

Your Free CAMELOT
Newsletter-Report No.9
a sample extract from our E-Book
“Genuine Wealth Creation”

An introduction to
**Cash, Working
Capital, to Start
Your Own Business**

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Cash, Working Capital, to start your Business!

Well here's another one of our Newsletters that we hope will take you closer to the decision that TODAY is the day that you must take control of your life, financially, so that you can begin to shape your destiny. If YOU don't do it for yourself, who will?

Have you heard of the old Latin saying “**Carpe Diem**”? It means “**Seize the Day**” - in other words do it now!

Here's another old saying - “If you want to make a lot of money, start with a lot”.

Doesn't it sound easy? But, of course, the reality of life is that this is rarely possible. Most people start out in their working life with very little money and sadly the vast majority stay that way for most, if not all, of their lives, living from pay to pay.

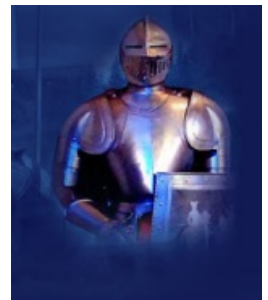
Of course, this is probably why you are now reading our Newsletters – you want to improve your “lot” in life and we hope that what you have been learning from us will greatly assist you. We would love to be able to sit down next to you and answer all of your questions, face to face, but we can only be in one place at a time can't we, but thank goodness for the Internet!

In fact, if you do have some straight-forward questions please feel free to go to our Blog at <http://businessprofitability.blogspot.com/> and post your question - we will do our very best to help you if we can.

If you are new to the world of starting a new business, or buying an established business, or new to the world of investing in real estate, you will find that getting that initial “start-up” capital – that initial cash – is probably the hardest obstacle you will ever have to overcome.

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Unless you already have a good 'stable' of assets, cash, buildings, shares, a very rich and generous uncle or relative, then you will find, as most have, that you have to save hard, start small and use the profits you make along the way to slowly build your business. There is absolutely nothing wrong with that. It teaches you how to operate 'on a shoe-string' so that you can make a profit and it teaches you 'the value of money'.

We have started, ourselves, now over 20 new businesses from scratch, from nothing, over a wide range of industries and whilst we would have always liked to have had a suitcase full of money to start (and in some cases we did) we have almost always found that it is better to start a new business slowly and build it up, piece by piece, slowly. This gives you a much firmer, stronger, base of experience and disciplines, a more loyal clientbase as well as experienced staff and systems. Often if you have a "large suitcase" full of money when you start you can become wasteful before you actually turn that first real profit.

There are very few endeavors that you can start with no money, or virtually no money. One of the few exceptions to this is Internet Marketing and in some cases Network Marketing - but here again it will depend on what type of activity you might be starting. We have covered an introduction to "Internet Marketing" and "Network Marketing" in our earlier Newsletters.

If you are starting with absolutely nothing, no cash, no real estate, no rich uncles and so on **do not be discouraged!** You do not even need a University/College Degree to get rich - we have seen some very, very dumb people become exceedingly rich because they were totally focussed on their objectives. Of course if you have all of the above attributes they can help - provided you have the following quality.....

What you absolutely **MUST HAVE**, whether you are starting with absolutely nothing, or with a million dollars, or pounds, or euros, is **DETERMINATION & PERSISTENCE**. You must have a totally unbridled commitment to yourself that you **WILL** succeed no matter what obstacles may come your way (short of being dishonest, of course, as either the Police or 'Karma' will catch up to you, sooner or later)!

President Calvin Coolidge (1872 - 1933), who was the US President during the Great Depression era, once said;

"Nothing in the World can take the place of Persistence.

Talent will not; nothing is more common than unsuccessful men with talent.

Genius will not; unrewarded genius is almost a proverb.

Education will not; the World is full of educated derelicts.

Persistence and Determination alone are omnipotent.

The slogan "Press On" has solved and always will solve the problems of the human race."

If you do not have the money to start your new business with then save for it – you know, that old fashioned idea of "savings". If you have to work two jobs, or do lots of overtime, or live in a place that is less 'lavish' than what you would otherwise like to save money, or take the bus instead of the car, make your lunch for work instead of buying it everyday, eat at home instead of going out to eat, do everything you have to do to save for that initial 'nest egg' - these small sacrifices will be 'repaid'.

If you do not 'break the cycle' of never having any money, you will never have any money. Perhaps sell your car if you have one to help give you your start-up capital. Cut your costs wherever you can - but please start your 'savings' today if you do not already have more than enough money to get your business underway.

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You may read, or hear, from some “smart alecks” that say something along the lines of “just apply for credit cards to raise your start-up capital. Then get some more credit cards to pay off the credit cards you have already used”- WRONG!

A few may be lucky enough to get away with such a risky strategy but it will only take one mistake, one thing to go wrong, a delay in getting your sales underway and suddenly you are in trouble - you can be sent bankrupt, lose your credit rating and possibly lose your home and/or business. We would never recommend such an approach, particularly with the high interest rates charged by the card providers.

You will be vastly safer and better off by saving, or selling off some assets you can do without, to raise your start-up capital. It may take longer but believe us that you will sleep so much better if you do not go into high cost, high risk capital raising methods like mentioned above! You may succeed with such risky strategies but you have a high risk of failure. We ONLY want you to succeed and for you to minimize all the possible risks you can.

So use YOUR DETERMINATION to get your “savings program” underway.

Also please do not think the banks will throw money at you so that you can start a new business. Banks, as a general rule for you to understand, will normally ONLY lend you money if you do NOT need it or if you have assets (like a home) that they can take away from you if your business does not make the profits or the positive cash-flow that the banks, or other lenders, will require.

We would like you to understand that the thinking, almost globally, of banks is that of what we would term “Fair Weather Friends”. When things are going great they are your best friends – when things get tough they will walk away. When the sun is shining they will be happy to lend you their umbrella but when it starts to rain they will want their umbrella back. You need to understand that the banks are there to make a profit for their shareholders – they are not there for you. Do NOT trust banks unless you already have more than enough money and you do not need to borrow from them.

If it is at all possible try not to borrow money from the banks to start your business and, as we have just said, they will normally not lend you money unless you have assets that they can take away from you. Even if you have a full “order book” they will not lend you the money unless you have the assets (generally real estate) or unless there is someone else who will go “guarantor” for you with their assets. By the way, we would never recommend that you ever go “guarantor” for anyone else either.

Now if you do absolutely need to borrow against your home, your house etc to start the business of your dreams then **we will give you a piece of advice here that is worth its weight in diamonds** (like many other pieces of advice in our E-Book “Genuine Wealth Creation”). This advice has already saved many people from losing their homes to the banks when their businesses did not go as planned.

Let us give you a real life example of how things can go wrong - which is why you need to plan your financing correctly and be in control of your own destiny as best as you can. Try to never allow your destiny to be determined by a bank clerk who would never have the courage to start a business of his own anyway!

We had two ladies who were experienced Beauty Therapists who had had enough of working for a boss and who wanted to start their own beauty salon. They determined that to establish the style of high class beauty salon they wanted that they would need around \$100,000 and that they would borrow against each of their homes to raise the bank loans. They came to us for advice as well, fortunately for them.

These two ladies spent the money they borrowed from the banks plus all of their own savings in getting their new business equipped and ‘fitted-out’. Sadly they had a bad car accident just before they were due to open the doors of their new, beautifully set-up, business but happily they both survived but they did receive sufficiently bad enough injuries to stop them from running their business in the style and manner that their clients would have expected.



Sadly their injuries, when combined with Post Traumatic Stress Syndrome which is quite common after a bad accident, destroyed the drive and enthusiasm that they had both had prior to the accident. As well their physical injuries stopped them from doing many of the kinds of beauty treatments that they were both renown for. They tried and tried to carry on but these handicaps were enough to cripple an almost certain winner of a business. They would have succeeded - all except for a car accident that was not even their fault.

The result, had they not listened to our advice and had they otherwise accepted the banks normal lending terms, would have been that upon their business closing down, due to the lack of sales and cash-flow, that the banks would have seized their two homes and sold them up. Fortunately our advice stopped this from happening.

Now when you borrow from a bank for a business, even if you are giving them your home as 'security', the banks will almost always insist that they will want to also take a 'charge', a 'security', a 'mortgage' over the assets of the business as well and provide you with a "business loan" or a "business overdraft". This is, from our many experiences, what banks always want to do. Well, tell them "NO!"

Now normally most banks will be shocked that you would try to tell them what to do but this you must - you must take control! If the bank that you are talking to will not do what we advise then go and talk to another bank, another lender.

What you must NOT get from the bank is a "business loan" or a "business overdraft" with your home as security. Normally such a 'finance facility' will be for a limited time, anywhere from 6 months to 2 years. They will tell you that this is the cheapest way to provide your short term need for cash to 'tide you over' until your business is on its feet and you've got plenty of money coming in. It will sound like the right thing to do but it is not!

When the banks provide you with such a 'finance facility' you will have to also provide them with regular financial reports and, of course, initial cash-flow projections. (These are explained in our Newsletter Number 12 if you don't already know what they are.)

Now if at any time - from the first month to the last month of the term of your 'finance facility' - the bank are not happy with what your *actual* cash-flow is, as opposed to what you projected, they can terminate your 'business loan' with normally only 24 hours notice. That's right - at the whim of a bank clerk your entire business, your home and your future can be put into immediate jeopardy and peril!

The bank can basically decide at any time that they wish to withdraw their 'facility' - and this may be only due to a change in bank policy, a decision from their head office to reduce all overdrafts, or just that some of your clients are not paying you as fast as you had forecast. If you do not believe us that a bank can do this then try reading the 'fine print' on the back of the 'facility' document you will need to sign. Have we opened your eyes yet?

So how do you get the cash you need from your home to start the business of your dreams?

Now here is the Good News! The above may sound pretty scary and it can be BUT if you structure your financing correctly you will protect yourself as best as you can from any such unhappy events.

The answer is that you use the equity in your home (equity being the difference between what the value of your home is less what you may already owe the bank) to still fund your business EXCEPT that you do not make it a 'business loan' or 'business overdraft'. You simply get an increased loan, either as an increase in your first mortgage or as a new second mortgage - BUT ensure that this new 'home loan' is taken over a lengthy period - say 20 years!

Effectively you are borrowing against the equity of the home, not the assets of the business. Again, do NOT agree to have the bank take any security over any of the business assets. By taking this loan over a lengthy period it will mean that your weekly repayments are relatively low so that, in the unhappy event that your new business



doesn't go well, or even fails, then all you have to do is to keep handling the small increased home repayments until you can get back onto your feet again. This is how we got the banks to structure the loans for the two beauty therapists we mentioned before. Had they listened to the banks, and not to us, they would have lost their homes.

Of course, if your business goes well, which is what we all expect will be the outcome, then you simply, when it suits you, pay off, or reduce, the loan that you did take as a home loan. This way you are in control not some bank clerk!

Also we would ask you to think about this - do you really want money from a bank anyway? Of course, if it is your only option then, of course, go ahead but please listen to our above advice.

Please remember that when you do borrow from a bank, even perhaps later on after your business is well established, that you will still have to dance to their 'tune' one way or another. If it is anything of a substantial amount of money they will still want monthly or quarterly financial reporting from your business. You may even find that you spend so much time reporting to the bank and dancing to their 'tune' that you never have any time left to actually run and build your business to make it the success you dreamed of.

Sometimes, as much as we do not recommend Partnerships, it is far better to bring in a partner with his or her cash (otherwise known as 'Equity') rather than to start, or build, a business with Debt (borrowings). Just make sure it is the right partner or partners.

Almost any experienced Accountant will tell you that "Equity is better than Debt".

We will cover the many issues of "Partnerships" in our next Newsletter # 10 entitled "Partnerships - are they Real Sources of Skills & Capital?"

We trust that you have enjoyed and benefited from this small insight into just one small section of our E-Book "Genuine Wealth Creation". In fact, this small insight represents only around one per cent (1%) of the content of this amazingly informative publication - it is a "central source", virtually an encyclopaedia, of business knowledge in one easy to read & understand publication.

You can invest in our, globally applicable, E-Book "Genuine Wealth Creation" for a mere US\$ 24.95 & change your life & YOUR FUTURE TODAY!

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