

The Capital Minute

3 Reasons for a Business Plan that Only a Professional Understands

Know how to answer the particular concerns of each type of investor or lender and how to pitch the plan to them.

By Lee Lister

Writing A Business Plan Or Cover Letter -- Part 3

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7 Steps To Get A Loan For Your Business

Already at the stage where you are looking for funds to start or expand your business? These steps will help you raise the right amount of capital to get your business going...

By David Ruiz

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From the editor

MIKE ELIA, CPA, MBA



It's about the Bait...

“Find the thing your prospects are interested in and make it your point of contact, rather than rush in and try to tell them something about *your* proposition, *your* goods, *your* interests.”

Robert Collier
The Robert Collier Letter Book

When it comes to writing a business plan or any correspondence for that matter, study your reader first – your business second. If you understand your reader's desires, and present those things in your business that relate to them, then your business plan will surely create excitement and interest.

But, you already know this, right?

This edition of the Capital Minute is not going to show beginners how to write an epistle of a business plan. This edition is for the businessperson who already knows the blocking and tackling of writing a business plan and is looking for more effective ways to put that knowledge to use.

And, that's just what our feature article, the last part of a three part series titled *Choosing The Right Talking Points in Your Business Plan or Cover Letter*, is all about...answering the question: What is it about some business plans that makes them so much more effective than others? The answer just may surprise you.

And, if you've already tackled the business plan turn to David Ruiz's article about the seven step to get a loan for your business. If you haven't you may want to hold off deciding whether to write your plan yourself or get professional help until you read Lee Lister and Art Hamel articles.

Finally, remember to drop me a quick note about future topics you'd like to see covered in the Capital Minute...after all it is YOUR magazine.

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Contributing Authors:

Mike Elia
Art Hamel
Lee Lister
David Ruiz

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Insights

3 Reasons for a Business Plan that Only a Professional Business Planner Understands

By Lee Lister

There are three reasons why you need a business plan...

1. To obtain funding

Every good potential lender or investor, be it a banker, angel investor, venture capitalist, or business partner, will require a business plan. They want to be comfortable that you have thought long and hard about your business rather than jumping straight into a business. More importantly they want to ensure that they have a good chance of not only having their investment returned, but also making a profit out of the arrangement.

Your business plan is your sales tool - it explains your business and your strategies to make this business a success. It shows how detailed and organized you are and how you intend to make a success of your business.

2. To introduce your business to potential funding sources.

The Executive Summary is undoubtedly the most important part of your business plan. Investors receive hundreds of business plans. They decide on their initial sort of who they want to investigate more thoroughly, by viewing the Executive Summary. Yours should be short, concise and eye catching. Investors like entrepreneurs who can concisely and accurately describe their business, products and potential. If you think of it, this is what an effective sales person does every day. If your business model is not planned well enough to describe in a few well-written pages then it is unlikely to be successful and very unlikely to be funded.

Once a potential investor has reviewed your Executive Summary and becomes interested in your potential business, then they will read the

rest of your business plan in order to gain a greater understanding of your business and investment requirements.

Your Executive Summary should be written after the main part of the business plan and should be no more than 3 pages long. It should summarize your business plan and include an overview of your business, your business models, what you are selling and in which market. You should also summarize your financial requirements and projections as well as provide your investor's exit strategy.

3. To ensure that you have carefully planned your business

A well-planned business is a business likely to succeed. Do you know who your potential customers are? Do you really know who they are? Where they are and what they are looking to buy?

Do you know how to define your company within a sales environment? Where do you want your company to be in three years?

Do you know how many staff you will need? How you will pay for these staff?

Do you have a vigorous business model? Even know what a business model is?

Have you really thought through how you will run your business?

The answers to all of the above, plus many more will be discovered, decided and defined during the business planning process. If you use a professional business planning company, you have the advantage of not only having a well-written business plan, but the chance to benefit from the business knowledge of the planning company.

A well written and thought out business plan will help you clarify your own thoughts about your business, how you want to present your company to your peers, customers and investors. It will help you find out who your best customers are, where they are, what they want to buy and at what price. It will identify any weaknesses you may have in your thinking. Lastly it will provide you with a business and marketing strategy combined with a robust financial model and business model that will give you confidence to make the leap into entrepreneurship.

What can a professional business planning company do for you?

A good professional company has experience in writing many different kinds of business plans for many different types of companies. A plan written to attract financing from a Venture Capitalist is totally different than a plan written for an Angel Investor or a bank. A professional company understands this. They know how to answer the particular concerns of each type of investor or lender and how to pitch the plan to each audience.

Remember, investors are risking their hard earned capital when they invest in your business. They need a certain comfort level that you have a clear business strategy and a robust business model. They want to know that you have researched your potential market in great detail. They also want to be comfortable that you understand all the risks that your new business faces.

A problem many business owners have when writing their own business plans is not including all the information readers require or including too much information that is not required. Their plans are often unfocused and spend too much time discussing unnecessary information...giving your listener the impression that you are unfocused and unstructured.

By definition new entrepreneurs have very little time. Yet, they need to produce a business plan and progress up a steep learning curve. A professional business plan company has already climbed this learning curve and has enough experience to guide you through the whole process. This frees you up to focus more on finding and servicing your customers. Don't get

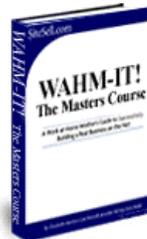
me wrong. You'll still be involved at every stage in the process to ensure that the plan reflects YOUR business.

So, look for a business plan consultant who will be objective in reviewing your business. One who has in depth experience to offer you advice and suggestions that will make your business plan more directed and powerful. When you do this you'll get a quality, investor ready business plan and some very useful business consultancy as a bonus! CM

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About the Author

Lee Lister, writes as The Biz Guru, for a number of web sites including her own sites <http://www.BizGuru.us>. She is a business planning expert, with over 20 year's management and business consultancy experience with businesses large and small as well as being a serial entrepreneur, she now helps others set up, develop and market their businesses. Also visit <http://www.FindMeLinks.com> for our Internet marketing solutions or <http://www.clikks.com> for all our informational products.



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The Last of a Three Part Series

Choosing The Right Talking Points

In Your Business Plan or Cover Letter – Part 3

By Mike Elia

In Parts 1 and 2 of this series we talked about how to select your arguments and talking points. Those key points that separate your business, products or services from other businesses.

We dug deeper into how to organize your materials. Explored ways to sort and keep what you gather so you can shave hours off your writing time. And, more important, never have to omit an important piece of proof because you misplaced the evidence!

In this third and final part of this series we focus on what I believe makes some business plans so much more effective than others.

Let me start by asking you the question: What is it about some business plans that make them so much more effective than others?

Is it perfect diction? Is it a superb layout and fine graphics? Perhaps, it's a clever use of pictures, attention-grabbers or interest-arousers?

Or, is it because they all followed some "proven" business plan outline?

I have seen hundreds of business plans that have done all of these and more. Yet, just like several of King Arthur's men in the movie *Monty Python and the Holy Grail*, when they faced the gatekeeper at the Bridge of Death, were cast into the Gorge of Eternal Peril.

These plans, though not cast into the Gorge of Eternal Peril, were cast into the Gorge of the Eternal Wastebasket, while other business plans, clearly less polished and lacking traditional business plan acumen, created intense interest and excitement on the part of their readers.

Why?

Because getting the results you want out a business plan is no more a matter of following the "rules" than is catching a fish.

I can recall more often than not fishing with my wife's grandfather in East Bay down in Panama City, Florida for speckled trout.

Even though we fished side-by-side from a small boat, Granddaddy always seemed to pull-in fish after fish while I could barely get a bite.

See, the difference was that Granddaddy knew how to work his bait to give the fish what they wanted. I, on the other hand, obviously did not. That's why Granddaddy caught a boatload of fish and I only a handful.

A ton of books have been written about fishing, but at the end of the day it all comes down to using the right bait for the fish you want to catch.

The same is true of business plans. A ton of articles have been written about ways to use a business plan to attract investors, employees, you name it. But, all the advice and how to boils down to this: "What is the bait (the key talking points) that will excite your reader and move them to take action?"

The purpose of every business plan is this:

The readers of your business plan are looking for certain things, consciously or unconsciously. As soon as they pickup your plan, these things dominant their focus.

Meanwhile, you want the reader to take a certain action...express an indication of interest, start doing their due diligence, cut a check, something. Your challenge is to link this to what your readers are looking for in such a way that it brings them closer to their goals.

So, when you sit down to write your business plan, how do you pick out your talking points?"

The first thing I do is put my pen down or, if I'm typing, I take my hands off the keyboard.

Avoid the temptation of starting to write without knowing your target audience.

Are you writing a banker, an investor, or a potential employee? It matters you know. Each one has different interests.

Instead, picture in your mind the person to whom you are writing. Get familiar with that

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person's view. Pick out the arguments that will appeal most to this person. Then, write your business plan or cover letter to that individual.

The truth is most business plans and cover letters are not aimed carefully. Writers simply blaze away in hopes that some of the shots will take effect. Never crafting a clear case for what makes the business unique and a match with the reader's interests.

There are a hundred things that might be said about your business. But, it takes a familiarity with human nature and salesmanship to find the right arguments and inducements that carry the most weight with your prospect.

Even if you are preparing a form letter to send to several prospects, it's more effective to write directly to the one individual that best represents the group as a whole that you are trying to reach.

Novice business plan writers focus on viewpoints that appeal to them. In contrast,

experienced writers look to their targeted readers for their talking points.

Let's say you are writing to a group of targeted investors. Start by getting familiar with investors who invested in businesses similar to yours.

Chances are the features that led them to invest in that business are the same ones that will induce targeted investors to invest in yours.

And, don't stop there.

Get information from those investors who did not invest. Find out why they didn't invest. What their objections were. Where did they feel the business fell short of their requirements?

You can be sure that your prospects will raise the same objections. Anticipate these criticisms and prepare arguments to stall them.

This is where a library of useful evidence comes in handy.

For example, public documents that companies file with the Securities and Exchange Commission (SEC).

These filings have already been thoroughly tested. The arguments, schemes, and talking points in them proved important. They have been put fourth to investors and regulators and the arguments deemed sufficient.

Use them to help build your case. Use them to give you a glimpse of the things that your readers will focus on.

Take the time to cover your bases. Test your arguments. Know the strengths and weaknesses of your talking points before you waste big money printing and distributing your plan. Test each section of your business plan as accurately as a chemist tests for impurities.

Whenever you write a business plan or cover letter keep these seven ideas in mind:

1. Never rely on an argument that would not appeal to you, the writer.
2. File the materials you gather for easy reference.
3. Know your audience.
4. Know your products from the source of the raw materials used to produce them to their final delivery to the customer.
5. Know what arguments appeal to your readers.
6. Look at your business plan through the eyes of your readers.
7. Sell yourself on your business plan first.

When you do these things, you will find the talking points that will sell your readers. CM

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About the Author

Mike Elia is a chief financial officer and an advisor to venture capitalists and leverage buyout specialists. For more information about business plans and raising capital for your business or to review his business plan manual, visit <http://www.business-plan-secrets-revealed.com>.



Business Plan Basics

Business Plan Secrets You Won't Learn At Harvard Or Yale

By Art Hamel

If you want to buy a business, but don't know how to create a business plan, then this article will show you how to get one done and ready within a few weeks.

Listen: In order to get a good business plan in your hands, you are going to have to do one of two things:

- 1) Hire someone to do it for you
- 2) Do it yourself

Now, if you hire somebody to write your business plan for you (and this is the ideal way of doing it), it will usually cost you between five or ten thousand dollars.

On the other hand, if you're starting with little or no money of your own, and want to do it yourself, there's a number of programs in the business section of your library that can help you. Most decent libraries will have CDs, books and computer programs you can use to put together a business plan.

Another way to do it yourself -- and this is a little more "unconventional" -- is to simply go online, put "business plan" into a search engine, and you will find dozens of companies that will

give you samples of business plans (you can use as "templates") -- 100% free -- because they're trying to sell you financing or something like that.

Whatever the case, if you decide to go out and raise money to buy a business and don't put together a business plan, the chances of you getting the money is zero and none. Luckily, it can be done for little or no money. But the ideal way is to hire someone who's done them before (and has a track record of having created successful business plans) if possible. CM

About the Author

Arthur B. Hamel has bought over 200 businesses in the past 50 years, and is a well-known author, consultant, investor, business owner, and dynamic lecturer who has shared the stage with such business greats as Robert Allen of "No Money Down" fame. For the past 20 years Art has taught thousands of people around the world -- even so-called "little guys" with no formal education or money -- how to quickly and easily buy large, multi-million dollar businesses with no credit, banks or prior business experience. He has recently decided to share his unique business-buying secrets and tactics free of charge at: <http://arthurhamel.com>

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Financing

7 Steps To Get A Loan For Your Business

By David Ruiz

Hopefully, you are already at the stage where you are looking for funds to start or expand your business. In this article, we will explain some of the different ways to find financing. Due to the high cost of setting up a business, determining how you will finance your business is crucial.

Loans are a time-tested way of raising capital for your business. We would love to tell you that it is as easy as going to the bank and asking for money, but as you probably know by now it is quite the opposite. We wrote the following steps to help you raise the right amount of capital to get your business going.

Step 1: Decide how much money you need.

This is an obvious but often misunderstood statement. Entrepreneurs, particularly start-ups, when budgeting for their business often focus on what they will need to get their business going, or to finance a particular project without accounting for working capital or cash for contingencies. This is dangerous because lack of working capital can mean the death knell for the business.

On the other hand, some entrepreneurs, again start-ups, drastically overestimate their costs. This will make lenders not only to question the entrepreneurs' assumptions, but also question whether they know what they are doing.

Now that we decided on an amount, let's focus on the lender.

a) If you are a start-up:

Loan amounts below \$25,000 are considered smaller, micro-loans. Not all banks will be interested in doing a SBA guaranteed loan for small amounts (more below). Micro-lenders and Alternative-lenders are better equipped to handle this type of loans. These lenders usually make smaller loans and have a community focus. Look

to credit unions, local development corporations and other non-profit lenders.

A Small Business Administration (SBA) guaranteed loan is a guarantee to the lender. If the borrower defaults, the lender is guaranteed repayment of a portion of the loan by the SBA. You are still liable for the loan, so your obligation does not go away. From our experience, an amount of \$50,000 and above is the usual range for SBA loans. The higher the amount requested the more the lender would look for collateral to secure the loans. Start-ups and existing businesses can apply for SBA guaranteed loans.

b) If you are an existing business:

If you own a company that has documented sales (you will need to show previous years' tax statements) then you can apply for conventional bank loans. These loans are usually easier to apply, and may have lower interest rates. Normally for a conventional bank loan, you will need to be in operations for at least 2 years.

c) Set your expectations:

The bank does not want to own your business. It is highly unlikely that you will get a loan for a 100% percent of the project cost. You will need to put down a co-payment. Although the minimum co-payment varies by industry and lender, expect to put down at least 20%-30% or more of the cost of the project.

Step 2: Find out your credit score.

You should check your credit score and look over your credit report to make sure there are no problems. A credit score of above 650-680 is considered "Good", but it does not mean you will get a loan. A credit score in the 700-800's is very good and increases your chance of getting approved.

You can request your credit report from one of the reporting agencies, or use one of the many online services available to check your score.

Step 3: Start researching your options.

Start weighing all your options. Think of ways to strengthen your loan application. Can you find a co-signer? Bring in a partner with good credit or experience? Invest more cash into the business? If you think that you are not a strong candidate for a business loan, you can present the lender with options to increase your chances.

Step 4: Start writing the business plan and create the financial projections.

The business plan is more than a plan—it is a tool that helps you evaluate your business concept, your product or service, and discusses how to implement your ideas. A business plan is also a tool to obtain investors, lenders, and strategic partners. You can find many resources and opinions on the Internet as well as your local bookstore on how to build an effective business plan. A lender will usually require a comprehensive business plan as well as a projected 1-year cash flow projection (month-by-month), 3 years income statements, a balance sheet, a statement of sources and uses of funds, and a loan amortization schedule. One mistake that we usually see is that the figures on the Business Plan do not match the figures on the financial projection. Double-check your work before sending it to the bank.

Step 5: Find a lender

Finding the right lender is not easy; each lender has its own criteria for lending. However you can use the list below to get an idea of what type of institution is a better fit for your loan needs.

a) Commercial Banks

Banks are one of the largest small business lenders but their approach to lending varies. Commercial Banks decisions are based on your strength as a borrower (a good credit score, personal financial statements, experience and collateral) the banks goals for the period and their lending philosophy. Banks may be looking to

expand their small business loan consumer base; others may focus on larger loans or a specific industry.

You will need a high credit score if you are applying for a bank loan (with or without the SBA guarantee). Although, this is not an absolute rule for all banks, we found that a credit score over 700 is a better predictor on the success of a loan application. The bank may look for collateral (home equity, saving, etc) if you are applying for amounts over \$50,000.

The borrower's personal financial situation is key for the application. The bank's underwriter will analyze the person's net worth; as well as look at her previous earnings, length of credit history, among other factors.

For lower amounts the bank may not require a business plan. However, if there is a particular weakness in the loan application, the loan officer may ask the borrower to submit a business plan and financial projections.

b) Non-Bank lenders

These institutions do not conduct consumer banking but offer business services and business loans. Lenders' requirements vary depending on the institution, and some prefer lending to specific industries. The Non-bank lender may take longer to process your loan application than a regular bank, but they can approve loans that banks find too risky.

Non-Bank lenders usually require a business plan and ample documentation with the loan application. Compared to banks these lenders have more flexibility working with lower credit scores as long as the borrower has the necessary experience and collateral.

c) Region specific Lenders

There are neighborhood specific for-profit/non-profit lenders that have more flexible lending terms. For example: Credit Unions and Community Development Organizations may lend to specific neighborhoods. The nature of your business and the reason why you are requesting the loan should fit with the organizations' goals.

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d) Micro and Alternative lenders

Micro and Alternative Lenders lend to riskier borrowers. These borrowers usually have low credit scores or they are just building credit, also they don't have a strong financial history and have little or no collateral. These institutions lend lower amounts and charge higher interest rates.

Step 6: Prepare the loan application package

A "Loan Package" is the paperwork you submit to the bank in order to apply for a loan. The Loan Package includes the following:

- Business Plan
- Business Financial Projections
- Personal Financial Information
- Personal Tax Statements
- Information about business, location, sales contracts, etc.
- Business Owners' Resumes

Step 7: Waiting

Loan applications are approved or declined much quicker than people think. A lender can approve an SBA express loan within 36 hours. Regular commercial loans have similar processing times. You should expect to get an answer within 2 weeks, and hopefully close the loan (get access to the money) within another 2 weeks. However, if the institution needs more documentation, or if the loan is for a larger amount, then it might take longer to process the loan, especially SBA loans.

CM

About the Author

David Ruiz and Ulas Neftci are NYC Business Consultants currently working on Guideye.com.

Guideye.com is a resource for starting, operating and financing a small business in New York. The site offers step-by-step guides for forming a company, financing information, Taxes, Insurance, Business Plans and other operational concerns. The site also includes useful resources for entrepreneurs.

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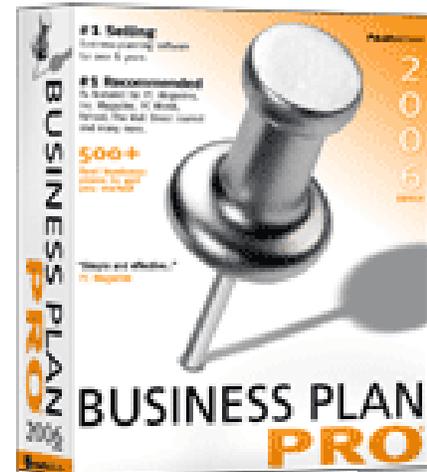
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Mike Elia
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8417 Arbory Hill Ct
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