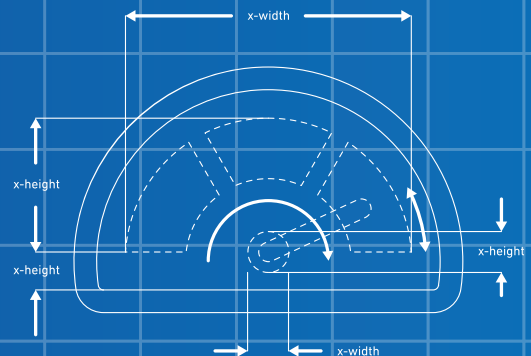
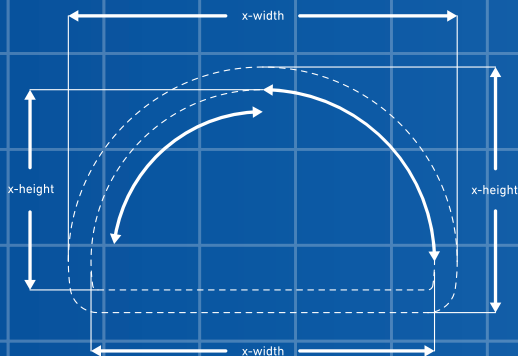




# THE BLUEPRINT

Establishing and Building Business Credit



# CONTENTS

## 1. Introduction

## 2. Business Credit and Borrowing

## 3. Plan

- Establishing a business entity
- Keep your business and personal credit affairs separate
- How to keep your business and personal credit separate

## 4. Build

- Establish trade relationships early in the life of your business
- How business credit is determined
- What if my business does not have a credit score?
- How business credit differs from personal credit
- How you treat your personal credit matters
- Business and personal credit score scales
- Business and Personal credit scores don't impact each other
- Late pay and early pay carry different weightings
- Tap your business network for credit building opportunities
- Why aren't all of my suppliers listed on my business credit report?
- Pay your bills on time

## 5. Thrive

- Let's talk about the debt to limit ratio
- Credit monitoring — empowers you to stay informed
- How do credit inquiries impact my score, and can I harm my score by checking my own business?
- Getting access to capital is as simple as following the five C's
- About Experian's Business Information Services



### Experian Business Credit Report Benefits:

- Easy to read business credit and background information
- Includes the Intelliscore Plus<sup>SM</sup> and Financial Stability Risk rating
- Check and get tips for how to improve your business credit score
- Monitor your business credit report with identity protection alerts
- Access international business credit reports
- Mobile friendly interface
- Competitive low prices

**Get your business credit score today**



## Introduction

Are you a small business owner needing to navigate the complexities of business credit? Experian is here with a helpful guide about business credit and how it works to help you on your journey. From understanding how business credit scores and reports are originated, to employing best practices for building up a strong business credit report, the Experian Blueprint is here to assist you every step of the way.

Good financial health is essential to the success of any business, and building a solid credit reputation establishes trust with lenders. To ensure continued growth and stability, it's crucial that entrepreneurs understand their company's payment obligations and manage their business' score accordingly. Although personal credit can often grow organically over time, businesses must take proactive steps to cultivate an exceptional rating — so let's study what's involved.

## Business Credit and Borrowing

A small business often needs an additional source of funding not just to survive, but thrive and grow. Whether it's bridging the gap between seasons, covering an unpaid bill or investing in a new product — extra cash can be crucial for success. But where does that money come from? Uncovering appropriate sources is key to any sound financial strategy and helps ensure your company keeps progressing forward on its financial journey.

Having lenders review your business credit is a necessary step in securing funding for any venture. To best prepare, it's important to create an individualized metaphorical “prenuptial” agreement between you and your business: establishing separate personal and corporate accounts. This precautionary measure will help reduce risk when the time comes to pursue financing opportunities.





## Establishing a business entity

The most important starting step for establishing a business credit report and score for your business is getting established as a business entity. This starts the transactional history of the business in the eyes of the state and any creditors you do business with.

Establishing a business entity is the process of creating a separate legal entity for your business, which can have its own assets, liabilities, and financials. The following are the steps to establish a business entity:

1

**Choose a business structure:** Choose the type of business entity that best fits your business needs, such as a sole proprietorship, partnership, limited liability company (LLC), corporation, or nonprofit. Each structure has its own registration requirements and tax implications.

2

**File the necessary documents:** File the appropriate formation documents, such as articles of incorporation or a certificate of formation, with the state government.

3

**Select a business name:** Choose a unique business name that complies with state regulations and is not already in use by another business. Whether or not you have structured as a sole proprietorship, you may want to register a fictitious business name (also known as a doing-business-as name), typically done at the state, county, or local level. This will allow you to accept financial transactions and bank with that name.

4

**Obtain any necessary licenses and permits:** Depending on your business type and location, you may need to obtain licenses and permits from local, state, or federal agencies.

5

**Obtain an Employer Identification Number (EIN):** An EIN is a unique number assigned to your business for tax purposes. One can be obtained even if you have chosen to structure as a sole proprietor. You can apply for an EIN through the IRS website.

6

**Register for taxes:** Register for the appropriate federal and state taxes, such as sales tax, income tax, and employment taxes.

7

**Set up a registered agent:** Designate a registered agent who will receive legal and tax documents on behalf of your business. This would typically be done when you register a business structure with the state.

8

**Create an operating agreement:** If you have established an LLC, create an operating agreement to set the rules and guidelines for your business operations.

9

**Open a business bank account:** Separate your personal finances from your business finances by opening a separate business bank account.

Note: The specific steps and requirements for establishing a business entity may vary by state. It's recommended to consult with a business attorney or an accounting professional for guidance.

## Keep your business and personal credit affairs separate

A good practice early on in your business is setting up a firewall between your personal and business finances. This creates a solid foundation for the business from a financial standpoint. There are many advantages to doing this:



### Legal protection

Keeping business credit separate from personal credit can provide legal protection for the owner's personal assets in the event that the business is sued or faces financial difficulties.



### Improved credibility

Having a separate business credit score and history can demonstrate the stability and success of the business, improving its credibility with lenders and suppliers.



### Better loan terms

By maintaining a strong business credit score, a small business owner may be able to secure better loan terms, such as lower interest rates and larger loan amounts, than if they used personal credit.



### Increased flexibility

Keeping business credit separate allows a small business owner to have more control over their finances and makes it easier to manage cash flow, taxes, and other financial responsibilities.



### Easier to manage

Having separate credit reports for the business and personal finances makes it easier to monitor and manage the credit history and score of each, helping to avoid potential issues.

By establishing a solid business credit foundation, business owners can safeguard themselves from the potential financial damages of missed payments.



## How to keep your business and personal credit separate

Keeping your business and personal finances separate and maintaining accurate records is just smart, for one it prevents financial confusion. Mixing business and personal finances can lead to problems, such as inaccurate accounting, tax errors, and even legal issues. Here are some best practices on how to keep your business and personal credit separate:



**Open a separate bank account just for your business:** One of the easiest methods for keeping business and personal finances separate is to establish a separate bank account for your business. This will allow you to track your business transactions and expenses separately from your personal finances.



**Apply for a business credit card:** Having a credit card devoted to your business can help you separate your business and personal expenses. Reconciling and paying the card on time helps to demonstrate the records of the business are organized. Make sure you use your business credit card for all business-related expenses and pay it off on time to avoid interest charges.



**Keep detailed records:** Keeping detailed records of your business transactions is crucial. This will help you track your expenses, income, and taxes accurately. Make sure you keep receipts and invoices for all business-related expenses.



**Hire a bookkeeper or accountant:** If you're uncomfortable managing your business finances independently, consider hiring a bookkeeper or accountant. They can help you keep track of your finances and ensure that you comply with all tax laws.



**Avoid using personal credit for business expenses:** Personal credit for business expenses can lead to clarity and make it easier to separate your business and personal finances. Avoid using personal credit for any business-related expenses.charges.



**Incorporate your business:** Incorporating your business can help you separate your personal and business finances. This will also protect your personal assets if your business is ever sued.

Keeping your business and personal credit separate is crucial for maintaining accurate records and preventing financial confusion. By following these best practices, you can avoid headaches and ensure that your business finances are properly managed and that you're complying with all tax laws.



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# END OF PREVIEW

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## **You're just getting started...**

We hope you've enjoyed the first few pages of *The Blueprint* and found it insightful. Continue reading and take full control of your business growth today! To access the full version of the eBook scan the QR Code above or [click here](#) to unlock.