

# Financing for Starting a Business Info-Guide

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This document is designed to help you navigate through the federal and provincial government programs available to individuals starting a business in Ontario.

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## 1. General Information

The success of your business depends on you having enough capital to purchase the equipment needed, buy the inventory you will have to carry, pay overhead costs such as rents and salaries, and have a large enough amount set aside for additional working capital and to enable you to take advantage of opportunities or survive temporary setbacks. It is essential to assess the costs of start-up and doing business, and determine the capital required before you begin. This is an integral part of the initial **business planning** process. Your financial requirements will generally fall into two main categories:

**1. Initial costs:** land, building, fixtures, equipment, supplies, vehicles, pre-opening expenses and opening inventory;

**2. Daily operating costs:** rising inventories, payroll, rents, taxes, advertising, accounts receivable, etc.

### For further information:

see the document: [Dealing With Your Banker & Other Lenders](#)

visit the web site: [Key Small Business Financing Statistics](#)

## 2. Overview of Business Financing

In the early stages, the most important financial sources will probably be yourself, friends, relatives and financial institutions. When you are looking into applying for a loan for your business, it is important to study different avenues of financing. We have included here a few brief definitions of various sources of financing.

### Banks and Other Financial Institutions

The most common source of financing for small businesses is the chartered bank. Banks can provide a number of financing options, such as short-term loans, long-term mortgage loans and, in some cases, loans against inventory or accounts receivable. Other important sources of financing in this category include trust companies and credit unions.

## Credit Cards and Personal Lines of Credit

For very small firms and home-based businesses, credit cards and lines of credit often provide a ready means of obtaining small scale debt capital. While convenient, they bear relatively high rates of interest and limit the amount of capital available.

## Partners and Business Angels

Angels are simply wealthy individuals who invest directly in small firms owned by others. Angels tend to finance the early stages of the business. Attracting partners who make an investment in the business is also an option.

## Venture Capitalists

Institutional venture capitalists are among the more important sources of risk capital. Venture capitalists are usually private or publicly-sponsored pools of capital that acquire a level of participation in the firm applying for financing. Venture capital can be an effective means of enabling the growth potential of the firm.

## 3. Business Planning

A business plan is often a key component of your application for financing. The plan describes who you are, what you plan to achieve, where your business will be located, when you expect to get under way, how you will overcome the risks involved and how you will generate your profits. The COBSC has a number of resources that can help you develop your business plan:

[Business Plan Guide](#)

[Business Plan for Small Manufacturers](#)

[Business Plan for Retailers](#)

[Business Plan for Small Construction Firms](#)

[Business Plan for Small Service Firms](#)

[Interactive Business Planner \(IBP\)](#): an Internet tool that guides you through each section of your plan and links you to Internet-based sources of information that may help you complete each section.

## 4. Financing Programs for Starting a Business

### Canada Small Business Financing (CSBF) Program

The [Canadian Small Business Financing Program](#), under the [Canada Small Business Financing Act](#), can help businesses obtain term loans of up to \$250,000 to help finance **fixed assets**, necessary for the operation of the business including:

- the purchase or improvement of real property or immovables
- the purchase of leasehold improvements or improvements to leased property; and
- the purchase or improvement of new or used equipment necessary for the operation of the business.

The loans are made directly by approved lenders to businesses (excluding farming) operating for profit. CSBF loans proceeds cannot be used to:

- improve a family dwelling for non-commercial purposes;
- purchase shares;
- finance working capital (finance inventory, accounts receivable, etc.);
- permits and licenses used in the operation of eligible assets;
- franchise fees;
- feasibility studies;
- professional fees (e.g. legal, accounting and appraisal);
- survey costs;

- building permits;
- vehicle for personal use;
- intangibles (i.e research and development costs, prepaid expenses, good will, etc.);
- or purchase real estate for resale.

**For further information:**

see the document: [Canada Small Business Financing \(CSBF\) Program](#)

## **Business Development Bank of Canada (BDC)**

The [Business Development Bank of Canada](#) is Canada's bank for small and medium-sized enterprises (SMEs), delivering financial and management services, with a particular focus on the emerging and exporting sectors of the economy. The BDC has a number of financing programs for a variety of business needs.

**For further information:**

please call **1-877-232-2269**

visit these web sites:

[BDC Financing](#)

[Financial ratio savvy](#)

## **Starting a business program**

The Business Development Bank of Canada's experienced business consultants can help you plan your business venture.

**For further information:**

visit the web site: [Financing for starting a business](#)

see the document: [Starting a business](#)

## **Innovation Financing Solution**

A new product designed to fund projects to develop e-business, explore new export markets, and to cover the costs of R & D associated with the introduction of new products and services.

**For further information:**

see the document: [Innovation Financing](#)

## **Ontario Community Futures Development Corporations (CFDCs)**

Through federal support, the [Ontario Community Futures Development Corporations](#) administer local investment funds to help finance new or existing small businesses for start-up, expansion or stabilization plans that help maintain or create jobs. Repayable financing of up to \$150,000 on commercial terms through loans, loan guarantees or equity investments is available when financing from other sources is insufficient. All CFDC financing decisions are made at the community level by the local boards of directors.

The CFDCs provide important services to businesses that include:

- business advice, counselling, information and referrals;
- help with business plans;
- export support;
- entrepreneurial training; and
- information on relevant federal and provincial programs and services.

**For further information:**

please call **1-800-567-2345** or **416-775-3456**

## Micro-credit Lenders

"Micro-credit" can be defined as small loans made to individuals to undertake self-employment or to start very small businesses. This type of financing may be provided through a number of different sources: independent non-profit organizations, community economic development programs, commercial financial institutions, etc. Usually, a micro-credit lender serves a particular geographic area or community, or a particular group. The loans are typically under \$5,000 and for entrepreneurs who have not been able to secure financing through traditional lenders. Many micro-credit lenders offer some form of technical assistance such as business training, mentoring, peer exchanges and/or networking opportunities in conjunction with their loans.

### For further information:

please call **1-800-567-2345** or **416-775-3456**

visit the web site: [Sources of Financing: Micro-Credit](#)

see the document [Sources of Micro-credit Financing](#)

## 5. Financing Programs for Youth Starting a Business

### Summer Company

The [Summer Company](#) program provides hands-on business coaching and mentoring, and awards of up to \$3,000, to help enterprising young people start up and run their own summer businesses. In order to be eligible you must be:

- between 15-29 years of age;
- a student returning to school full-time in the fall;
- a resident of Ontario;
- a Canadian citizen or a Landed Immigrant;
- not operating an existing business or employed elsewhere full-time during the term of the operation of the Summer Company program; and
- prepared to commit a minimum of 8-12 consecutive weeks full-time to the experience.

### For further information:

please call **1-800-567-2345** or **416-775-3456**

see the document [Summer Company](#)

### Canadian Youth Business Foundation (CYBF) Loan Program

The [Canadian Youth Business Foundation](#) provides loans of up to \$15,000 to aspiring young entrepreneurs who are between 18 and 34 and are most likely to succeed in creating a business and for whom financial assistance is critical. It is expected that the business will provide full-time employment for yourself and others. To ease the early stages of business growth, loan repayments of three or five years are available so that you can stay focused on getting established.

### For further information:

please call **416-408-2923**

## 6. Financial Assistance for Individuals who are Unemployed to Start a Business

### Ontario Self-Employment Benefit

The Ontario Self-Employment Benefit provides unemployed people who are or have recently been eligible for Employment Insurance with income and entrepreneurial support while they develop and start their business.

### For further information:

see the document: [Ontario Self-Employment Benefit](#)

## 7. Sources of Financing

Sources of Financing , is an Internet resource for locating traditional and alternative sources of small business financing. This site provides interactive access to objective information on appropriate forms of public and private sector sources of debt and equity financing, including the following:

- angel investors
- banks, factoring
- leasing
- venture capital.

### **For further information:**

see the document [Sources of Financing](#)

## 8. Other Resources

- [eProfit\\$](#)
- [Canadian Bankers Association](#)
- [Online financing](#)
- [Getting Started in Small Business](#)
- [Explore Your Financing Options](#)
- [Financial Glossary](#)
- [Canadian Bankers Association - Financial Calculators](#)
- [Steps to Growth Capital](#)
- [Your Guide to Small Business](#)
- [There's Something About Money](#)
- [Buying a Business](#)

Some of the organizations listed above are not subject to the federal [Official Languages Act](#) or the [French Language Services Act](#) of Ontario. Their services may not be available in both official languages.

## Need more information?

**Click:** [Canada-Ontario Business Service Centre](#)

**Call:** 1-800-567-2345

**Visit:** visit our [Regional Access Program Locations](#) page to locate an office near you

### DISCLAIMER

Information contained in this document is of a general nature only and is not intended to constitute advice for any specific fact situation. Users concerned about the reliability of the information should consult directly with the source, or seek legal counsel.

### Links Policy

Some of the hypertext links lead to non-federal government sites which are not subject to the *Official Languages Act* and the material is available in one language only.