

Appropriate structuring of the financing arrangements of any business will be the key to the business's survival. Not only is the amount of funding important, but also the nature and the structure of the funding arrangements. In this article, we will discuss financing options and funding alternatives available to businesses.

Traditional business funding is usually acquired through bank financing that is supported by the assets of the business and by the principals of the business through guarantees and security. However, a number of alternative forms of financing are available to the business person, including family, friends and self; third-party equity; government; lending transactions and cash stream funding.

Preparation of a three-to-five year business plan, which outlines the structure of the business arrangements as well as the financial needs of the company will enable a new business owner to make appropriate funding decisions. Many alternative sources of funding will require certain information to be included in the business plan, including, an understanding of the relationship between profit and the output that is required to achieve that profit (for example, employees, and equipment), a risk profile of the business including the relationship of debt to equity, a comparison of the business' performance with industry standards and updated seasonal performance reports

The business-owner should consult with a lawyer to review and discuss the costs of any planned proposed funding sources as well as what securities should be given for the various funding sources.