

ESTABLISHING BUSINESS CREDIT



Bladimir Mercedes, Member, Small Business Resource Association

As a small business owner, it is important to know how to access financing and credit for your business. Running a small business is not an easy feat, which is why you need a good business credit profile to help you execute your business plans.

Why do you need a good business credit profile and score? The merits of a great credit line can never be overemphasized. Here are some of the benefits associated with having a great business credit score and profile: With a good business credit score, business owners can gain access to better interest rates, secure better terms of trade with suppliers and avoid having to prepay for certain products and services. This is actually a great way to save money while sourcing for funds to grow your business.



having a great credit relationship with the major vendors in the industry. A great relationship with your vendors means, you're less likely to worry about having to pay for certain services upfront. Securing payment terms like net-30 or a credit line with some of the vendors who report such payments to credit reporting agencies, is a great way to build business credit history.

There is actually nothing that forces vendors to report to business credit bureaus, which means you might have to look for those who actually report the payment history.

EIGHT WAYS TO ESTABLISH A GREAT BUSINESS CREDIT

Now that you understand the benefits of getting a good business credit score, the next step is to understand how best to achieve the objective:

- **Establish Your Business and Put It on the Map** – You cannot just open a business and expect it to start establishing credit on its own if you don't make efforts to put it on the map. You need to ensure that your business is properly established before you can establish any form of credit. You can start by listing your business phone number in the directory. A business phone number is something any serious business should have. You can also use your business name to open an official bank account that will be used to pay bills.
- **Build a Good Credit Relationship with your Vendors** – Nothing beats

- **Get your Employer Identification Number** – An EIN is a Federal Tax Identification Number that serves as the equivalent of a Social Security Number for businesses. They are required for incorporation and might be requested when you are opening a bank account with your business name. The EIN will also be needed to vendors and creditor to issue accounts for your business.

- **Make Prompt Payments All the Time** – This goes without saying. By paying your bills promptly, you are letting vendors know that they can rely on you to manage your debts effectively. Your credit score is automatically affected by late payments which has an adverse effect on your business credit profile.

- **Get a Business Credit Card** – You can also establish a great business credit by getting your business a credit card from any of those companies that report back to the main credit reporting agencies. Operate an open credit card, even if it is just one. However, be careful not to overstretch your business finances. You don't have to use the credit for everything that hits your fancy.

- **Incorporate your Business** – Every serious businessperson knows when it is time to get incorporated. Incorporation helps you separate your business profile from your personal profile. Not incorporating your business means having your personal and business credit histories legally attached.

(Continued on page 28)

ElderCareDirection.com



A Complete Solution for Senior Care Planning

COST SAVING PLANS
Save thousands and eliminate the stress of dealing with financing solutions. ECD has a cost savings solution for nearly every situation.



EFFICIENT SOLUTIONS
Save both time and money by avoiding the paperwork hassles, unnecessary attorney fees, and get the best solution for your loved ones.

MEDICAID PLANNING
Protect your assets and get the care you need by planning in advance with the many experts at Elder Care Direction.



VETERANS BENEFITS
As a free service, we can help you understand and apply for a service member or their spouse. We are in tune with the new changes made to VA benefits and can show how that affects eligibility.

Call 267-368-4201 for a FREE CONSULTATION



WE STAND

FOR OPENING AS MANY DOORS AS POSSIBLE.

For nearly 200 years, we have stood for one thing: service. We are committed to helping businesses flourish. If your business is ready to take the next step, we're ready to take it with you. We're WSFS Bank, and We Stand For Service.

WSFSBANK.COM / 1.888.WSFSBANK



©2018 WSFS Bank | Member FDIC | NMLS# 417673

WSFS bank
We Stand For Service®

BusinessAdvisor

Promote your business in the Route 422 Business Advisor!

Call (610) 323-6253



422bizmag.com



Create Unstoppable Momentum FOR YOUR BUSINESS



**NEW GROUPS
NOW FORMING!**



Collective minds

*Collaborative Group Wisdom
Affordable Mastermind Groups
for Small Business Owners*

www.sbrassociation.org/collective-minds/

2395 Lancaster Pike Shillington, PA 19607 814-808-SBRA (7272)

EZ IN OUT



Rentals for
Personal & Commercial



Professional • Affordable • Responsive
dumpsterdudez.com

• **FRANCHISES NOW AVAILABLE** •



ESTABLISHING BUSINESS CREDIT

(Continued from page 27)

- **Separate your Commercial Expenses from your Personal Finances** – This should be fairly obvious in light of the above-mentioned steps. Using your business name to open lines of credits, bank accounts and credit cards is a great way to detach your personal finances from your business finance. This separation becomes even more obvious when you incorporate your business. It is also easier to handle your taxes when your expenses are clearly separated!

- **Pay Attention to your Credit** – Errors on credit reports are not new to small businesses. At least 25 percent of small businesses have experienced credit card errors at some point. By monitoring your business credit history, you can easily spot any inaccuracy that might cause issues later on. Don't hesitate to let the reporting agencies know if you discover any errors.

Building a Great Business Credit

First, you establish your business, then you build a strong business credit relationships with vendors and lenders. This can be achieved with most of the above-mentioned steps, but you need to focus on these two steps if you are really serious about boosting that commercial credit history.

- **Pay early.** The fact that certain business credit scores qualify you for higher credit lines when bills are paid before their due date is a great incentive to pay early. Business credit reports often focus more on payment information and history than personal credit reports. By paying faster, you will be building your credit scores faster than you know.

- **Get accounts that report to business credit agencies.** Lenders and vendors do not have to report to all the business credit reporting agencies. E.g. it is possible for a business card issuer to report to D&B and not report to Experian or Equifax; this information is only available to you when you go through your reports. Monitor your credit scores and reports with different credit reporting agencies to know if having an account with them has a positive effect on your scores and if it doesn't you might want to add to your credit references.

If you would like a free consultation which includes a complimentary copy of your business credit report please contact the author, Bladimir Mercedes is the CEO and Founder of Mercedes Enterprises INC and American Capital Express LLC. He is a Business Loan Broker, Personal and Business Credit Expert.