

## Business Plans: What Lenders Look For

Written by  
Friday, 09 December 2011 11:52

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A slowdown in the economy doesn't have to be a barrier for starting a new business. In fact, some experts argue that, during a slowdown, you might find bargains in areas such as supplier costs and office leasing. If you decide the timing is right to start your business, remember that developing a business plan is your essential first step.

Your business plan is a blueprint for turning your idea into a functioning, profitable reality. This document should describe the essential components of your company, provide a clear framework to help you stay on track, and help tell your story to potential lenders or investors.

Each business plan is unique, and should evolve as a company grows; however, a typical plan will include the following information:

- Executive Summary – Briefly describe your company, management, objectives, and financial plan. Include a description of what your business is, the services it provides, and how it makes money. Also, include your marketing strategy, competitive analysis, operating procedures, and any information about future employees.
- Business Information – Address the legal structure of the business (sole proprietorship, partnership, corporation, etc.) and include information about business licenses, zoning

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requirements, insurance requirements, building codes, health codes and other relevant laws and regulations. Be sure to seek tax and legal advice.

- Finances – Detailed estimates of your future income and expenses are essential.

Describe funding sources, provide “pro forma” income projections, and include an analysis of future cash flow. For the first year or two you’ll be in business, track these details by month, then by quarter thereafter.

- Supporting documents – Include any other important documentation, such as tax returns, personal financial statements, contracts, proposed lease agreements, insurance documents, licenses, and copies of letters of intent from suppliers. Also include your insurance declaration page, containing your coverage information, policy forms, and deductibles.

### Action Steps

Once you’ve prepared a strong business plan, there are several next steps to get your business prepared to open. It’s a good idea to meet with a business banker or financial planner to help walk you through the steps.

### Financial

- Establish a business checking account.
- Talk with your banker about options for establishing business credit.
- Hire an accountant or set up accounting software.
- If you plan to accept payments for products or services, establish a merchant payment processing account.
- Secure insurance for business property or assets.
- If relevant, secure workers’ compensation, commercial automobile protection, and legal liability coverage

### Legal

- Apply for a business license from the county registrar or other authority.
- Register your DBA (“doing business as”) if this differs from your business’ legal name.
- Obtain other licenses or specialized permits you will need to operate.
- Seek legal advice to determine the best structure for your business.
- Create and file the paperwork for your legal structure as required.

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A well formulated business plan will help you communicate your business ideas to advisors and financiers. Build your business plan and you'll be better prepared for helping your company succeed.

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