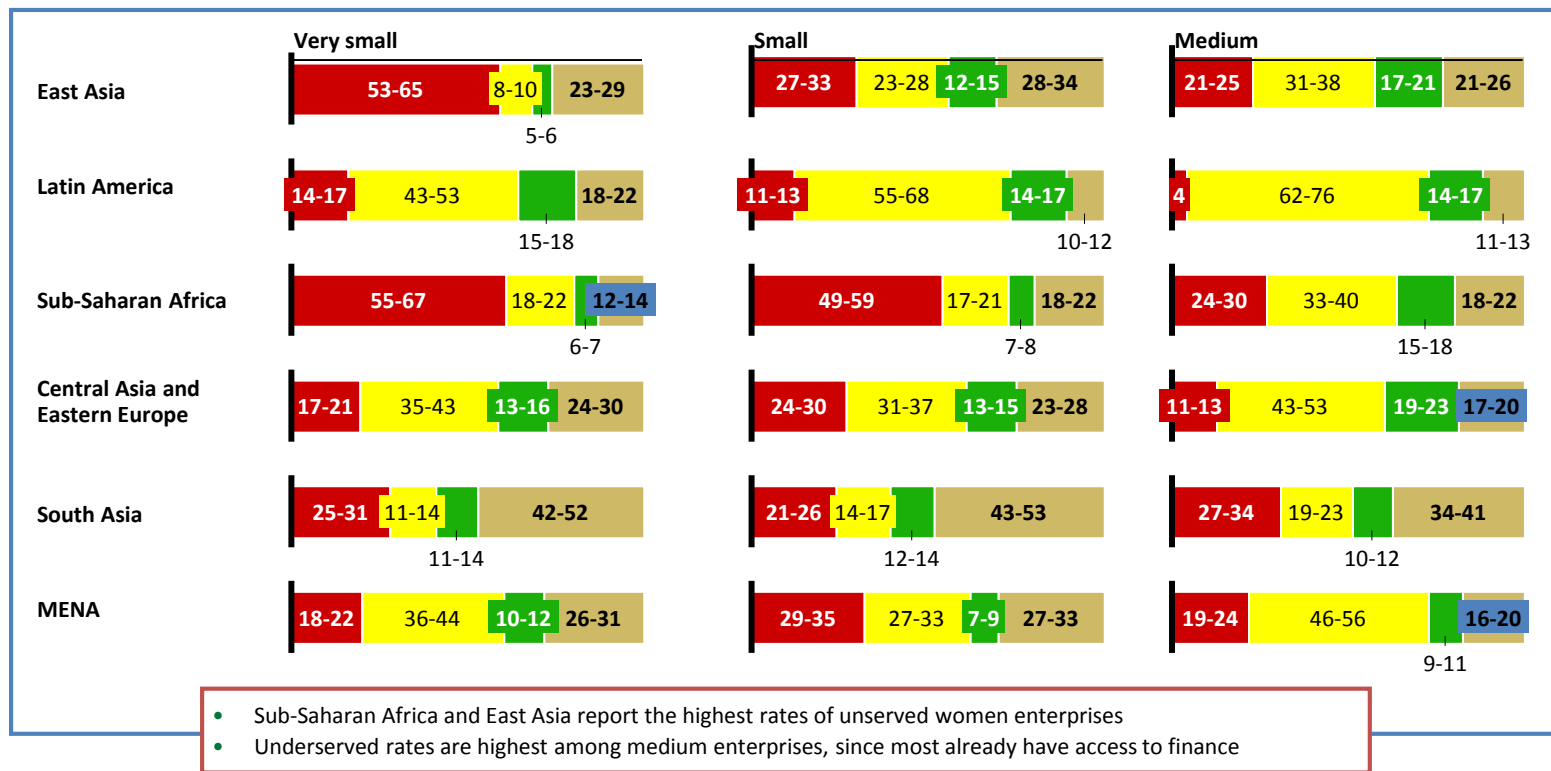
Accelerate Financial Inclusion for Women Owned SMEs



Estimated credit gap of women-owned formal SMEs in emerging markets - \$260 billion to \$320 billion

■ Unserved ■ Well served ■ Under served ■ Do not need credit

Credit needs and access for formal SMEs with at least one female owner by region¹, Percent



¹ Definitions : Unserved: Do not have a loan AND applied OR needed loan; Underserved: Have a loan but access to finance is a constraint (but not necessarily a “major” or “severe” constraint); Well-served: Have a loan AND access to finance is not a constraint; No need: Do not have a loan AND did not apply AND did not need

SOURCE: IFC SME database, Enterprise Survey, team analysis

Rohit Arora

Biz2Credit



The fundamental problem in the market today

SMALL BUSINESS OWNERS



Where do I go for a loan?
What type of financing is best for me?
Am I getting the best rate?
Process too cumbersome



More than half of
loan requests are
rejected by banks
at present

BANKS & OTHER LENDERS



How do I find good borrowers?
How risky are they?
How do I retain customers?
How do I manage declines?
Process too cumbersome

Biz2Credit

SMALL BUSINESS
OWNERS



Biz2Credit
MARKETPLACE

online
quicker
simpler
lower risk

APPROVED

BANKS & OTHER
LENDERS

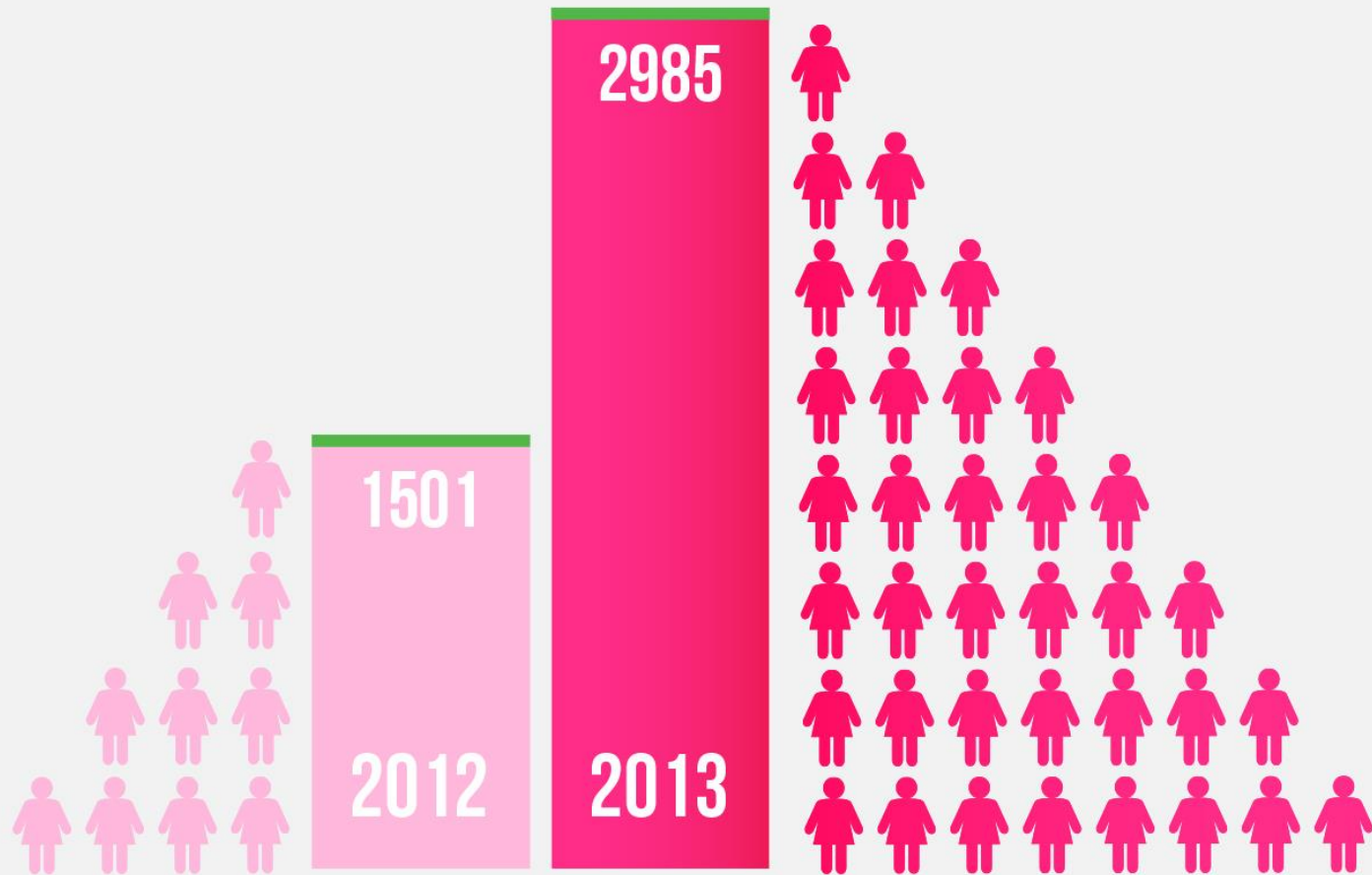


How long does the process take?

- Create an account for free in just a few minutes!
- Biz2Credit presents multiple loan options
- Select the best product and finish application online (Help from a Loan Specialist is available)
- Typically 2-3 weeks, if the applicant has all the necessary documentation
- ***No need to fill out tedious paper forms!***



Key Statistics about Women in Business

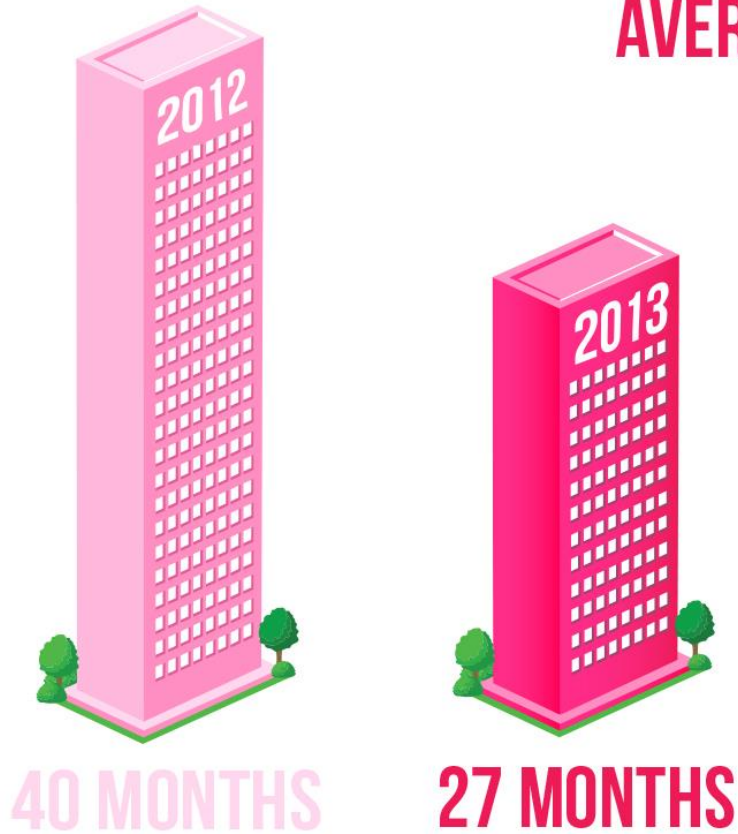


SMALL BUSINESS LOAN APPLICATIONS

Increasing numbers of women-owned businesses are applying for credit

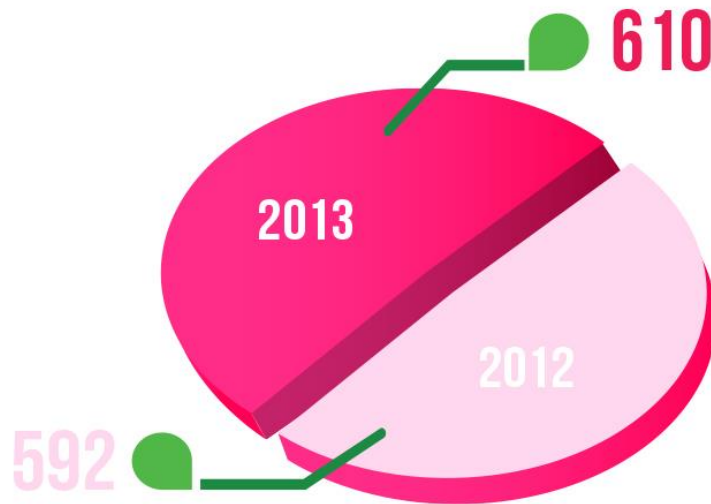
AVERAGE AGE OF BUSINESS

Women-owned companies are applying for credit at an earlier stage in their life cycle. These figures reflect confidence in the ability to pay back loans

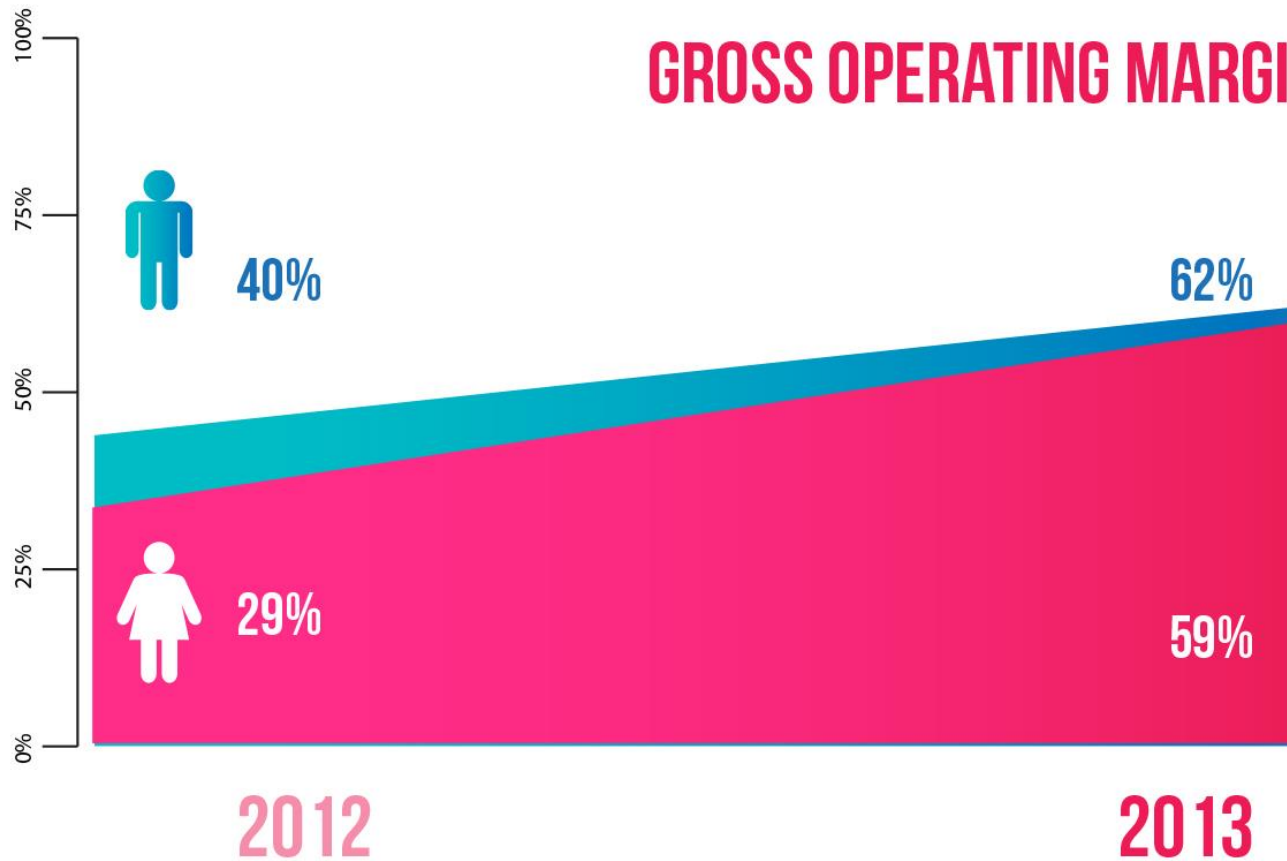


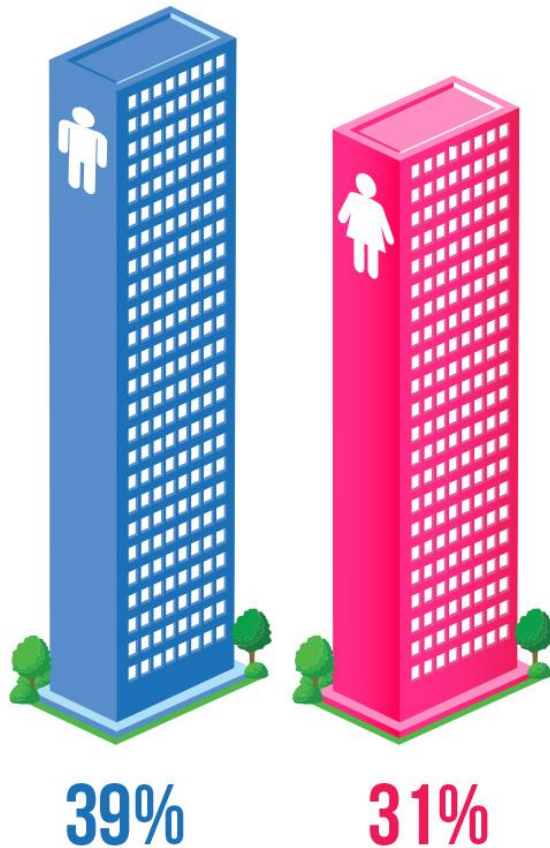
AVERAGE CREDIT SCORE

The average credit score for women-owned businesses climbed from 592 in 2012 to 610 in 2013. The quality of companies applying for funding has improved. Having a credit score below 600 is a major hurdle for any business seeking capital



GROSS OPERATING MARGIN





APPROVAL RATES

Approval rates of women-owned businesses are 8% lower than approval rates for men-owned businesses.

On average, the approval rate for male-owned businesses across all categories of lenders was 39% in 2013; for women-owned businesses, across all categories of lenders, the approval rate was 31%.

The younger your company is when it sets up a business credit history, the better it is. People were discouraged to apply in 2010 and 2011, and their operating margins were lower. As the recession ends, business growth begins.

** This is the first time that women-owned companies' growth was higher than male-owned companies.*

WHAT ARE THE CAUSES?

The U.S. is now a knowledge-based economy that takes advantage of technology. Women can work from home, can take care of the family, and work on a laptop or – increasingly – a smart phone. This is the age of technology in which there is less grunt work.

Women more competitive, more efficient and cost effective than ever before. Retail has changed. Traffic is built via social media. Everyone checking profiles, reviews and social media comments about business.

Better use of technology. Lowering operational costs, marketing costs (targeted advertising, mobile advertising, social media – you don't have to spend a fortune for TV advertising anymore when cheaper forms are more targeted and cost effective).

Technology has also lowered the cost of capital. Entrepreneurs can search for startup loans, expansion loans, lines of credit and other types of financing via the internet. Competition in the marketplace among lenders has lowered rates – particularly for alternative lenders, such as cash advance companies.

Education is making a difference. More women are enrolled and completing their college degrees at this point. Eventually this fact is showing up in the economy.

- On the down side for women-owned businesses, their cost of capital tends to be higher, their revenues are still lower, and their operating expenses still higher than they are for male-owned businesses.
- Women are going into asset light businesses that do not have high startup costs (low investment). Margins are high in these businesses (interior design, consulting, social media, eLearning, and retail companies, such as cupcake businesses). This is a real paradigm shift.

About the Biz2Credit Women Study

Biz2Credit analyzed bank data and tax data from more than 10,000 small business owners who applied for funding on Biz2Credit.com in 2013.

Case Studies

Case Study: Franchise Loan for Sweet & Sassy

- Nisha Khanna, was looking to acquire a franchise of Sweet & Sassy – Children’s Salon, Spa and Party Place, in New Jersey
- Despite having an excellent credit score and an established business, Khanna was denied by funding by numerous banks
- After being turned down from all traditional providers, Khanna approached Biz2Credit to source financing for her franchise
- Biz2Credit matched Khanna with RomAsia Bank in Monmouth Junction, NJ that provided her with funding of \$300,000 to build her store and fulfill her dream



“...I contacted about four banks and pretty much told me no over the phone and didn’t even want to discuss options with me... (from Biz2Credit) I received \$300,000...”

Nisha Khanna, Owner, Sweet & Sassy Franchise, Old Bridge NJ

Case Study:

- Ramona Almanzar moved to the U.S. from the Dominican Republic 4 years ago & her dream has always been to start her own business in America.
- Her business was fast growing and a big challenge for her was shortage of working capital.
- She approached her local bank but was immediately turned down after which she approached Biz2credit.
- *Biz2Credit* was able to help her put together an impressive loan application package and secure working capital in less than a week.



“ ...What was impressive was the professionalism of my loan specialist and how responsive and courteous he was to all my questions and concerns. He was very motivated with my situation and was willing to help...”

Romona Almanzar, owner, Time Line Cosmetics Inc.

Q&A

Thank you for joining us!