

The Pathway to Accessing Capital

Claudine Land:

Hello everyone. And welcome to the Virtual Ingenuity Business Podcast. Let me take a minute to introduce our guest today. Torin Darling Brazzle is the executive director and founder of IGNITE! Alabama, a nonprofit organization that helps to educate and bridge the communication gap between service providers and small business owners, especially minority and business owners. IGNITE! Alabama aims to build a support network to connect businesses. Torin has over 16 years of executive level grants management, 24 years of resource and partnership development, resulting in over \$18 million of funding and, or direct services to date. Program development, event planning and project management as well. Torin has a proven and dedicated career of promoting economic equality and advancement among disadvantaged populations throughout the state of Alabama. Torin leads a stellar team to develop and execute innovative programs and events at IGNITE! Alabama. Welcome Torin.

Torin Brazzle:

Thank you so much for having me. Good morning.

Claudine Land:

Good morning. I'm happy to have you join our podcast today. We are going to discuss the pathway for small businesses to access capital. Now let's be clear on what capital is. Capital is the money or wealth needed to produce goods and services. So in most basic terms, it's money. All businesses must have capital in order to purchase assets and maintain their operations. Cashflow is very important for a startup business. And even though it's an exciting time to start a new business, it can be an extremely busy time as well, because you have to make important decisions under pressure, and they're usually decisions that can impact the future success of your startup business. Understanding your business's cash flow is essential to guide your decision making.

Claudine Land:

There are three important questions that I believe every startup business owner should be asking. How much money is coming in? That's number one. Number two is, when is it going to hit my bank account? And number three, when can I pay my bills. New businesses that are still in the startup stage will need funding to get off the ground. And good cashflow is essential to a small business. While most business owners will use their own funds to start the business, very few manage to entirely self-fund the company to profitability. And they'll therefore need to seek external funding. There are a variety of options we know are available for external startup funding, Torin, and we'll get to that later. But first I want to ask you how does a business owner know whether it's time to access capital or funding?

Torin Brazzle:

So that's really an easy and simple answer, because it's literally once you've gotten your foundation together, and so that means you have your business plan done and you've gotten filed with the federal government and receive your EIN, which is basically your business social security number. You've gotten your state registrations and, or city and county licenses out of the way. You've really identified who your audience is, who is your client? Who is it that really needs the services that you're going to provide? And then what are those services that you're going to provide? What are the things that you're going to do? And once you do that, then you can begin to look at how much is it going to cost for you to do what needs to be done? Do you need staff? Do you need supplies and materials? Do you need technology?

Torin Brazzle:

So, it really honestly, Claudine, is about you being very aware about what exactly it is that your business and company exist to do. And how much. Understanding how much it's going to cost for you to do those things. That is when you will know that you're ready to start seeking capital, because that gives you that roadmap that you need.

Claudine Land:

Torin, you mentioned business supplies and business expenses. Why is it important then for a business to have a budget?

Torin Brazzle:

Because that is literally the one document that helps you understand clearly what it is that you need to do, what your company exists to do. If you don't have a budget, then you don't know what the requirements are for you to be able to exist. You don't know how much capital cash that you need to make that happen. If you don't have the budget, then you're literally just wandering aimlessly. It's like setting out for a trip, Claudine, and you know that your destination is there, but you haven't taken time to map it out. When you're operating without a budget, you know where you want to go, but that budget is what helps to give you the roadmap to success. That's what tells you this is what I need clearly to be able to get to my destination, which is a destination of success.

Claudine Land:

Thank you, Torin. Having a budget is so important in a business. What are the different types of funding available to small businesses? Whether it's a for-profit, it's a nonprofit, whatever type of business it is. I know that there are plenty of funding sources available, but how do you know what funding source a particular business needs?

Torin Brazzle:

It really depends on the stage of your business as it relates to the options that you have. But for those of you that are just starting, or you've been operating literally, but fiscally and on paper, your businesses don't exist. So, the truth of the matter is the funding that is going to be most available to you is going to be funding that you put in it as an individual, as well as funding, seed funding, that you may be able to raise from your family and from your friends and your close colleagues and networks. Honestly, that is when you're first getting started, whether it is a for-profit or it is a nonprofit, you are your first investor. Your friends and your family, and those that are in your network, that is the easiest way to begin to get capital that you need when you're starting up. After that you have different options that would be available to help you, such as CDFIs [Community Development Financial Institutions], which is basically a financial institution that is a step down below a bank, or a federal credit union.

Torin Brazzle:

Then you also have grants. We are right now in a place, as it relates to for-profit companies, especially minorities, African-Americans, as well as female led, that because of the pandemic and because of the civil unrest, for the first time in my lifetime, and I have literally been serving now for 24 years in this space. I am honestly seeing grants for the first time for for-profits. Prior to that over the years, people with a for-profit would say, "Hey, can you help me find a grant? I'm trying to find that free money." So I just want to be clear. Nothing in life is free. And so for, for-profits before the civil unrest and before the pandemic, we did not have. There was no such thing as a grant for a for-profit business, but now there

are. There is a lot less than what we saw in 2020 and in 2021, however, there are still some grant opportunities that are available.

Torin Brazzle:

Then, of course, you have loans. So when you're talking about access to capital, let's put it in buckets. You have cash. So those are the dollars that you may be putting in and your family, your friends, your colleagues, then you have loans. Those are things that you go to, whether it is a bank, a credit union, a CDFI, if you're building your credit, or you're just establishing credit. A CDFI absolutely is going to be the best first stop for you. And we have Hope Credit Union, Sabre Finance, TruFund Financial Services. Those are few CDFIs that I'm aware of that I know that go out of their way to try to help anyone that come through their doors. I would strongly encourage you to try there. And then also the SBA [Small Business Administration]. The SBA has a lot of resources that are available for small business owners.

Torin Brazzle:

And again, right now, because of the pandemic and because of civil unrest, if there was a time to get grants, to get loans, to get even access to capital in different ways, even from your local communities and people investing in your business is now, the time is now, but you absolutely have to have your t's crossed and i's dotted. And make sure that you present and present very well. I know that I didn't mention it earlier when I was saying that, but let's make sure you have your business plan. Let's make sure you have a budget. Something else that is really important is your digital footprint. When people in today's world, when someone looks up you and your business, when they hear about you, they are going to Google you. They are going to Google you. They are going to look for you on LinkedIn. They are going to look for you on Facebook and on Instagram and on Twitter.

Torin Brazzle:

It is very important before you even begin to try to access capital, whether it is grants or loans or anything outside of your close network, to make sure you are proactive, and you are literally making sure that you have a really great digital footprint. A website, LinkedIn. LinkedIn is very important for business owners, and be thoughtful about what you put [out there] because I promise you, people are researching you and you will get a yes or a no based off what they see. That is so very serious. You may not even get the opportunity to talk to them. You may not even get the opportunity to be invited, to apply for a funding opportunity if they look and see your digital footprint and it is subpar, or it's not present at all.

Claudine Land:

Torin, you're absolutely right in saying that. And I'm glad that you emphasized your digital footprint because it's just like personal credit. They're going to look at your history. Let's talk about business credit. What is "business credit"?

Torin Brazzle:

Okay. So there's no such thing as business credit. I want to be clear. When you're first getting started, you as the individual are your business credit. So, what is important is for you to make sure that you have a strong personal credit profile, because you will then use that to leverage and begin to build and establish credit for your business. When you're talking about establishing your business credit, the very first step that you need to take is to secure a DUNS number. And then once you get your DUNS number, you utilize that to register and complete a SAM's registration. That is the foundation. And that is for, for-

profits where really our credit is tracked and its maintained. So, business credit, there's not really anything such as business credit honestly. It starts with you as a person, but once you have a strong credit profile personally, and you begin to leverage that and utilize that to establish your business credit is very important that your first step is to actually register and get a DUNS number, and then to complete your SAM's registration.

Claudine Land:

So let's be clear on what we're calling business credit. In essence, what we are both saying, what Torin and I are saying, is that your personal credit will translate into what folks consider as business credit, but they're not separate entities. It's all one thing. Now that doesn't mean that you have the same account for your business and personal [account], you have to keep it separate. I just want to make that distinction. Your credit starts with your personal credit and then it just translates into what is known as business credit. But in essence, it's all one thing. Now you still do need to have a separate account, your personal account, and then a business account. Isn't that correct, Torin?

Torin Brazzle:

Yes, that is absolutely correct. And what will happen is this. Let's just say you have a Capital One personal credit card. And now you apply for your Capital One business credit card. Well, when you complete that application, all of your personal information goes on it in addition to your business. So while that app credit profile will have your business EIN, which is your federal employment identification number, that is your business social security number, really in essence, however, there is also a side for your personal information, or if you have a business partner, their information, if you're for-profit or nonprofit, there are your board of directors, possibly your board president, or your executive director.

Torin Brazzle:

But nevertheless, it's always going to be a spot for your personal social security number as well. And if you have not established business credit yet, then the weight of the decision it's going to be based off what they tie to your social security number. So, there are two totally different accounts, but what I'm saying is they are going to factor and utilize your personal credit profile to either approve or decline your request for credit when you're first starting your business.

Claudine Land:

Okay. So we just really talked about this, but let's dive a little bit deeper into why we need to separate one's personal bank account from your business account. We touched on it.

Torin Brazzle:

Co-mingling, co-mingling.

Claudine Land:

Co-mingling, yes.

Torin Brazzle:

That is like, guys, we have to be very, very clear as it relates to what we're doing and why we are doing it and how we are doing it. And so what I will say to those of you that perhaps your business right now is still a side hustle, or you're like me, and it was a hobby, my for-profit was just a hobby for years because

I wasn't doing anything right, but when you know better, you do better. And so the reason why it's very important for you to have a personal bank account and for you to have a business bank account, and to keep those things separate, even if, yes, when you first get started, you are funding your business. But what you do is you take money, dollars from your personal bank account and base it off your budget, so your personal budget, how much is it that you can afford to be able to invest in your business?

Torin Brazzle:

But whatever that amount is, you deposit that into your business bank account. And then that serves as your base in any of your tangible, true business expenses, it comes out of that account. When you start co-mingling, what that means is, is you have your business and your personal expenses all wrapped up into one. So, let's just say that you are out traveling and you stop at the gas station. And this is not a business expense whatsoever, but you need to put gas in your car and you grab your business bank card versus your personal bank card. Well, what you just did was co-mingled funds, because you used your business account for a personal expense. It is very important that you make sure that you are keeping those lines clear and you do not blur them at all.

Torin Brazzle:

That is another reason why I want for you guys to reach out to our friends at Hope Credit Union, Sabre Finance, or TruFund Financial Services, because they can help you put that budget together. The Small Business Development Center, they can help you put your budget together. And that way you can be very clear on what your business expenses are versus your personal expenses. And you only utilize your business check card, or your business bank account to pay those expenses. Even if you have to loan personally, your business money, that's fine, but make sure you withdraw it from your personal account, deposit it into the business account, and make those purchases and those expenses there versus flipping back and forth.

Torin Brazzle:

And I know that it's hard when you first get started. I promise I do. I understand it, but if you start today, forget what happened yesterday. Let's start today. And say, you know what? From this day fourth, I'm going to make sure. No matter where you are in the month, start today and then form great habits starting today. And then when you get to the top of the new month, just be very committed to make sure that you keep it clean and clear throughout.

Claudine Land:

And another thing that I want to emphasize too, Torin, is keep your business receipts. Keep your business receipts. You should have a folder for all of those receipts for your business only, and also make sure that you pay yourself from your business account. Everybody needs a salary. So make sure that you do pay yourself from that business account.

Torin Brazzle:

I agree, but in paying yourself, let's be realistic. Can your business afford to pay you yet? And if so, what is that amount? I don't care, let's just say that you're just getting started. And you are going to say, okay I'm going to give myself six months to build up my capital and my reserves. And when you, after those six months, you go back and you look, and you're able to see that, you know what? I'm actually clearing \$300 a month. I'm going very low, hopefully you're going to be clearing \$3,000 a month, \$10,000 a month. But let's just say it's \$300 dollars a month. Then what I want you to do, this is now after six

months, you've looked and you've seen, okay, what worked, what didn't work. And now you're stabilizing. So now you see that you've cleared \$300 a month for the last three months or so. Which means you should have at least \$900 in the bank.

Torin Brazzle:

What I would like for you to do is say, okay, for these next three months, I'm going to pay myself a hundred dollars a month. And then I'm going to come back in that ninth month and I'm going to look, and I'm going to see where we are, how much we have saved, what our reserves are. And so now I'm going to give myself a pay increase, and I'm going to pay myself \$300 a month. Do you guys see what we're doing? It's literally getting you to a place of stabilizing, because what you can't do is pay yourself one month an amount, let's just say a hundred dollars. And then next month you're having a really great month. And you're going to go ahead and you're going to pay yourself \$1,500, but then the next month is not so good. So you're going to pay yourself maybe \$500. That is not the way to do business.

Torin Brazzle:

Put together a budget and be committed to that budget. Yes, you absolutely need to pay yourself. You need to invest in yourself, but you also need to be realistic and make sure that you are not setting yourself up for failure. I love to under promise and over deliver. And when you're looking at this, this is your baby. And I know you say, well, I've invested all of this and I've done it. I'm just getting my money back. Well, I could see why you [say that], your rationale, but your business is a living, breathing entity. And you have to start making decisions based off what is good for your business. And what is good for your business is making sure that you have a strong stable foundation and that comes with consistency. And it comes with order.

Torin Brazzle:

You can't go flipping up and down and up and down and really expect to be in a better place months or years from now. Build your foundation, take it slow. Slow and steady wins the race. Let's not play into this instant gratification. What is it really going to take? Which again, it was your budget that you did at the beginning that told you what you really needed. So, that's what helps you project. And you'll know if you put together that budget, you'll really be able to have that pathway of when, and the strategic places that your business can begin to build. And it also gives you the motivation and the drive to do what you need to do to get extra money in because the more you do, the better decisions that you make, the connections that you have. That is what gives you the ability to increase your bottom line, which is your salary.

Claudine Land:

You're absolutely right, Torin. And it also goes back to setting your goals too, there are some entrepreneurs that their goal may be during the first six months is to take a certain percentage of their profits. So, you may want to think about what works best for you and your business, but that's also another way to decide how much money you're going to take to pay yourself or your salary. You may just want to take a certain percentage as well.

Torin Brazzle:

If it makes sense as well with the percentage. This is really where I'm getting to, is when you sit down with your CPA, or your accountant or your bookkeeper, you have to be able to make it make sense to

them so that they can make it make sense for you on your behalf to the IRS. We don't want to get into trouble. We don't want to bring any unnecessary audits on us. We want to make sure that everything is in order. And so as long as you have a budget and things are structured properly, even if you were to get an audit, then you would be able to say, hey, I set this amount and then I did the increase, or they would be able to see that percentage. And even though the amounts are different, the percentage was the same. So, it's, again, about consistency and continuity across the board.

Claudine Land:

Thank you, Torin for that very insightful information. Thank you all for listening. I want to close with this, regarding startup funding. It can be difficult to secure and many traditional finance providers will require a lot of information, such as, Torin mentioned, a detailed business plan. Don't get nervous, it's all part of the process of owning a business. Capital is the lifeblood of any business, and especially small businesses. It's very important. Without adequate financing through micro loans, commercial lending or investment capital, most are entrepreneurs cannot start a new business, or grow their existing business. It's important to know your funding options.

ClaudineLand:

Torin, thank you again for being our guest on the Virtual Ingenuity Business Podcast. Is there anything upcoming for IGNITE! Alabama that you'd like to share?

Torin Brazzle:

Well, thank you so much for having me. And yes, yes, yes. I would love for all of you to go to www.igniteal.org. Again, that is www.igniteal.org, and put your name on our email list. Sign up for that. There are things that are happening every single day, and it is our job to keep you in the loop and inform you so that you don't miss out on a single opportunity. So, do we have anything upcoming? Yes, we do every day, because that's our job, to make sure that we keep our ear to the pulse of what's happening so that we can inform you. However, I am also very excited to share that we are preparing for our annual Empowerment Summit that's going to be happening on Tuesday, October the 25th in Birmingham, Alabama. And we have been doing virtual since 2020, but we are literally so excited that we are going to be hosting a hybrid event.

Torin Brazzle:

So, for those of you guys that want to travel into the state of Alabama, it's a great time to come during the week of October 25th. And then for those of you that will want to join us virtually again, we will be streaming those things and will make that information available for anyone that's registered with our email list. So that is the best way to stay informed and engaged and in the loop, as it relates to what's going on with IGNITE!, as well as all of our amazing partners from the Small Business Development Center to TruFund Financial Services, to Hope Credit Union and Sabre Finance.

Torin Brazzle:

Our goal is to get you to a place where you're able to access capital, but there's a lot that happens when you first get started, until you can get a yes, or be what they call fundable or bankable. And so, we are here and we're doing different events every day, all day, to make sure that you have that competitive advantage. So again, thank you so much for having me. This was such a joy and a pleasure, and I hope to be able to come back soon.

Claudine Land:

Absolutely Torin. I do want to mention too, for our guests that IGNITE! Alabama does have a Facebook page. You do not have to live in Alabama to take part in these activities.

Torin Brazzle:

No, we actually have rebranded. So, you'll always hear me say IGNITE! because, and this is another tip for you guys, when you're starting, please make sure that you check, before you register with your state, check with, and apply for your EIN to make sure the name that you desire is available. IGNITE!, we always have considered ourselves, we wanted to just be IGNITE!, but of course it's such a common name. So, we had to go ahead and file as IGNITE! Alabama, Doing Business As (DBA) IGNITE!. However, we exist to serve everyone here, both within the United States and out. There are no barriers, right now we're running a pilot project called Doing Business in Alabama, but it has always been our intent for Doing Business in Alabama to become doing business anywhere.

Torin Brazzle:

Because it is a process and the process does not change. Our states may change, our countries may change, but the process to doing business, that does not change. And we are here to make sure that you understand it and that you have access to those entities. That in a lot of cases exist to help you at absolutely no cost to you to make sure that you have a competitive advantage.

Claudine Land:

Thank you for listening. Visit Virtual Ingenuity, LLC, at virtualingenuityllc.com.

Again, thank you, Torin.

Torin Brazzle:

Thank you so much.

Claudine Land:

Let's impact together!