

CREDIT FOR ENTREPRENEURS: BUILD A SOLID FINANCIAL FOUNDATION

WHERE TO START?

- 1 **RECOGNIZE YOUR CREDIT SCORE**
 - FICO Score: Used for home purchases.
 - Vantage Score: Used for car purchases and credit cards.
- 2 **LIST YOUR DEBTS**
 - Face your financial reality with a plan.
 - Use strategies to reduce debts, starting with the smallest amounts or highest interest rates.
- 3 **PREPARE A BUDGET**
 - Track income and expenses: Know your cash flow.
 - Negotiate better terms: Improve your financial deals.
 - Understand contracts: Be clear on what you sign.
 - Set aside emergency funds: Be prepared for unexpected expenses.
 - Stay disciplined: Avoid financial pitfalls.



ESSENTIAL BEHAVIORS FOR GOOD CREDIT

- Responsibility
- Discipline
- Self-Control
- Planning
- Consistency
- Delegation

STEPS TO REPAIR YOUR CREDIT

- **Accept responsibility:** Acknowledge your mistakes.
- **Forgive yourself:** Move past your errors.
- **Create a comprehensive plan:** Fully commit to it.
- **Negotiate with creditors:** Work towards feasible payment plans.
- **Correct errors:** Remove incorrect information from your credit report.
- **Seek professional help:** Consult licensed credit repair companies.
- **Talk to a lawyer:** Get legal advice if needed.



Credit with Individual Tax Identification Number (ITIN)

- **Myth:** It's impossible to get credit with an ITIN. | **Reality:** Use credit unions or community banks.
- **Check your credit report:** Ensure all information is accurate.
- **Clean your credit:** Before obtaining a ITIN or Social Security Number, make sure your credit is in good standing.
- **Understand contracts:** Especially for large purchases.

CHECKLIST

- **Do I have credit?**

Yes: Is it good or bad? Do I need to repair it?

No: How can I establish it?

- **Do I know my budget?**

Yes: Can I improve it?

No: I will start budgeting now.

- **Do I have savings and emergency funds?**

Yes: Can I increase them?

No: I will start saving now.

AVAILABLE RESOURCES

- [Credit Karma](#) ←

- [TransUnion](#) ←

- [Rent Reporters](#) ←

BASIC BUSINESS EXPENSE CONCEPTS



WHAT IS A DEDUCTIBLE EXPENSE?

- **Definition:** Expenses related to the operation of a business.
- **Purpose:** Used to offset business income to reduce taxes owed.
- **Examples:** Self-employment costs, independent contractor fees.

ORDINARY AND NECESSARY EXPENSES

- **Ordinary:** Common and accepted in your industry.
- **Necessary:** Helpful and appropriate for your trade or business.

WHAT IS A NON-DEDUCTIBLE EXPENSES?

A non-deductible expense is a cost that cannot be claimed as a tax deduction on their business tax return, such as personal commuting expenses from home to the office.

KEEPING RECORDS

- **Importance:** Without proper records, expenses can be rejected.
- **Types of records:**
 - Digital
 - Physical
- **Best practices:** Receipts/invoices are ideal. Bank or credit statements can be used if detailed records are unavailable.

EQUIPMENT DEDUCTION

- **Timing:** Allowed in the year equipment is put into service; usually the same year it was purchased, but can differ for personal items converted to business use.

INVENTORY MANAGEMENT

- **Deduction timing:** Merchandise is deductible when sold, not when purchased.
- **Requirement:** Must have merchandise available for sale.
- **Exclusion:** Service supplies are not inventory.

IS THIS A BUSINESS EXPENSE?

Examples:

- **Clothing:** Generally personal and non-deductible, except for branded uniforms, costumes for performers, and safety gear.
- **Food and meals:** Typically personal, except for meals during business travel and food for company events.
- **Taxes:** Estimates are not deductions, but payments. Deductible taxes include sales tax, excise taxes, property taxes, and payroll taxes.
- **Medical expenses:** Generally personal, except for health insurance for self-employed and employee health insurance benefits. Prescription medications and supplements are not deductible.



OPTIONS FOR RAISING CAPITAL FOR YOUR BUSINESS

1 Loans from Family Members

- Consideration: Be clear about terms to avoid misunderstandings.

2 Research Available Grants

- Sources:
 - Local Government: Check if your county or city offers grants.
 - Organizations:
 - [Southern Minnesota Initiative Foundation \(SMIF\)](#).
 - [U.S. Small Business Administration \(SBA\)](#).



3 Apply for a Bank Loan

Process: Prepare your business plan and financial projections to present to the bank.

BE AWARE OF SCAMS

How to Spot a Scam:

ASK YOURSELF...	BE MINDFUL OF...
1. Did you apply for a grant?	<ul style="list-style-type: none"> • Warning: Legitimate grants do not appear unexpectedly.
2. Are they asking for money?	<ul style="list-style-type: none"> • Red Flag: Legitimate grants do not require upfront fees.
3. Check the granting agency:	<ul style="list-style-type: none"> • Verify: Ensure the agency exists and is reputable.
4. Request for personal information:	<ul style="list-style-type: none"> • Caution: Be wary if asked for personal or business identification numbers (EIN).

FINANCIAL ESSENTIALS FOR ENTREPRENEURS

Types of Financial Institutions:

- **Non-Bank Financial Institutions (NBFIs):**
 - Money services businesses (MSBs) like check-cashing services.
- **Banks:**
 - For-profit institutions licensed to accept deposits and issue loans.
- **Credit Unions:**
 - Non-profit institutions owned and operated by members.

COMPARING FINANCIAL INSTITUTIONS

Both Banks and Credit Unions:

- Accept cash deposits, checks, and wire transfers.
- Provide loans, cashier's checks, foreign currency, and money orders.
- Offer conveniences like 24-hour online banking, ATMs, debit and credit cards, and various interest-bearing accounts.
- Insure deposits up to \$250,000 per person for certain account types.

TYPES OF BANK ACCOUNTS

	PURPOSE	CONSIDERATIONS
CHECKING ACCOUNTS	Daily transactions	Overdraft fees, monthly fees, minimum balance requirements, interest rates, opening amounts
SAVINGS ACCOUNTS	Save money while earning interest	Monthly fees, minimum balance requirements, interest rates, limited transactions, opening amounts



OPENING A BANK ACCOUNT: EASY STEPS

- 1 Visit a bank or credit union:**
 - In person for a new account.
- 2 Bring required documents:**
 - Articles of organization.
 - Two forms of ID (e.g., driver's license, passport, birth certificate, Social Security card, or other government-issued ID).
- 3 Provide personal information:**
 - Address, phone number, and email.