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Thanks for being here this evening. We are live from coast to coast and several countries are with us this evening. Thank you

For those joining us for the first time



# Welcome to Our Wealth Building Journey.

Building wealth is a marathon, not a sprint. It takes time, effort, and discipline to save money, invest wisely, and make smart financial decisions.



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The "secrets" of wealth building aren't arcane knowledge held by a select few. They are, in fact, a collection of **fundamental principles and consistent habits** that, when diligently applied over time, lead to financial growth and security.

These principles aren't about finding a magic bullet or getting rich quick. Instead, they focus on:

**Discipline:** Consistently sticking to a financial plan, even when it's challenging.

**Patience:** Understanding that wealth accumulation is a long-term game, not an overnight sensation.

**Knowledge:** Continuously learning about personal finance, investing, and economic trends.

**Proactive Planning:** Taking deliberate steps to manage money, rather than letting it manage you.

Here's a breakdown of these "secrets," framed as well-established practices and strategies:

**The "Secrets" of Wealth Building: Proven Practices and Strategies**

### **1. Live Below Your Means (The Foundation):**

**The Concept:** Spend less money than you earn. This creates a surplus, which is the fuel for wealth building. It sounds simple, but many struggle with lifestyle creep.

\* **Strategy:** Create and stick to a budget. Track every dollar in and out. Differentiate between needs and wants. Regularly review and adjust spending to ensure a consistent surplus.

### **2. Save Consistently and Automatically (The Accumulation Engine):**

\* **The Concept:** Make saving a non-negotiable expense, just like rent or a mortgage. Pay yourself first.

\* **Strategy:** Set up automatic transfers from your checking account to your savings or investment accounts immediately after payday. Start small if you must, but increase the amount as your income grows. Aim for at least 10-15% of your gross income, or more if possible.

### **3. Invest Early and Regularly (The Power of Compounding):**

\* **The Concept:** Make your money work for you. Investing allows your capital to grow over time, earning returns that then earn their own returns.

This "compound interest" is often called the 8th wonder of the world.

\* **Strategy:** \* **Start Early:** Time in the market beats timing the market. The longer your money is invested, the more it can compound.

\* **Diversify:** Don't put all your eggs in one basket. Spread investments across different asset classes (stocks, bonds, real estate, etc.) and industries.

\* **Invest Regularly (Dollar-Cost Averaging):** Invest a fixed amount at regular intervals (e.g., monthly), regardless of market fluctuations. This smooths out your purchase price over time.

\* **Understand Risk Tolerance:** Choose investments that align with your comfort level for risk and your long-term goals.

**Utilize Tax-Advantaged Accounts:** Maximize contributions to 401(k)s, IRAs, HSAs, and other retirement or tax-efficient accounts. Don't leave employer matching contributions on the table.

### **4. Minimize and Manage Debt Strategically (Freeing Up Capital):**

\* **The Concept:** High-interest debt (especially credit card debt) erodes wealth. Every dollar paid in interest is a dollar not working for you.

\* **Strategy:** \* **Avoid Bad Debt:** Stay away from high-interest, non-productive debt.

\* **Pay Down High-Interest Debt First:** Prioritize paying off credit cards and personal loans aggressively using methods like the debt avalanche.

**Manage Good Debt:** Use productive debt (like mortgages or business loans) wisely and ensure it aligns with your financial goals.

### **5. Continuously Increase Your Income (Boosting Your Fuel Tank):**

\* **The Concept:** While cutting expenses is important, there's a limit to how much you can save. Increasing your earning potential has a much higher ceiling.

\* **Strategy:** \* **Invest in Yourself:** Acquire new skills, pursue higher education, or get

certifications that increase your market value.

\* **Negotiate Salaries:** Regularly assess your worth and negotiate for higher compensation.

**Develop Multiple Income Streams:** Explore side hustles, freelance work, passive income (e.g., rental properties, dividends from investments), or starting a business.

## **6. Protect Your Assets and Plan for the Future (Guardrails for Your Journey):**

\* **The Concept:** Wealth isn't just about accumulating assets; it's about safeguarding them from unforeseen events and ensuring they serve your long-term goals.

\* **Strategy:** \* **Insurance:** Have adequate health, life, disability, home, and auto insurance to protect against catastrophic financial losses.

\* **Emergency Fund:** Build a cash reserve (3-6 months of living expenses) to cover unexpected expenses without derailing your financial plan or incurring debt.

\* **Estate Planning:** Create a will, set up trusts if needed, and designate beneficiaries to ensure your assets are distributed according to your wishes.

\* **Tax Planning:** Understand tax laws and strategize to minimize your tax liability legally.

## **7. Practice Financial Literacy and Patience (The Mindset):**

\* **The Concept:** Wealth building requires ongoing learning and the emotional fortitude to stick with your plan through market ups and downs.

\* **Strategy:** \* **Educate Yourself:** Read books, follow reputable financial news, listen to podcasts, and learn from financial experts.

\* **Avoid Emotional Decisions:** Don't panic sell during market downturns or chase "hot" stocks. Stick to your long-term investment strategy.

\* **Seek Professional Advice:** Consider working with a fee-only financial advisor (like Marie Deary) who can provide objective guidance.



## **DISCLAIMER**

The information provided in this webinar does not, and is not intended to, constitute business, legal, tax, or accounting advice. All information, content, and materials available in this webinar are for general informational purposes only. Viewers of this webinar should contact their attorney, business advisor, or tax advisor to obtain advice with respect to any matter.

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## MARIE DEARY

Bachelor of Science in Electrical Engineering (BSEE)  
Master of Science in Electrical Engineering (MSEE)  
Master of Business Administration (MBA)  
Certified Tax Preparer and Certified Tax Planner (CTP)  
Personal Financial Advisor (PFA)  
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## Financial Literacy Educator

# NAVIGATING THE PATH TO GROWTH: **A GUIDE TO TRADITIONAL FUNDING FOR YOUR SMALL BUSINESS**

Reading by Jonas Oware

## **Navigating the Path to Growth: A Guide to Traditional Funding for Your Small Business – With the Critical Role of Business Taxes**

By Marie Deary, Wealth Management Financial Advisors

**Problem/Pain Point:** Is your small business feeling the squeeze of limited capital, holding back your grand plans for expansion, innovation, or simply smoother operations? You're not alone. Many entrepreneurs dream big but find themselves hitting a financial wall. What's often overlooked is that the bridge across that wall is built not just with a great idea, but with sound financial records – especially your business taxes.

**Solution/Promise:** What if you could unlock the doors to stable, affordable capital designed specifically for businesses like yours, while simultaneously leveraging your tax discipline as a powerful asset? This guide will illuminate the clearest and most reliable paths to securing the funding you need, highlighting how strategic tax management is an indispensable part of that journey.

**Urgency/Opportunity:** In a dynamic economy, opportunities rarely wait. Learning to navigate the landscape of traditional funding now means you can seize those growth moments, outpace competitors, and build a resilient foundation for your future – a future where your tax practices actively support, rather than hinder, your financial aspirations.

## **Introduction: The Foundation of Growth is Capital... Built on Financial Integrity**

Every successful small business story has a chapter on securing the right funding. It's the fuel that powers your engine, whether you're investing in new equipment, expanding your team, developing a groundbreaking product, or simply need consistent cash flow to manage daily operations. While alternative financing options have their place, **traditional funding methods remain the bedrock of sustainable business growth**, often offering the most favorable terms and the strongest partnerships.

Crucially, the pathway to these traditional funding sources is paved with clear, accurate, and compliant financial records – with your **business tax documents** playing a starring role. Lenders don't just want to see your potential; they want to see your verifiable history of financial responsibility.

## **Understanding the Power of Traditional Funding**

Traditional funding typically refers to loans from banks, credit unions, and other established financial institutions. These sources are often characterized by:

**Lower Interest Rates:** Because they typically involve less risk for the lender (often requiring more stringent qualifications or collateral), the cost of borrowing is generally lower.

**Longer Repayment Terms:** This allows for more manageable monthly payments and better long-term financial planning.

**Structured Relationships:** Working with a traditional lender can build a valuable banking relationship that can serve your business for years to come.

## **The Three Pillars of Traditional Small Business Funding**

When exploring traditional routes, three primary options stand out:

### **1. SBA Loans: Your Government-Backed Advantage**

**Hook:** Imagine a loan with competitive rates and flexible terms, designed specifically to help small businesses succeed – and whose approval hinges significantly on your demonstrated financial health through compliant tax filings. That's the promise of an SBA loan.

The U.S. Small Business Administration (SBA) doesn't lend money directly but rather **guarantees a portion of loans** made by commercial lenders (banks, credit unions, etc.). This guarantee reduces the risk for the lender, making them more willing to lend to small businesses that might not otherwise qualify for conventional loans.

### **Types of SBA Loans:**

**7(a) Loan Program:** The most common and flexible, suitable for almost any business purpose, including working capital, equipment, real estate, or refinancing debt. Loan

amounts can go up to \$5 million.

**504 Loan Program:** Ideal for significant fixed asset purchases, such as real estate or heavy machinery. This program involves a partnership between a borrower, a conventional lender, and a Certified Development Company (CDC).

**Benefits:** Lower down payments, longer repayment periods, and competitive interest rates.

**Considerations:** The application process can be more extensive and take longer than other options, **requiring detailed financial statements and tax returns.**

## **2. Term Loans: Predictable Capital for Key Investments**

**Hook:** Need a clear path to finance a major investment with a fixed repayment schedule? A term loan might be your answer – and your tax returns will be pivotal in proving your ability to manage that repayment.

A traditional term loan provides a **lump sum of cash upfront** that you repay, plus interest, over a predetermined period (the "term"). These loans are straightforward and are commonly used for:

**Expansion:** Opening a new location or scaling operations.

**Equipment Purchases:** Buying machinery, vehicles, or technology.

**Working Capital:** Providing a financial cushion for daily operations (though a line of credit is often better for this).

**Types:** Can range from short-term (1-3 years) for immediate needs to long-term (up to 10+ years) for significant assets.

**Benefits:** Predictable monthly payments, allowing for stable budgeting.

**Considerations:** May require collateral and a strong credit history, **backed by consistent, profitable tax filings.**

## **3. Business Lines of Credit: Your Financial Safety Net**

**Hook:** What if you had immediate access to funds when you needed them, without paying interest until you actually use the money? That's the flexibility a business line of credit offers – and demonstrating stable income via tax returns makes you a more attractive borrower.

A business line of credit provides access to a **revolving pool of funds** up to a set limit. Unlike a term loan, you don't receive the full amount upfront. Instead, you draw funds as needed, repaying the amount borrowed plus interest, and then the funds become available again.

**Ideal Uses:** Managing short-term cash flow gaps, purchasing inventory, covering unexpected expenses, or bridging the gap between large project payments.

**Benefits:** Extreme flexibility, only pay interest on what you use, and funds become available again after repayment.

**Considerations:** Often requires collateral (especially for larger lines) and a good credit history, **with tax documents confirming your business's financial viability.**

### **The Critical Role of Business Taxes in Securing Funding**

Your business taxes are far more than just a compliance chore; they are a **powerful tool** in your quest for traditional funding.

#### **Legal Compliance and Avoiding Red Flags:**

**Foundation of Trust:** Consistently filing and paying your taxes on time demonstrates responsibility and reliability. Lenders view this as a fundamental requirement.

**Avoiding Penalties:** Unpaid taxes or late filings can lead to liens, penalties, and audits, all of which are major red flags for any potential lender.

#### **Building Credibility and Verifying Financial Health:**

**Proof of Income & Profitability:** Your tax returns (e.g., Schedule C for sole proprietors, Form 1120 for corporations, 1065 for LLC or Form 990 for nonprofits) provide verifiable, government-audited proof of your business's revenue, expenses, and profitability over time. This is paramount for lenders assessing your **Capacity** to repay a loan.

**Demonstrating Consistency:** Lenders want to see a history, typically 2-3 years, of positive financial performance through your tax returns. This consistency builds confidence in your business's long-term viability.

**Impact on the 5 C's of Credit:** Your tax documents directly influence several "C's":

**Character:** Consistent, accurate filings speak volumes about your reliability.

**Capacity:** Your reported income is a key measure of your ability to repay.

**Conditions:** The overall financial health shown in your taxes helps lenders assess the viability of the loan under current market conditions.

#### **A Strategic Planning Tool:**

**Identifying Opportunities:** Analyzing your tax data can help you understand your business's financial trends, identify potential deductions you might be missing, and inform strategic decisions that improve your profitability – which, in turn, makes you a better loan candidate.

**Accurate Financial Statements:** The data from your meticulously prepared tax returns forms the backbone of your other critical **financial documents (P&L, Balance Sheet, Cash Flow Statement)** that lenders will also scrutinize.

**Actionable Tip:** Don't just file your taxes; understand them. Work with a qualified tax professional like **Marie Deary, Wealth Management Financial Advisors** to ensure accuracy, maximize legitimate deductions, and use your tax returns as a compelling story of your business's financial strength.

## **Preparing for Traditional Funding: Beyond Just Taxes – The 5 C's of Credit**

While taxes are crucial, a holistic approach is best. To successfully navigate the path to traditional funding, you need to understand how lenders evaluate you across the full spectrum of the **5 C's of Credit**:

**Character:** Your trustworthiness and credit history (personal and business credit scores, payment history, references).

**Capacity:** Your ability to repay the loan from cash flow (debt-to-income ratio, business revenue verified by financial statements and **tax returns**).

**Capital:** Your personal financial stake in the business, demonstrating commitment and shared risk.

**Collateral:** Assets you can pledge to secure the loan (real estate, equipment, accounts receivable), reducing lender risk.

**Conditions:** The specific terms of the loan and the broader economic/industry environment (how your business fits into the market, the purpose of the loan).

**Actionable Tip:** Focus on strengthening each "C" *before* you apply. Improve your personal and business credit, build a strong cash reserve, and clearly articulate your business plan and its purpose for the loan. Most importantly, ensure your financial records, including your **tax returns**, paint a clear, positive, and consistent picture of your business's health.

## **Conclusion: Your Growth Path Awaits – Built on Financial Discipline**

**Hook (Call to Action):** Don't let financial uncertainty or disorganized records dictate your business's future. The path to growth is clearer than you think, and traditional funding, supported by meticulous tax management, can be your most reliable partner.

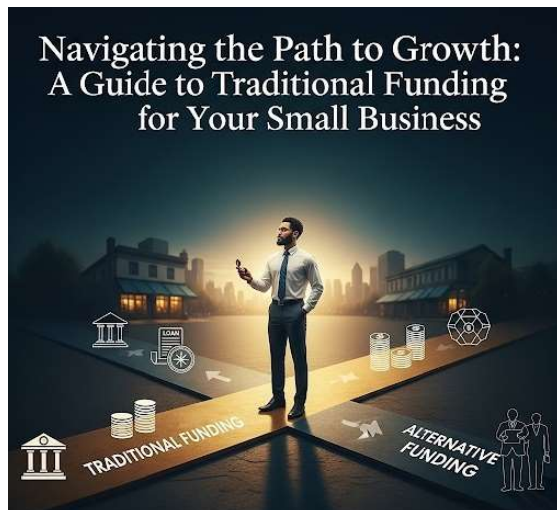
Securing traditional funding is a strategic move that can provide stability, enable expansion, and unlock new opportunities. By understanding the options, diligently preparing your comprehensive financial documents (with taxes as a cornerstone), and demonstrating your creditworthiness, you can confidently approach lenders and secure the capital your small business needs to not just survive, but to truly thrive and reach its full potential.

**The time to plan your financially disciplined future is now. Which path will you choose?**

*By Marie Deary*



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- BUSINESSES WITH 2+ YEARS OF OPERATING HISTORY
- OWNERS LOOKING TO PURCHASE EQUIPMENT, REAL ESTATE, OR EXPAND OPERATIONS



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Are you a small business owner looking to grow, but unsure about your funding options?

This webinar will demystify the world of traditional business financing, helping you understand how banks, credit unions, and the SBA evaluate your business.

We'll provide a comprehensive checklist of the documents you need, break down the "5 C's of Credit," and guide you through the process of securing a loan to fuel your business's next big step.

And Please type your questions into the chat.



*By Marie Deary*



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# THE 5 C'S OF CREDIT



Navigating the Path to Growth:  
A Guide to Traditional Funding  
for Your Small Business



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The 5 C's of Credit is a framework used by lenders to evaluate a borrower's creditworthiness.

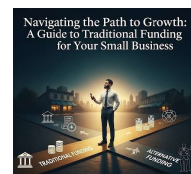
It goes beyond a simple credit score to assess the overall risk of a loan application.

*By Marie Deary*



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# THE THREE PILLARS OF TRADITIONAL FUNDING



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**SBA Loans:** Government-backed for reduced lender risk.

**Term Loans:** A lump sum with a fixed repayment schedule.

**Business Lines of Credit:** A revolving safety net for flexible spending.

**Purpose** Before we dive into the details, let's understand the landscape.

Traditional funding isn't a single path; it's a set of options offered by banks and credit unions.

We're going to focus on the three that are most common and beneficial for small businesses.

**SBA Loans:** These are often seen as the gold standard. They're not from the government directly, but the SBA guarantees a portion of the loan, which makes it less risky for the bank to lend to you. This is a game-changer for many small businesses.

**Term Loans:** This is your classic loan. You get a set amount of cash upfront, and you pay it back over a set period of time.

This is perfect for a major, one-time expense.

**Lines of Credit:** Think of this as a credit card for your business, but with much better terms. It's a revolving line of capital you can tap into as needed, and you only pay interest on the money you actually use. It's the ultimate financial safety net for short-term needs.

*By Marie Deary*

# HERE IS A BREAKDOWN OF THE 5 C'S:



**Character:** This refers to the borrower's reputation and credit history. Lenders look at your track record of paying debts, your credit score, and your history of

on-time payments to determine if you are a trustworthy borrower.

**Capacity:** This is the borrower's ability to repay the loan from their current income. Lenders analyze your debt-to-income (DTI) ratio, cash flow, and overall financial stability to ensure you have the means to make payments.

**Capital:** This is the amount of money or assets the borrower personally contributes to the deal. A significant personal investment shows the lender that you are committed and willing to share the financial risk.

**Collateral:** This is an asset that the borrower pledges

to secure the loan. In case of default, the lender can seize the collateral (such as a house, a vehicle, or equipment) to recover their losses.

**Conditions:** This refers to the specific details of the loan itself and the broader economic environment. Lenders will evaluate the purpose of the loan, the

interest rate, and how external factors like the economy or industry trends might affect the borrower's ability to repay.

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# UNDERSTANDING TRADITIONAL FUNDING



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When we talk about traditional funding, we're primarily talking about debt financing from established financial institutions.

This isn't venture capital or crowdfunding; it's a loan that you pay back with interest over a set period. It's the most common way for established businesses to finance growth.

*By Marie Deary*

# PURPOSE



**Purpose:** Before we dive into the details, let's understand the landscape. Traditional funding isn't a single path; it's a set of options offered by banks and credit unions. We're going to focus on the three that are most common and beneficial for small businesses.

**SBA Loans:** These are often seen as the gold standard. They're not from the government directly, but the SBA guarantees a portion of the loan, which makes it less risky for the bank to lend to you. This is a game-changer for many small businesses.

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**Hard money financing** is a type of loan provided by private lenders or investors, where the loan is secured by a hard asset, typically real estate. Unlike traditional loans that focus on the borrower's credit history and income, hard money lenders primarily base their decision on the value of the collateral.

## Key Characteristics

**Asset-Based:** The loan's value is determined by the "after repair value" (ARV) of the property, not the borrower's creditworthiness.

**Fast Funding:** Hard money loans can be approved and funded in a matter of days or weeks, making them ideal for time-sensitive deals.

**Short-Term:** These loans have a much shorter repayment period than traditional loans, often ranging from six months to a few years.

**High Cost:** Due to the higher risk for the lender and the speed of funding, hard money loans come with significantly higher interest rates and fees.

### **Who Uses Hard Money?**

Hard money is a specialized tool often used by real estate investors, builders, and developers for specific situations. They are common for:

**Fix-and-Flip Projects:** Investors use hard money to quickly purchase and renovate a property, with the plan to sell it for a profit and repay the loan.

**Bridge Loans:** They can be used to "bridge" the gap between a short-term need and a long-term solution, such as a traditional refinance.

**Borrowers with Poor Credit:** Individuals or businesses with a low credit score or limited financial history can use a valuable asset to secure the funding they need.

*By Marie Deary*



# DEEP DIVE: SBA LOANS

## SBSS

### FICO Small Business Scoring Service

**Range:** The SBSS score ranges from 0 to 300. Unlike a personal FICO score where a higher number is better, a higher SBSS score also indicates a lower credit risk.

**Calculation:** The score is a comprehensive assessment that combines both a business's financial data and the personal credit history of the business owners. It takes into account factors like:

- The personal credit score of the business owner(s).
- The business's credit history and payment record.
- The business's cash flow, assets, and liabilities.
- The length of time the business has been in operation.
- Any liens or judgments against the business.

### **Why is the Minimum now 165?**

As of early 2025, the SBA implemented significant changes to its loan programs, particularly for **SBA 7(a) Small Loans** of \$350,000 or less. The minimum SBSS score required for a streamlined, automated approval process was raised from 155 to **165**.

### **What is the Significance for Your Business?**

The increase in the SBSS minimum score has a direct impact on your ability to secure a loan:

**A Higher Hurdle for Expedited Approval:** If your business has an SBSS score of 165 or higher, you are more likely to qualify for a faster, more streamlined review process. This is the **preferred path** for a quick loan decision.

**Manual Underwriting for Lower Scores:** If your SBSS score is below 165, your application is not automatically rejected. However, it will be flagged for a much more comprehensive and time-consuming **manual credit review** by the lender.

**Increased Focus on Financial Health:** To get an approval with a score below 165, you will need to provide extensive documentation to your lender, proving that your business has adequate repayment ability through strong cash flow, collateral, and a solid business plan. This places a greater burden on you to demonstrate your business's financial health in other ways.

In short, the change to the 165 minimum SBSS score means that a strong, positive credit history—both personal and business—is now more essential than ever for small business owners seeking government-backed loans. It serves as a critical initial filter for lenders and signals the need for a well-prepared, financially disciplined application.

*By Marie Deary*



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# WHAT IT IS:

A loan guaranteed by the  
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**Ideal for:** Large, long-term investments like real estate, major equipment, or working capital.

**Key Benefits:** Lower interest rates, longer repayment terms, and manageable down payments.

**Critical Updates (2025):** The SBA has reinstated stricter underwriting standards.

*By Marie Deary*



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# SBA NEW RULES



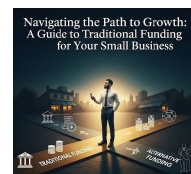
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I want to draw your attention to the updates for 2025, as this is crucial. The SBA has recently tightened its rules to ensure the program remains viable. This means that a strong financial history is more important than ever. The minimum credit score for an SBA loan has been raised, and there are now strict requirements on who can own the business, ensuring all owners are U.S. citizens or LPRs.

**Actionable Advice:** Don't let this discourage you. These changes simply mean that preparing properly is non-negotiable. Having your documents in order and a strong credit score from the start will make you a much more attractive candidate for a loan in this new environment.

*By Marie Deary*

# DEEP DIVE: TERM LOANS & LINES OF CREDIT



**Term Loans:** A single lump sum.

**Best for:** One-time, large-scale projects.

**Note:** Your tax returns will be heavily scrutinized to prove you can handle the fixed monthly payments.

**Lines of Credit:** Revolving access to capital.

**Best for:** Bridging cash flow gaps or managing unexpected expenses.

**Note:** Lenders will focus on your revenue and profitability to determine your credit limit.

**Compare & Contrast (2 min):** Think of a term loan as a single, large infusion of capital to fund a major project, like buying a new piece of machinery. The payments are fixed, so you can budget for them easily. A line of credit, on the other hand, is like having an emergency fund that you can draw from and pay back over and over again. This is perfect for seasonal businesses or those with inconsistent cash flow.

**The Lenders' View:** For both of these, the lender's primary concern is your **ability to repay**. They will look at your financial statements and, most importantly, your tax returns to see a

clear history of stable revenue and profitability.

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# CHARACTER & CAPACITY: WHY YOUR TAXES MATTER



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**Character:** The lender wants to know if you are trustworthy.  
Your tax filings are a testament to your honesty and reliability.

**Capacity:** The lender needs to know if you can repay the loan.  
Your tax returns are the primary, verifiable proof of your business's income.

**New Reality (2025):** The IRS no longer shares tax transcripts with non-mortgage lenders. This means your bank will now request your tax returns directly from you.

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# YOUR TAXES ARE A KEY PLAYER IN BOTH YOUR "CHARACTER" AND YOUR "CAPACITY."



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**Capital (1.5 min):** Lenders want to see that you're financially committed to your business's success. Your capital isn't just your cash on hand; it's your personal financial investment in the company.

For example, if you're asking for a \$100,000 loan, having put in \$20,000 of your own money demonstrates confidence.

**Collateral (1.5 min):** Collateral is what you pledge to the bank to secure the loan. This could be real estate, equipment, or even inventory. It gives the lender a safety net. If you can't repay the loan, they can recoup their losses by selling the asset. Pledging collateral is a key way to reduce the lender's risk and, in return, may help you get a lower interest rate.

*By Marie Deary*

# CONDITIONS: THE CONTEXT OF YOUR LOAN



**Loan Purpose:** How you intend to use the funds.

**Economic Environment:** Broader market and industry trends.

**Note:** Your business plan must clearly articulate how the loan will be used to grow your business under current market conditions.

This final "C" is about the big picture. Lenders look at both the purpose of your loan and the broader economic climate. They want to know that your business can succeed within the current market conditions.

**Actionable Advice:** Make sure your business plan is tight and clearly explains *why* you need the money, *how* you will use it, and *what* the expected outcome will be. The more you can connect your request to your business's profitability and market conditions, the stronger your application will be. For example, you wouldn't get a loan to open a Blockbuster store today, but you might for a streaming service.

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# THE IMPORTANCE OF BUSINESS AND PERSONAL TAXES



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Why Your Taxes Matter Now More Than Ever

**Legal Compliance:** A basic requirement for all businesses.

**Credibility & Capacity:** Lenders use your taxes to verify income and assess your ability to repay.

**Strategic Planning:** Your tax returns are a tool for analyzing your financial health and finding new opportunities.

*By Marie Deary*

# WHAT IS A "GOOD" DSCR?



A ratio of 1.25, for example, means your business earns \$1.25 for every \$1.00 of debt it has to pay. This is generally considered a healthy ratio and a green light for lenders.

The **Debt Service Coverage Ratio (DSCR)** is a critical financial metric used by lenders to evaluate a borrower's ability to repay a loan from their business's cash flow. In simple terms, it measures how much cash a business generates for every dollar of debt it has to pay.

This ratio is a central component of the "Capacity" in the 5 C's of Credit, as it provides a concrete, verifiable number that proves a business has enough income to service its debt obligations.

## How is DSCR Calculated?

The basic formula for DSCR is:

$$\text{DSCR} = \frac{\text{Total Debt Service}}{\text{Net Operating Income}}$$

Let's break down each component:

**Net Operating Income (NOI):** This is your business's revenue minus its operating expenses (e.g., cost of goods sold, rent, utilities, salaries). It's the profit your business makes from its

core operations before accounting for taxes, interest payments, or depreciation. Your business's tax returns are the primary source of this data for a lender.

**Total Debt Service:** This is the total of all your business's annual debt payments, including the principal and interest on all existing loans, as well as the new loan you are applying for.

### **What Does the DSCR Number Mean?**

The resulting ratio tells a clear story about your business's financial health:

**DSCR > 1.0:** This indicates that your business generates more than enough income to cover its debt payments.

A ratio of 1.25, for example, means your business earns \$1.25 for every \$1.00 of debt it has to pay. This is generally considered a healthy ratio and a green light for lenders.

**DSCR = 1.0:** Your business is generating exactly enough income to cover its debt payments. This is a break-even point and offers no financial cushion for unexpected expenses or a downturn in revenue. Most lenders will not approve a loan at this level.

**DSCR < 1.0:** This means your business's income is not sufficient to cover its debt obligations. A lender will likely deny your application, as it indicates a high risk of default.

### **What is a "Good" DSCR?**

While lender requirements can vary, there are common benchmarks:

**Most Lenders:** Generally require a minimum DSCR of **1.25** or higher. This provides a 25% buffer, which gives them confidence that you can handle both your debt and normal business fluctuations.

**SBA Loans:** The Small Business Administration typically looks for a minimum DSCR of **1.15** to approve a loan.

**A "Strong" DSCR:** A ratio of **1.5** or higher is considered very strong and can make you eligible for more favorable loan terms, such as a lower interest rate or a larger loan amount.

### **The Connection to Your Taxes**

The importance of your business taxes is directly tied to the DSCR. Lenders will not rely on your own profit and loss statements. They will use your tax returns as the official, third-party verified source of your business's Net Operating Income. Any discrepancies or inconsistencies in your tax filings will make it impossible for them to accurately calculate your DSCR, which can lead to a quick denial of your loan application.

*By Marie Deary*



Wealth Building Journey.

# KEY TAKEAWAYS & NEXT STEPS



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Traditional funding is a powerful tool for growth.

The 5 C's of Credit are your roadmap to securing it.

Your taxes are the most important document in your application.

*By Marie Deary*



Wealth Building Journey.

# CONCLUSION & Q&A



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**Final Words** Remember, traditional funding is more than just a transaction; it's a partnership built on trust and a strong financial foundation.

By understanding the options and meticulously preparing your financial records, you can confidently navigate the path to growth and build the business you've always envisioned.

*By Marie Deary*



Wealth Building Journey.

# CALL TO ACTION



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Schedule a Free Consultation **CALL 562-427-8877.**

*By Marie Deary*

# THANK YOU!

"Have a wonderful rest of your day!"



Thanks for  
being here this  
evening.



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**What would you  
like to share with  
me?**



# WEALTH MANAGEMENT

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