Business Credit Or Personal Credit? Why You Need Both

Tuesday, June 2, 2020

PROGRAM BEGINS @ 2PM

Driving growth to every corner of Philadelphia
BUSINESS CREDIT OR PERSONAL CREDIT?
WHY YOU NEED BOTH

WELCOME

SAM RHOADS
Executive Vice President & Senior Vice President,
Financial Services Group

Driving growth to every corner of Philadelphia
BUSINESS CREDIT OR PERSONAL CREDIT? WHY YOU NEED BOTH

PANELISTS

TARA COLQUITT
Founder @
The Credit Woman, LLC

LEVAR HAFFONEY
Managing Principal @
Vedere Consulting Group

Driving growth to every corner of Philadelphia
Business Credit

Presenter: Levar Haffoney
Business or Personal Credit: Why You Need Both

- What is Business Credit?
- Why Do I Need It?
- Types of Business Credit
- How Do I Build It?
- Next Steps
What is Business Credit?

- The ability of a business to qualify for financing
- Credit obtained under a business’s name and EIN
- Unique business credit profile and score
- Based on a business’s ability to pay, NOT the business owner’s
Why Do I Need It?

- To grow your business, faster
- Increased purchasing power
- Liability protection
- Cash flow management
Types of Business Credit

- Business credit cards
- Lines of credit
- Term Loans
- Commercial real estate loans
Business Credit Cards

- Separate credit reporting policies
- Higher credit limits
- Easier recordkeeping
- Points, cash back & rewards
Lines of Credit

- Short-term liquidity
- Lower rates than business credit cards
- Larger limits than business credit cards
- Finance payroll, increasing inventory, etc
Term Loans

- Long-term loans
- Expand operations
- Increase working capital
- Purchase equipment, inventory, and/or vehicles
How Do I Build It?

- Structure your business properly
- Establish and maintain good relationships with suppliers/vendors
- Separate business and personal finances
- Be strategic about opening new accounts
Structure Your Business Properly

- Create a legal entity
- Establish an EIN (Employer Identification Number)
- Open a business bank account
- Establish a business address and an 800 number
Establish Relationships with Suppliers and Vendors

- Establish net 30, 60, or 90 tradelines with vendors
- Ask vendors to supply trade references to Dun and Bradstreet
- Pay early or on time, every time
- Manage relationships with suppliers and vendors
Separate Business and Personal Finances

- Use accounting software like QuickBooks Online, Xero, or NetSuite
- Use business credit cards for small, daily business expenses
- Build banking relationships with traditional and alternative lenders
- Never co-mingle accounts
Be Strategic About Opening New Accounts

- Establish accounts with prime lenders
- Avoid subprime business lenders
- Avoid online lenders
- Avoid business credit cards that report to your personal credit bureau
Next Steps...

- Understand DSCR
- Understand lender requirements
- Obtain DUNS number from Dun & Bradstreet
- Actively manage your business credit profile
DSCR or Debt Service Coverage Ratio

- Cash flow available to pay current debt obligations
- A good DSCR ratio is 1.25
- The higher, the better

\[
DSCR = \frac{\text{Net Operating Income}}{\text{Annual Debt Obligation}}
\]
Understand Lender Requirements

- 3 years of Business tax returns
- 3 years of Personal tax returns
- YTD P&L and Balance Sheet
- Aging AR/AP reports
- Business Debt Schedule
- Collateral*
Obtain a DUNS number from Dun & Bradstreet

- Required to contract with government agencies
- Establishes credibility with lenders, suppliers, and vendors
- Established credit worthiness
- Establish a PayDex score
Actively Manage Your Business Credit Profile

- Pay early or on time, every time
- Experian Business
- Equifax Business Credit
- Dun & Bradstreet
- No right to privacy. No right to free reports*
LEVAR HAFFONEY
Managing Principal @
Vedere Consulting Group
855.993.0500 | info@vedereus.com
www.vedereus.com
Personal Credit

Presenter: Tara Colquitt
FICO Scoring Model

- Amounts Owed: 30%
- New Credit: 10%
- Length of Credit History: 15%
- Payment History: 35%
- Credit Mix: 10%
How Do You ‘Fix’ Your Credit?

Dispute

Document

Follow Up

Establish New Credit

Be Realistic
Money says...

“If you take care of me now, I will take care of you later.”
~Unknown
Credit Potholes

Death
Divorce
Health
Unemployment
Underemployment
Your
Relationship
With
Your
Money
DO YOU KNOW THE PREQUALIFICATIONS FOR CREDIT COUNSELING?
THE CREDIT WOMAN

est. 2008

Educate • Encourage • Empower

Turning Self Worth Into Net-Worth
“Although no one can go back and make a brand new start, anyone can start from now and make a brand new ending.”
~Carl Bard, Philosopher

Tara Colquitt, The Credit Woman
thecreditwoman@gmail.com // 215-350-2483

Celebrating 13 years in business. Find me on Facebook and LinkedIn.
Wednesday, June 3
2:00 PM – 3:30 PM

With the onslaught of COVID-19, business owners experienced an initial place of fear with the economic shut-down and its impact on their enterprises. Many business owners had pressing questions on sanitizing, teleworking, taking temperatures, wearing masks, and social distancing – all while trying to revive revenue and apply for as many disaster funds as possible.

Register Here: www.pidcphila.com/events/minimize-reopening-anxiety-through-strategic-planning