

Title:

Personal Finances for Business Start Up

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475

Summary:

Discover the personal preparations required before starting a business. Learn about the gray line between personal information and business information for a small business owner

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Article Body:

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Many business owners agree that starting a small business will involve the personal finances of the owner, even though the business may be formally regarded as separate entities. This is probably due to the fact that the business owner may be likely to lose his source of income during the initial operations period, especially during the first 3 to 6 months. With this, adequate planning, budgeting and saving should be done by the business owner prior to starting the business so as to have a pool of funds to support personal expenses.

One of the first steps to do this would be to track your monthly expenses on a daily basis in order to adequately determine your actual personal costs. Be sure to include buffers for emergency or surprise expenses. Once you have a clear idea where your monthly expenses go to, you can then create a budget for the period that your income may be affected. It may also be a good idea to pay off any outstanding debt such as home loans or car loans, so that you have less to pay for during the critical period.

It is of utmost importance that you ensure that you have enough to sustain you, as many new business owners overlook this factor, and end up going back to employment while still maintaining their business after a few months, due to the lack of personal funds.

Apart from that, if you are starting a business for the first time and are in need of obtaining a business loan, the bank or credit union will evaluate your

application based on your personal credit rating. This is due to the fact the company's credit history is not yet available for references by these financial institutions. Therefore, the best history that they can base their judgment on your creditworthiness would be the credit history of the business owner.

What is the implication of this? This means if you are planning to start a business and obtain financing for it, it is best for you to run a check on your credit report in the event of errors and flaws. There have been cases where loans were rejected due to an unfavorable credit report, which was actually due to errors made by the system. With this, months may be needed to correct these problems, which may cause delays for the business owner to obtain the required start-up funding for the new business.

In conclusion, the business is a separate entity when it is registered as a private limited company. However, small business owners still may not escape entirely from being regarded as separate entities if they are the only owners of the businesses that they are running. Therefore, business owners should be well-informed on the areas that would require more focus on before they start their businesses.