



# LOANS

## FINANCIAL PROJECTIONS

### 1. Term Loan

A term loan is for a specific type of need over the course of months or years. Examples of this include the purchase of a building, equipment, or vehicles. A buildings term is typically 10-15 years, and equipment/vehicles terms should be for the duration that they will last you.

### 2. Line of credit

Use a line of credit for short term needs. An example of this could be buying a season's inventory for your retail establishment. As the inventory sells, you pay back your line of credit. Lines of credit with most institutions should have a rest period; they should be zero for roughly 30 days. Do not fund long term needs with a line of credit, unless you and your institution have a strategy to put permanent financing into place.

### 3. Credit Cards

Similar to lines of credit, a credit card should only be used for a temporary basis. An example of using your credit card could be buying supplies at your local office supplies store. It can be beneficial by establishing credit for your business, but funding long term needs on a credit card can become extremely expensive.

### 4. Letter of Credit

A letter of credit is written by a financial institution on your behalf. For example, if you are ordering from a supplier and would like 30-60 day pay terms, but the supplier is not familiar with you, your bank can write a letter of credit and send it to them. In this letter, the bank is ensuring the supplier that you will pay.