

# Financial Matters

## Start-Up Funding

If you begin your business as an event planner in your own home, your start-up costs can be **almost nothing**. Because you are spending your clients' money, you can get a deposit from them to cover purchases, or it may be possible for the vendor to bill them directly. You may also be able to get local vendors to send you items "on approval" for your clients to look at before buying. (See section 2.5 for more information about working with vendors.) However, even if you don't have upfront costs for merchandise, you may have other costs, such as promotional costs and office expenses. If so, you will need some **working capital** until the fees from your clients begin rolling in.

Many entrepreneurs are optimistic about how much money they will earn from their business, and that's a good thing. **Set your goals high**. But don't be as optimistic about how quickly you will earn it. While you may be tremendously successful right from the start and exceed your own expectations, it is wise to be prepared for the possibility that it may take longer than expected until your business earns enough to support you. A standard rule of thumb is to have **six months'** living expenses set aside beyond your start-up costs. Or you might consider remaining at your current job and working part-time on your event planning business until it is established.

Depending on the start-up costs you calculate in your business plan, you may find you have all the money you need to get started in your savings account (or available to spend on your credit cards). If your own resources won't cover all the things you would like to do with your business, you will need to look for **financing**.

One place to look for financing is from family members. They may be willing to invest in your company or give you a loan to help you get started. To avoid any misunderstandings, it's wise to get any agreements in writing, even with family members.

If you decide to approach a bank for a business loan, be prepared. They will want to see

a loan proposal that includes these five things:

- **How much money** you want
- How long you want the money (i.e. the **term of the loan** before repayment)
- What you are going to **do** with the money
- How you will **repay** the loan
- Collateral (**assets** you could sell to repay the bank if you don't have enough

money to make the payments)

When you prepare this document, **ask for a little more** money than you need. No matter how good their business plan is, most people underestimate the amount of money they need. It is very difficult to go back to the bank and get more money when you've just gotten some. So get all you need at once, even if it seems like a little more than you need.

You can find some additional advice about financing at:

**SBA – Finding the Money You Need**  
<http://www.sba.gov/financing/index.html>

**Nolo Resource Center**

Click on **Business and Human Resources**, then on **Starting a Business**, then on **Financing Your Business**

<http://www.nolo.com>

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